FOSUN 复星

FOSUN INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 00656)

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is issued pursuant to Rule 13.10B of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Reference is made to the announcements of Fosun International Limited (the "**Company**") dated 11 January 2013 and 23 January 2013 in relation to the 2013 Notes Issue (the "**Announcements**"). All terms used herein have the same meaning as defined in the Announcements, unless otherwise defined.

Please refer to the attached offering memorandum in relation to the 2013 Notes (the "**Offering Memorandum**"), which has been published on the website of Singapore Exchange Securities Trading Limited on 31 January 2013.

The posting of the Offering Memorandum on the website of the Stock Exchange is only for the purpose of facilitating equal dissemination of information to investors in Hong Kong and compliance with Rule 13.10B of the Listing Rules, and not for any other purposes.

The Offering Memorandum does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities.

The Offering Memorandum must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer, the Company or the Subsidiary Guarantors, and no such inducement is intended. No investment decision should be based on the information contained in this announcement.

On behalf of the Board
Fosun International Limited
Guo Guangchang
Chairman

Shanghai, the PRC, 31 January 2013

As at the date of this announcement, the executive directors of the Company are Mr. Guo Guangchang, Mr. Liang Xinjun, Mr. Wang Qunbin, Mr. Fan Wei, Mr. Ding Guoqi, Mr. Qin Xuetang and Mr. Wu Ping; and the independent non-executive directors are Mr. Zhang Shengman, Mr. Andrew Y. Yan, Mr. Zhang Huaqiao and Mr. David T. Zhang.

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS OUTSIDE OF THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to this offering memorandum following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of this offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. 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 MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), 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.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

The following offering memorandum is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "EU Prospectus Directive"). The following offering memorandum has been prepared on the basis that all offers of the Notes made to persons in the European Economic Area will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of the Notes.

Confirmation and your representation: In order to be eligible to view this offering memorandum or make an investment decision with respect to the securities, investors must be non-U.S. persons (as defined in Regulation S under the Securities Act) outside the United States. By accepting the e-mail and accessing this offering memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are non-U.S. persons outside the United States and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) that you consent to delivery of such offering memorandum by electronic transmission.

Within the United Kingdom, the offering memorandum is being directed solely at and may only be communicated to persons: who (i) fall within Article 19(5) or Article 49(2)(a)-(d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, (ii) are outside the United Kingdom, or (iii) are persons to whom an invitation or inducement to engage in an investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise be lawfully communicated or caused to be communicated (all such persons collectively being referred to as "Relevant Persons"). The offering memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this offering memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. The offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person. Any person who is not a Relevant Person should not act or rely on the offering memorandum or any of its contents.

You are reminded that this offering memorandum has been delivered to you on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of this offering memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction.

This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and UBS AG, Hong Kong Branch, as the joint book-running managers (the "Joint Bookrunners"), or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Joint Bookrunners.

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.

Sparkle Assets Limited

(incorporated in the British Virgin Islands with limited liability)

US$400,000,000 6.875% Senior Notes Due 2020
UNCONDITIONALLY and IRREVOCABLY
GUARANTEED BY

FOSUN 复星

FOSUN INTERNATIONAL LIMITED

(a company incorporated with limited liability under the Companies Ordinance of Hong Kong)

The 6.875% Senior Notes due 2020 (the "Notes") to be issued by Sparkle Assets Limited (the "Issuer") will bear interest from and including January 30, 2013 (the "Issue Date") at the rate of 6.875% per annum payable semi-annually in arrears on January 30 and July 30 of each year (each, an "Interest Payment Date") commencing on July 30, 2013. The Notes will mature on January 30, 2020.

The Notes will be senior obligations of the Issuer, unconditionally and irrevocability guaranteed on a joint and several basis by Fosun International Limited (the "Company" or the "Parent Guarantor"), Fosun Industrial Holding Limited, Fosun Gold Holdings Limited, Fosun Property Holdings Limited, Topper Link Limited, Billion Infinity Investment Limited, Spread Grand Limited, Fosun Financial Holdings Limited, Laxton Investments Limited and certain of our future subsidiaries (the "Subsidiary Guarantors"), other than those organized under the laws of the PRC and their subsidiaries, publicly listed subsidiaries and certain other non-guarantor subsidiaries. Certain offshore subsidiaries of ours may provide a JV Subsidiary Guarantee. We refer to the guarantee by the Parent Guarantor as the Parent Guarantee and the guarantees by the Subsidiary Guarantors as the Subsidiary Guarantees. In addition, under certain circumstances and subject to certain conditions, a Subsidiary Guarantee required to be provided by a subsidiary of the Company may be replaced by a limited-recourse guarantee (the "JV Subsidiary Guarantee"). We refer to the subsidiaries providing a JV Subsidiary Guarantee as JV Subsidiary Guarantors.

The Issuer is a special purpose vehicle established to issue the Notes. It is a wholly owned subsidiary of China Alliance Properties Limited incorporated under the laws of Hong Kong.

The Issuer may at its option redeem the Notes, in whole or in part, at any time and from time to time on or after January 30, 2017, at the redemption prices set forth in this offering memorandum plus accrued and unpaid interest, if any, to the redemption date. At any time and from time to time prior to January 30, 2017, the Issuer may redeem up to 35% of the Notes, at a redemption price of 106.875% of the principal amount, plus accrued and unpaid interest, if any, in each case, using the net cash proceeds from sales of certain kinds of capital stock. In addition, the Issuer may redeem the Notes at any time, in whole but not in part, at a price equal to 100% of the principal amount of such Notes plus (i) accrued and unpaid interest (if any) to the redemption date and (ii) a premium as set forth in this offering memorandum. Upon occurrence of a Change of Control Triggering Event (as defined in the indenture governing the Notes among the Company, the Subsidiary Guarantors and The Bank of New York Mellon as Trustee, Principal Paying and Transfer Agent and Registrar (the "Indenture")), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will be (1) senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes, (2) at least *pari passu* in right of payment against the Issuer with all other unsecured, unsubordinated Indebtedness of the Issuer (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law), (3) effectively subordinated to certain secured obligations, other than the 7.5% senior notes due 2016 issued by the Company (the "2011 Notes") of the Issuer, the Parent Guarantor, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the event of the value of the assets serving as security therefor, and (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined herein). In addition, applicable law may limit the enforceability of the Parent Guarantee, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). See "Risk Factors — Risks Relating to the Notes, the Parent Guarantee, Subsidiary Guarantees and the JV Subsidiary Guarantees (if any)." For a more detailed description of the Notes, see "Description of the Notes" beginning on page 364.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 37.

Approval in-principle has been received for the listing and quotation of the Notes on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this offering memorandum. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantee (if any).

Issue Price 100%

The Notes, the Parent Guarantee, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or under any securities law of any state or other jurisdiction of the United States, and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act (the "Regulation S")), or to, or for the benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold by the Initial Purchasers (as defined below) only to non-U.S. persons outside the United States in offshore transactions in reliance upon Regulation S. For a description of certain restrictions on resale or transfer, see "Transfer Restrictions" beginning on page 467.

It is expected that the delivery of the Notes will be made on or about January 30, 2013 through the book-entry facilities of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme, Luxembourg ("Clearstream") against payment therefor in immediately available funds.

Joint Lead Managers and Joint Bookrunners

HSBC **Standard Chartered Bank** **UBS**

The date of this offering memorandum is January 23, 2013

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This offering memorandum does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this offering memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this offering memorandum or that the information contained in this offering memorandum is correct as of any time after that date.

This offering memorandum is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "EEA") (the "EU Prospectus Directive"). This offering memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of the Notes.

IN CONNECTION WITH THE OFFERING OF THE NOTES, THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, STANDARD CHARTERED BANK AND UBS AG, HONG KONG BRANCH, AS STABILIZATION AGENTS MAY, ON BEHALF OF THE INITIAL PURCHASERS (AS DEFINED BELOW), ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE NOTES. SPECIFICALLY, THE INITIAL PURCHASERS MAY OVERALLOT THE OFFERING, CREATING A SYNDICATE SHORT POSITION. IN ADDITION, THE INITIAL PURCHASERS MAY BID FOR, AND PURCHASE, THE NOTES IN THE OPEN MARKET TO COVER SYNDICATE SHORTS OR TO STABILIZE THE PRICE OF THE NOTES. ANY OF THESE ACTIVITIES MAY STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES ABOVE INDEPENDENT MARKET LEVELS. THE INITIAL PURCHASERS ARE NOT REQUIRED TO ENGAGE IN THESE ACTIVITIES, AND MAY END ANY OF THESE ACTIVITIES AT ANY TIME. NO ASSURANCE CAN BE GIVEN AS TO THE LIQUIDITY OF, OR THE TRADING MARKET FOR, THE NOTES. THESE TRANSACTIONS MAY BE EFFECTED IN THE OVER-THE-COUNTER MARKET OR OTHERWISE.

You should rely only on the information contained in this offering memorandum. We have not authorized any person to provide you with any information or represent anything about us or this offering that is not contained in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us or any of The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and UBS AG, Hong Kong Branch (the "Initial Purchasers") or the Trustee.

We, having made all reasonable inquiries, confirm that: (i) this offering memorandum contains all information with respect to us and our subsidiaries and affiliates referred to in this offering memorandum and the Notes that is material in the context of the issue and offering of the Notes; (ii) the statements contained in this offering memorandum relating to us and our subsidiaries and affiliates are true, accurate and not misleading; (iii) the opinions and intentions expressed in this offering memorandum with regard to us and our subsidiaries and affiliates are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us and our subsidiaries and affiliates and to the Notes, the omission of which would, in the context of the issue and offering of the Notes, make this offering memorandum, as a whole, misleading in any material respect; and (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility accordingly.

This offering memorandum is strictly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the Notes. You should read this offering memorandum before making a decision whether to purchase the Notes. You must not use this offering memorandum for any other purpose, or disclose any information in this offering memorandum to any other person.

We have prepared this offering memorandum, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes. By purchasing the Notes, you will be deemed to have made acknowledgements, representations and agreements set forth under the section headed "Transfer Restrictions" below.

None of the Initial Purchasers, the Trustee, the Principal Paying and Transfer Agent, the Registrar or the Collateral Agent makes any express or implied representation or warranty as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers, the Trustee, the Principal Paying and Transfer Agent, the Registrar or the Collateral Agent whether as to the past or the future. The Initial Purchasers, the Trustee, the Principal Paying and Transfer Agent, the Registrar and the Collateral Agent have not independently verified such information and assume no responsibility for its accuracy or completeness. To the fullest extent permitted by law, none of the Initial Purchasers accept any responsibility for the contents of this offering memorandum or for any statement made or purported to be made by the Initial Purchasers or on their behalf in connection with the Company or the issue and offering of the Notes.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers, the Trustee, the Principal Paying and Transfer Agent, the Registrar, the Collateral Agent or any person affiliated with such persons in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us and our subsidiaries and affiliates, or the Notes (other than as contained herein) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers, the Trustee, the Principal Paying and Transfer Agent, the Registrar or the Collateral Agent. Notwithstanding anything herein to the contrary, the Principal Paying and Transfer Agent and the Collateral Agent are solely agents for the Company or the Trustee, as the case may be, and at no time assume duties, obligations or a position of trust for the holders of the Notes.

The Notes, the Parent Guarantee, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

We are not, and the Initial Purchasers are not, making an offer to sell the Notes in any jurisdiction except where an offer or sale is permitted. The distribution of this offering memorandum and the offering of the Notes may in certain jurisdictions be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the Notes and distribution of this offering memorandum, see "Transfer Restrictions" and "Plan of Distribution" in this offering memorandum.

This offering memorandum summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of us and our subsidiaries and affiliates, as well as the terms of the offering, including the merits and risks involved. We are not making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Notes.

We reserve the right to withdraw the offering of the Notes at any time, and each of the Initial Purchasers reserves the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser. The Initial Purchasers, the Principal Paying and Transfer Agent, the Trustee, the Registrar, the Collateral Agent and certain related entities may acquire a portion of the Notes for their own account.

The Notes will be issued in fully registered book-entry form and will be represented by one or more permanent global certificates, deposited with a common depository for Euroclear or Clearstream. Beneficial interests of the Notes represented by the global certificate(s) will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear or Clearstream, and any such interest may not be exchanged for definitive Notes, except in limited circumstances described in this offering memorandum.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering memorandum using certain definitions and conventions which you should consider when reading the information contained herein.

References to Our Company

Fosun International

When we use the terms "our Company" and "Fosun International", we are referring to Fosun International Limited（復星國際有限公司）.

When we use the term "our Group", we are referring to Fosun International Limited（復星國際有限公司）and all of its subsidiaries.

When we use the terms "we," "us," "our" and words of similar import, we are referring to Fosun International Limited（復星國際有限公司）or to Fosun International Limited（復星國際有限公司）and all of its subsidiaries, as the context requires.

Fosun Group

When we use the terms "Fosun Group" and words of similar import, we are referring to Shanghai Fosun High Technology (Group) Co., Ltd.(上海復星高科技(集團)有限公司) by itself, or to Shanghai Fosun High Technology (Group) Co., Ltd. and its subsidiaries and jointly-controlled entities collectively. Fosun Group is a direct wholly-owned subsidiary of Fosun International.

Our Business

Our core business consists of seven segments: (i) insurance, (ii) pharmaceuticals and healthcare, (iii) property, (iv) steel, (v) mining, (vi) retail, services, finance and other investments and (vii) asset management. Below are certain definitions and conventions we use when referring to our business segments:

- We conduct our "insurance business" principally through Yong'An P&C Insurance, Pramerica Fosun Life Insurance and Peak Reinsurance.

- We conduct our "pharmaceuticals and healthcare business" principally through Fosun Pharma.

- We conduct our "property business" principally through Forte and our other portfolio companies. The Issuer is indirectly wholly owned by Forte through China Alliance.

- We conduct our "steel business" principally through Nanjing Iron & Steel and Jianlong Group.

- We conduct our "mining business" principally through Hainan Mining, Jin'an Mining, Shanjiaowulin and our other portfolio companies.

- Our "retail, services, finance and other investments" segment includes our minority investments in Yuyuan, Club Med, Focus Media, Folli Follie, Minsheng Bank and Vigor Kobo and our other portfolio companies in retail, services, finance and other industries outside our principal business segments.

- Under our "asset management" segment, we manage (i) US dollar funds, (ii) RMB Private Equity Fund, (iii) Star Capital Fund; and (iv) Forte Real Estate Fund Series.

For a list of the principal companies in each business segment, refer to "Group Structure — Our Major Subsidiaries, Jointly-Controlled Entities and Associates" in this offering memorandum.

Our Portfolio Companies

We are a holding company with a diversified portfolio of companies that operate in different industries. Our portfolio companies include subsidiaries, jointly-controlled entities, associates and other investee companies. When we use the term "portfolio companies," we are referring to entities through which our business is conducted, including Fosun Group.

Our Parent Companies

"Fosun Holdings" means Fosun Holdings Limited, a company incorporated in Hong Kong and the owner of 79.08% of our outstanding share capital on the date hereof. The remaining 20.92% of our share capital on the date hereof is publicly owned and traded on the Hong Kong Stock Exchange.

"Fosun International Holdings" means Fosun International Holdings Limited, a company incorporated in the British Virgin Islands and the owner of 100% of the share capital of Fosun Holdings on the date hereof.

Countries and Regions

Substantially all of our business operations are based in China. For the convenience of the reader, we have adopted the following conventions:

"BVI" means the British Virgin Islands.

"China" and the "PRC" mean the People's Republic of China. References to "China" or the "PRC," for purposes of this offering memorandum, do not include Hong Kong, the Macau Special Administrative Region of the PRC or Taiwan.

"Hong Kong" means the Hong Kong Special Administrative Region of the PRC.

"U.S." means the United States of America.

Government and Administrative Agencies

"AIC" means the China Administration for Industry and Commerce and its subordinated agencies.

"CBRC" means the China Bank Regulatory Commission and its subordinated agencies.

"CIRC" means the China Insurance Regulatory Commission and its subordinate agencies.

"CSRC" means the China Securities Regulatory Commission and its subordinate agencies.

"Hong Kong Stock Exchange" means The Stock Exchange of Hong Kong Limited.

"MLR" means the Ministry of Land and Resources of the PRC.

"MOFCOM" means the Ministry of Commerce of the PRC.

"NDRC" means the PRC National Development and Reform Commission.

"OCI" means Hong Kong Office of the Commissioner of Insurance.

"PBOC" means the People's Bank of China, the central bank of the PRC.

"PRC Government" means the central government of the PRC and all political subdivisions and instrumentalities thereof, including provincial, municipal and other regional and local governmental entities, or, where the context requires, any of them.

"SAFE" means the State Administration of Foreign Exchange of the PRC.

"SFDA" means the PRC State Food and Drug Administration.

"Trademark Bureau" means the Trademark Bureau of the PRC State Administration for Industry and Commerce.

Publicly-traded Shares

"A shares" means ordinary shares that are listed and traded on the Shanghai Stock Exchange or the Shenzhen Stock Exchange.

"H shares" means ordinary shares of PRC companies, with nominal value in Renminbi, that are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars.

Currency Presentation

All references in this offering memorandum to "U.S. dollars" and "US$" are to United States dollars; all references to "H.K. dollars" and "HK$" are to Hong Kong dollars; and all references to "RMB" or "Renminbi" are to Renminbi, the official currency of the PRC.

Solely for the convenience of the reader, this offering memorandum contains translations of certain H.K. dollar and RMB amounts into U.S. dollars. All H.K. dollar translations have been made at the rate of HK$7.7572 to US$1.00, the noon buying rate for U.S. dollars in The City of New York for cable transfers in H.K. dollar as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2012. All translations from RMB to U.S. dollars have been made at a rate of RMB6.3530 to US$1.00, the noon buying rate for U.S. dollars in The City of New York for cable transfers in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2012. The noon buying rate on June 30, 2012 were RMB6.3530 to US$1.00 and HK$7.7572 to US$1.00.

See "Exchange Rate Information" in this offering memorandum. No representation is made that the H.K. dollar and RMB amounts stated herein could have been, or could be, converted into U.S. dollars at such rates or at any other rate.

Totals presented in this offering memorandum may not total correctly because of rounding of numbers.

Percentage ownerships of our subsidiaries, associates, jointly controlled entities, invested companies and others presented in this offering memorandum may not represent our exact ownership interest in these entities due to rounding.

Financial Terms

"EBITDA" for any year is defined as profit for the year after adding back gross interest expense (representing finance costs, less bank charges and other financial costs), taxes, and depreciation and amortization for the year. Our profit for the year includes share of profits and losses of associates and jointly-controlled entities and certain other non-cash items, such as gain on bargain purchase, gain on deemed disposal of interests in associates, gain on fair value adjustment of investment properties, and gain on fair value adjustment of equity investments at fair value through profit or loss. These items have not been excluded for the purpose of calculating EBITDA. EBITDA is not a calculation based on Hong Kong Financial Reporting Standards ("HKFRS"). The amounts included in the EBITDA calculation, however, are derived from amounts included in the consolidated financial statements. EBITDA should not be relied upon as a measure to determine our operating cash flow or ability to service debt and meet capital expenditure requirements.

EBITDA should not be considered by an investor as an alternative to net profit or operating profit, or as indicator of operating performance or other consolidated operations or cash flow data prepared in accordance with HKFRS, or as an alternative to cash flow as a measure of liquidity. The computations of EBITDA herein may differ from similarly titled computations of other companies. We believe that investors should consider, among other things, revenue and operating expenses and the amount by which EBITDA exceeds capital expenditures, among other financial factors. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" in this offering memorandum for a reconciliation of our profit for the year under HKFRS to its definition of EBITDA.

Investors should also note that EBITDA as presented herein is calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See "Descriptions of the Notes — Definitions" in this offering memorandum for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements. All statements other than statements of historical fact contained in this offering memorandum, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "aim," "intend," "plan," "will," "may," "anticipate," "seek," "should" or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- disruption in the global capital markets;
- volatility in the markets for steel products, iron ore and other metal products, real properties and pharmaceutical products in China;
- general political and economic conditions, including those related to China, and developments in the PRC legal system;
- our ability to effectively manage a diversified investment portfolio consisting of companies in different industries;
- our ability to grow our new business segments as we anticipate;
- possible disruptions to commercial activities due to natural or human-induced disasters, including terrorist activities and armed conflict;
- exchange rate fluctuations;
- increasing competition in, and the conditions of, the relevant global and PRC industries in which our portfolio companies operate;
- significant movements in the price for the raw materials on which we rely;
- fluctuations in real estate markets, particularly in and around Shanghai, Beijing and other markets where we operate and may operate our property business in the future;

- PRC Government policies affecting property development in China, such as mortgage rates, minimum down payment requirements, restrictions on resales and other restrictions, or affecting the steel and mining industries, including industrial licensing, environmental regulations, safety regulations, import restrictions and duties, excise duties, sales taxes and other taxes;

- changes in designed, expected or estimated production capacity or utilization of our existing or new facilities in our pharmaceuticals and healthcare, steel and mining businesses;

- our ability to develop, or otherwise obtain the right to use, technologies and intellectual properties and to develop new products so as to maintain our competitiveness in the pharmaceutical industry;

- our ability to obtain, maintain, renew and comply with the requirements of licenses, permits and other governmental authorizations required to conduct our operations; and

- other operating risks and factors identified in this offering memorandum.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under the section headed "Risk Factors" in this offering memorandum and elsewhere in this offering memorandum. We caution you not to place undue reliance on these forward-looking statements, which reflect our view only as of the date of this offering memorandum of the opportunities and risks facing our businesses. We disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this offering memorandum might not occur.

ENFORCEMENT OF CIVIL LIABILITIES

Any final and conclusive monetary judgment of a competent foreign court for a definite sum against a BVI company based upon the Notes (other than a court of jurisdiction to which the Reciprocal Enforcement of Judgments Act (1922) or the Foreign Judgments (Reciprocal Enforcement) Act (1964) applies, and neither Act applies to the courts of the United States, Hong Kong or the PRC) may be the subject of enforcement proceedings in the courts of the BVI under the common law doctrine of obligation by action on the debt evidenced by the judgment of such competent foreign court. On general principles, it would be anticipated that such proceedings would be successful, provided that:

(i) the foreign court had jurisdiction in the matter and the BVI company either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process;

(i) the judgment given by the foreign court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations;

(ii) the judgment was not obtained by fraud;

(iii) recognition or enforcement of the judgment would not be contrary to BVI public policy; and

(iv) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

Fosun International is a company incorporated in Hong Kong under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). All of Fosun International's and each Subsidiary Guarantor's directors and executive officers reside in the PRC or in Hong Kong. All or a substantial portion of the assets of such persons, Fosun International and each of the Subsidiary Guarantors are located outside the United States. As a result, purchasers of the Notes might not be able to effect service of process within the United States upon such persons, Fosun International or any of the Subsidiary Guarantors or to enforce against them United States court judgments predicated upon the civil liability provisions of the federal securities laws of the United States. In practice, judgments of U.S. courts are often difficult or impossible to enforce in Hong Kong. While U.S. court civil judgments for a monetary sum in respect of private law liabilities are, in principle, enforceable in Hong Kong if certain criteria are satisfied (relating to matters including jurisdiction, finality, due process and the absence of fraud), those criteria are often not satisfied and even where they are, arguably, satisfied, the procedure for demonstrating this often proves costly, time-consuming and uncertain. Where the U.S. court judgment is based on the civil liability provisions of the U.S. federal securities laws, the defendant will often have scope for raising a further objection to the effect that such liabilities are, in substance, public or penal in nature and, as such, unenforceable in Hong Kong.

In addition, purchasers of the Notes should be aware that there is uncertainty as to whether the courts of the PRC would (i) enforce judgments of U.S. courts obtained against Fosun International, any of the Subsidiary Guarantors or their respective directors and executive officers predicated upon the civil liability provisions of the U.S. federal or state securities laws or (ii) entertain original actions brought in the PRC against Fosun International, any of the Subsidiary Guarantors or their respective directors and executive officers predicated upon the U.S. federal or state securities laws.

We intend to appoint Fosun International's New York Office as our agent to receive process with respect to any action brought against us in any New York State or United States Federal court sitting in the Borough of Manhattan, The City of New York, arising out of or relating to the offering of the Notes.

PRESENTATION OF FINANCIAL INFORMATION

We have prepared our historical consolidated financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. Ernst & Young, our independent auditors, audited our consolidated financial statements as of and for each of the years ended December 31, 2009, 2010 and 2011, including the notes thereto, appearing elsewhere in this offering memorandum in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young, our independent auditors, reviewed our interim condensed consolidated financial statements as of and for the six months ended June 30, 2012, including the notes thereto, appearing elsewhere in this offering memorandum in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

In this offering memorandum, we use the term "retail, services, finance and other investments" to refer to the business segment that is referred to as "others" in our audited consolidated financial statements as of and for the year ended December 31, 2009, included elsewhere in this offering memorandum.

GLOSSARY OF TERMS

This glossary contains certain conventions and technical terms we use when referring to our business. The English names of PRC companies are directly translated from their Chinese names and are furnished for ease of reference only, and should any inconsistencies between the Chinese names and the English names exist, the Chinese names shall prevail. The technical terms may not correspond to standard industry definitions.

Companies

Holding Companies within Our Group

Our Company .... 復星國際有限公司 (Fosun International Limited)

Our Group .... Our Company and its subsidiaries

The PRC Holding Company

Fosun Group .... 上海復星高科技(集團)有限公司 (Shanghai Fosun High Technology (Group) Co., Ltd.), a wholly-owned subsidiary of our Company

Issuer of the Notes

Sparkle Assets .... Sparkle Assets Limited, a wholly-owned subsidiary of China Alliance

Principal Portfolio Companies

Fosun Pharma .... 上海復星醫藥(集團)股份有限公司 (Shanghai Fosun Pharmaceutical (Group) Co., Ltd.), a subsidiary of Fosun Group

Forte .... 復地(集團)股份有限公司 (Shanghai Forte Land Co., Ltd.), a subsidiary of Fosun Group

Nanjing Iron & Steel .... 南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.), a subsidiary of Nanjing Nangang

Hainan Mining .... 海南礦業股份有限公司 (Hainan Mining Co., Ltd.), a subsidiary of Fosun Group

Other Portfolio Companies in the Insurance Business

Yong'An P&C Insurance	永安財產保險股份有限公司 (Yong'An Property Insurance Company Limited), in which Fosun Group holds an effective equity interest of 18.1%
Pramerica Fosun Life Insurance .	復星保德信人壽保險有限公司 (Pramerica Fosun Life Insurance Co., Ltd.), a jointly-controlled entity of the Company
Peak Reinsurance	鼎睿再保險有限公司 (Peak Reinsurance Company Limited), a wholly-owned subsidiary of Peak Reinsurance Holdings
Peak Reinsurance Holdings	Peak Reinsurance Holdings Limited, a subsidiary of China Alliance

Other Portfolio Companies in the Pharmaceuticals and Healthcare Business

Beijing Jinxiang	北京金象復星醫藥股份有限公司 (Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd.), an associate of Fosun Pharma
Chongqing Yaoyou	重慶藥友製藥有限責任公司 (Chongqing Yaoyou Pharmaceuticals Co., Ltd.), a subsidiary of Fosun Pharma
For Me Pharmacy	上海復美益星大藥房連鎖有限公司 (Shanghai For Me Pharmacy Co., Ltd.), a subsidiary of Fosun Pharma
Guilin Pharma	桂林南藥股份有限公司 (Guilin South Pharma Company Limited), a company limited by shares established in the PRC on June 22, 2001, and a 94.25% owned subsidiary of Fosun Pharmaceutical Industrial
Guilin Pharmaceutical	桂林製藥有限責任公司 (Guilin Pharmaceutical Company Limited), a limited liability company established in the PRC on December 11, 1989, and an 89.9% owned subsidiary of Fosun Pharmaceutical Industrial, which was merged with and absorbed by Guilin Pharma in December 2010. Guilin Pharmaceutical was de-registered on May 17, 2011
Jiangsu Wanbang	江蘇萬邦生化醫藥股份有限公司 (Jiangsu Wanbang Biopharmaceutical Company Limited), a subsidiary of Fosun Pharma
Golden Elephant Pharmacy	北京金象大藥房醫藥連鎖有限責任公司 (Beijing Golden Elephant Pharmacy Medicine Chain Co., Ltd.), a subsidiary of Fosun Pharma

Fosun Pharmaceutical Industrial ...	上海復星醫藥產業發展有限公司 (Shanghai Fosun Pharmaceutical Industrial Development Company Limited), a subsidiary of Fosun Pharma
Sinopharm	國藥控股股份有限公司 (Sinopharm Group Co. Ltd.), a company listed on the Hong Kong Stock Exchange (1099.HK) and an associate of Fosun Pharma
Sinopharm Investment	國藥產業投資有限公司 (Sinopharm Industrial Investment Co., Ltd.), an associate of Fosun Pharma
Fosun Chemical	上海復星化工醫藥創業投資有限公司 (Shanghai Fosun Chemical Pharmaceutical Investment Company Limited), a subsidiary of Fosun Pharma
Fosun Pharma Investment	上海復星醫藥投資有限公司 (Shanghai Fosun Pharmacy Investment Co., Ltd.), a subsidiary of Fosun Pharma
Handa Pharmaceuticals	Handa Pharmaceuticals, LLC, in which Fosun Pharma holds a 10% equity interest
Shanghai Henlius	上海復宏漢霖生物技術有限公司 (Shanghai Henlius Biotech Co., Ltd.), a subsidiary of Fosun Pharma
Shenyang Hongqi	瀋陽紅旗製藥有限公司 (Shenyang Hongqi Pharmaceutical Co., Ltd.), a subsidiary of Fosun Pharma
Handan Moluodan	邯鄲摩羅丹藥業股份有限公司 (Handan Moluodan Pharmaceutical Co., Ltd.), a subsidiary of Fosun Pharma
Chindex	美中互利醫療有限公司 (Chindex International, Inc.), a NASDAQ-listed (NASDAQ: CHDX), leading independent American provider of Western healthcare products and services in the PRC in which Fosun Pharma holds a 18.52% equity interest. Chindex has entered into a joint venture with Fosun Pharma, Chindex Medical Limited, which focuses on manufacturing and distributing medical devices in China and in which Fosum Pharma holds a 51% equity interest
Guangji Hospital.............................	岳陽廣濟醫院有限公司 (Yueyang Guangji Hospital Company Limited), a subsidiary of Fosun Pharma
Jimin Hospital Management...........	安徽濟民醫院經營管理有限公司 (Anhui Jimin Hospital Management Company Limited), a subsidiary of Fosun Pharma

Jimin Cancer Hospital	安徽濟民腫瘤醫院 (Anhui Jimin Cancer Hospital), a subsidiary of Fosun Pharma

Other Portfolio Companies in the Property Business

Zhejiang Forte	浙江復地置業發展有限公司 (Zhejiang Forte Property Development Co., Ltd.), a subsidiary of Forte
Shanghai Forte Investment	上海復地投資管理有限公司 (Shanghai Forte Investment Management Co., Ltd.), a subsidiary of Forte
Wuhan Zhongbei	武漢中北房地產開發有限公司 (Wuhan Zhongbei Real Estate Development Co., Ltd.), a subsidiary of Forte
China Alliance	中合置業有限公司 (China Alliance Properties Limited), a subsidiary of Forte
Haizhimen	上海海之門房地產投資管理有限公司 (Shanghai Haizhimen Property Investment and Management Co., Ltd.), a joint venture in which our Company holds a 50% equity interest
Zendai	上海証大房地產有限公司 (Shanghai Zendai Property Limited), a company incorporated on August 19, 1992 as an exempted company with limited liability under the laws of Bermuda, the shares of which are listed on the Hong Kong Stock Exchange, of which China Alliance holds 19.55% of the total registered capital
Resource Property	上海策源置業顧問有限公司 (Shanghai Resource Property Consultancy Co., Ltd.), a subsidiary of Fosun Group
Forte Pear	成都復地明珠置業有限公司 (Chengdu Forte Pearl Real Estate Co., Ltd., an indirect subsidiary of Forte

Other Portfolio Companies in the Steel Business

Nanjing Nangang	南京南鋼鋼鐵聯合有限公司 (Nanjing Nangang Iron & Steel United Co., Ltd.), a subsidiary of Fosun Group
Nanjing Steel United	南京鋼鐵聯合有限公司 (Nanjing Iron & Steel United Co., Ltd.), a wholly-owned subsidiary of Nanjing Nangang
Nanjing Iron & Steel Development.	南京南鋼產業發展有限公司 (Nanjing Nangang Iron & Steel Industry Development Co., Ltd.), a wholly-owned subsidiary of Nanjing Iron & Steel

Nanjing Steel	南京鋼鐵有限公司 (Nanjing Iron & Steel Limited), a wholly owned subsidiary of Nanjing Iron & Steel Development
Nanjing Jinteng Steel	南京金騰鋼鐵有限公司 (Nanjing Jinteng Iron & Steel Co., Ltd.), a subsidiary of Nanjing Steel
Hong Kong Jinteng	香港金騰國際有限公司 (Hong Kong Jinteng International Company Limited), a wholly-owned subsidiary of Nanjing Iron & Steel Development
Nanjing Steel Trading	南京鋼鐵集團國際經濟貿易有限公司 (Nanjing Steel Group International Trading Co., Ltd.), a wholly-owned subsidiary of Nanjing Iron & Steel Development
Jianlong Group	天津建龍鋼鐵實業有限公司 (Tianjing Jianlong Iron & Steel Industrial Co., Ltd.), a former associate of Industrial Investment, now an associate of Industrial Development

Other Portfolio Companies in the Mining Business

Jin'an Mining	安徽金安礦業有限公司 (Anhui Jin'an Mining Co., Ltd.), a subsidiary of Nanjing Iron & Steel Development
Shanjiaowulin	山西焦煤集團五麟煤焦開發有限責任公司 (Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd.), an associate of Fosun Group
Zhaojin Mining	招金礦業股份有限公司 (Zhaojin Mining Industry Co., Ltd.), a former associate of Fosun Group, now an investee company of Fosun Group

Portfolio Companies and Entities in the Retail, Services, Finance and Other Investments

Yuyuan	上海豫園旅遊商城股份有限公司 (Shanghai Yuyuan Tourist Mart Co., Ltd.), an associate of Fosun Group
Focus Media	分眾傳媒控股有限公司 (Focus Media Holding Limited), a company whose American Depository Shares are listed on NASDAQ
Club Med	Club Méditerranée S.A., a leisure and hospitality company listed on the Euronext Paris in which our Company holds an equity interest of 9.96%

Folli Follie	Follie Folllie Group, a Greek-based company fashion retail company in which our Company and Pramerica-Fosun China Opportunity Fund hold an equity interest of 9.96% and 3.89%, respectively
Minsheng Bank	中國民生銀行 (China Minsheng Banking Corp., Ltd.), a national joint-stock commercial bank in which our Company hold 2.19% of its total issued share capital and Pramerica-Fosun China Opportunity Fund hold 0.1% of its total member of shares
Fosun Group Finance	上海復星高科技集團財務有限公司 (Fosun Group Finance Corporation Limited), a wholly-owned subsidiary of Fosun Group
Vigor Kobo	維格餅家股份有限公司 (Vigor Kobo), a Taiwan-based renowned bakery in which our Company holds an equity interest of 20%
Industrial Development	上海復星工業技術發展有限公司 (Shanghai Fosun Industrial Technology Development Co., Ltd.), a wholly-owned subsidiary of Industrial Investment
Industrial Investment	上海復星產業投資有限公司 (Shanghai Fosun Industrial Investment Co., Ltd.), a wholly-owned subsidiary of Fosun Group

Portfolio Companies and Funds in the Asset Management Business

Carlyle-Fosun Management.........	復星凱雷(上海)股權投資管理有限公司 (Carlyle-Fosun (Shanghai) Equity Investment Management Co., Ltd.), general partner of Carlyle-Fosun Fund
Fosun Capital Management.........	上海復星創富投資管理有限公司 (Shanghai Fosun Capital Investment Management Co., Ltd.), a wholly-owned subsidiary of Fosun Group
Pramerica-Fosun China Opportunity Fund Management	Fosun Equity Investment Ltd., a wholly-owned subsidiary of our Company
Star Capital Management	上海星浩股權投資管理有限公司 (Shanghai Star Capital Investment Management Co., Ltd.), a subsidiary of Fosun Group

Fosun Chuanghong Management	西藏復星投資管理有限公司 (Tibet Fosun Investment Management Co., Ltd), a wholly-owned subsidiary of Fosun Group
Carlyle-Fosun Fund	凱雷復星(上海)股權投資基金企業(有限合伙) (Shanghai Carlyle-Fosun Shanghai Investment Fund) a private equity fund managed by Carlyle-Fosun Management
Fosun Chuanghong Fund	上海復星創泓股權投資基金合伙企業(有限合伙) (Shanghai Fosun Chuanghong Equity Investment Fund Partnership L.P.) a private equity fund managed by Fosun Chuanghong Management
Fosun Capital Fund	上海復星創富股權投資基金合伙企業(有限合伙) (Shanghai Fosun Capital Equity Investment Fund Partnership L.P.), a private equity fund managed by Fosun Capital Management
Pramerica-Fosun China Opportunity Fund	復星—保德信中國機會基金(有限合伙) (Pramerica — Fosun China Opportunity Fund, L.P.), a private equity fund managed by Pramerica-Fosun China Opportunity Fund Management
Star Capital Fund	上海星浩股權投資中心(有限合伙) (Shanghai Star Equity Investment L.P.), consisting of Star Capital I and Star Capital II, private equity funds formed by Star Capital Management in March 2011 and April 2012, respectively managed by Star Capital Management

Parent Companies and Other Related Parties

Fosun Holdings	復星控股有限公司 (Fosun Holdings Limited) which holds a 79.08% equity interest in our Company
Fosun International Holdings	復星國際控股有限公司 (Fosun International Holdings Ltd.) which holds a 100% equity interest in Fosun Holdings
Nanjing Steel Group	南京鋼鐵集團有限公司 (Nanjing Iron & Steel Group Co., Ltd.), a shareholder of Nanjing Nangang
Sinopharm Group	中國醫藥集團總公司 (China National Pharmaceutical Group Corporation), a shareholder of Sinopharm Investment

Initial Subsidiary Guarantors of the Notes

Billion Infinity .... 茂億投資有限公司 (Billion Infinity Investment Limited), a wholly-owned subsidiary of our Company

Financial Holdings .... 復星金融控股有限公司 (Fosun Financial Holdings Limited), a wholly-owned subsidiary of our Company

Gold Holdings .... 復星黃金控股有限公司 (Fosun Gold Holdings Limited), a wholly-owned subsidiary of our Company

Industrial Holdings .... 復星產業控股有限公司 (Fosun Industrial Holdings Limited), a wholly-owned subsidiary of our Company

Property Holdings .... 復星地產控股有限公司 (Fosun Property Holdings Limited), a wholly-owned subsidiary of our Company

Spread Grand .... 領弘有限公司 (Spread Grand Limited), a wholly-owned subsidiary of our Company

Topper Link .... Topper Link Limited, a wholly-owned subsidiary of Industrial Holdings

Laxton Investments .... Laxton Investments Limited, a wholly-owned subsidiary of our Company

Technical Terms

Insurance Business

Primary Premium Income .... premium from policies reported to the CIRC and calculated based upon the same criteria by insurance companies after the implementation of the Notice of the Ministry of Finance on Issuing the Provisions on the Accounting Treatment Related to Insurance Contracts《關於印發<保險合同相關會計處理規定>的通知》

reinsurance .... the practice of sharing or spreading of an insured risk of an insurer, or the reinsured, by ceding part of the risk to another insurer, or the reinsurer. The reinsurer, in consideration of a premium paid to it, agrees to indemnify the reinsured for part or all of the liability assumed by the insured under a contact or contracts of insurance which the reinsured has issued

active ingredient(s) or active pharmaceutical ingredient(s) or API(s)	the biologically active substance in a pharmaceutical product, responsible for the therapeutic effect of a drug
alimentary tract	the tubular passage extending from the mouth to the anus, through which food is passed and digested
blood transfusion	the process of receiving blood products into one's circulation intravenously. Transfusions are used in a variety of medical conditions to replace lost components of the blood, such as red blood cells, white blood cells, plasma, clotting factors and platelets
capsules	a formulation in which medicines may be delivered for oral ingestion, produced by mixing extracted active pharmaceutical ingredients with supplemental materials which are sealed in a gelatin capsule
cardiovascular system	the network of anatomic structures, including the heart and blood vessels, that circulate blood throughout the body. The system includes thousands of kilometers of vessels that deliver nutrients and other essential materials to the fluids surrounding the cells and that remove waste products and convey them to excretory organs
central nervous system	part of the nervous system consisting of the brain and spinal cord. The brain is the center of higher processes, such as thought and emotion and is responsible for the coordination and control of bodily activities and the interpretation of information from the senses. The spinal cord links the brain to the peripheral nervous system
Chinese medicines	medicines whose clinical function and application are expressed in terms of Chinese medicine theories originated from traditional medical practices in China and which are applied in accordance with Chinese medicine theories
clinical trial	systematic research conducted with patients or healthy volunteers to prove or reveal the effects and undesirable reactions of a test drug and/or the pattern of absorption, distribution, metabolism and excretion in relation to a test drug for the purpose of confirming the therapeutic value and safety of the test drug

diabetes	the metabolic disorders disease that is acquired due to absolute or comparative insufficiency of insulin or excessive glucagon of antagonistic insulin
first-to-market generic drug	the first generic drug that receives approval to be launched, following the expiry of the patent of an innovative drug
generic drugs	drugs which use the same active ingredients as the original products and are generally available in the same strengths and dosage forms as the original
GMP or Good Manufacturing Practices	guidelines and regulations issued from time to time pursuant to the Law of the People's Republic of China on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法》) and to provide quality assurance and ensure that pharmaceutical products subject to the guidelines and regulations are consistently produced and controlled to the quality and standards appropriate for their intended uses
GSP or Good Supply Practices	guidelines and regulations issued from time to time pursuant to the Law of the People's Republic of China on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法》) to provide quality assurance and ensure that pharmaceutical distribution enterprises distribute pharmaceutical products in compliance with the guidelines and regulations
immune system	a system of biological structures and processes within an organism that protects against disease. In order to function properly, an immune system must detect a wide variety of agents, from viruses to parasiticworms, and distinguish them from the organism's own healthy tissue
influenza	highly infectious respiratory disease. The disease is caused by certain strains of the influenza virus. When the virus is inhaled, it attacks cells in the upper respiratory tract, causing typical flu symptoms such as fatigue, fever and chills, a hacking cough, and body aches
injection	a preparation intended for parenteral administration and/or constituting or diluting a parenteral article prior to administration; parenterals may be introduced into the subcutaneous cellular tissue (subcutaneous or hypodermic) or the muscular tissue (intramuscular)

innovative drugs	new chemical or biochemical drugs that are different from existing drugs or therapies to treat diseases
malaria	a serious infectious disease spread by certain mosquitoes. It is most common in tropical climates. It is characterized by recurrent symptoms of chills, fever and an enlarged spleen
microbe	a microscopic living organism, such as a bacterium, fungus, protozoan or virus
National List of Essential Drugs	a list of drugs promulgated by MOH to promote essential medicines to be sold to consumers at fair prices and to ensure equal access to basic drugs by the general public
National Medical Insurance Drugs Catalogue	a catalogue of the list of pharmaceutical products under the National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance Drugs Catalogue (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2009年版)》) issued by the Ministry of Labor and Social Securitity of the PRC in 2009, as amended, supplemented or otherwise modified from time to time
non-prescription	a drug that may be bought by consumers over the counter without prescription
oncology	a substance that inhibits or prevents the development of neoplasms and combats the maturation and proliferation of malignant cancer cells
PCR	polymerase chain reaction
prescription drug	a drug that may only be obtained with prescription and used under doctor's supervision or instructions
prescription medicines	medicines which may only be prescribed by qualified medical practitioners
Provincial Medical Insurance Drugs Catalogue	the basic medical insurance, work injury insurance and maternity insurance drugs catalogue, issued by the local agency of human resources and social security of a province, municipality or autonomous region
substrate	a reactive material on which an enzyme acts

synthetic medicine .... pharmaceutical products wholly or partially produced by synthetic processes

tablets .... a formulation in which medicines may be delivered for oral ingestion, produced by mixing extracted active medicinal ingredients with supplemental materials or powdered medicines

traditional Chinese medicine ...... medicine made from ingredients extracted from Chinese herbs used for diagnosing, treating, preventing and relieving diseases or symptoms or for adjusting conditions of bodily functions, whose clinical function and application are expressed in terms of Chinese medicine theories originated from traditional medical practices in China and which are applied in accordance with Chinese medicine theories

tuberculosis................................ a common, and in many cases lethal, infectious disease caused by various strains of mycobacteria, usually Mycobacterium tuberculosis. Tuberculosis usually attacks the lungs but can also affect other parts of the body. It is spread through the air when people who have an active infection cough, sneeze, or otherwise transmit their saliva through the air

vaccines .... a biological preparation that improves immunity to a particular disease. A vaccine typically contains an agent that resembles a disease-causing microorganism, and is often made from weakened or killed forms of the microbe or its toxins. The agent stimulates the body's immune system to recognize the agent as foreign, destroy it, and ''remember'' it, so that the immune system can more easily recognize and destroy any of these microorganisms that it later encounters

Property Business

BOC .... building ownership certificate

Forte Offer .... a voluntary conditional offer made on January 20, 2011 through Standard Chartered Bank (Hong Kong) Limited to acquire Forte's issued H shares and domestic shares, upon the completion of which in May 2011, Forte was delisted from the Hong Kong Stock Exchange

GFA .... gross floor area

GFA booked .... GFA that has been delivered to the purchasers and the relevant sales have been recognized as revenue

LURC .... land usage rights certificate

REC .... real estate title certificate

sq.m .... square meter(s)

Steel and Mining Businesses

Nanjing Steel United Reorganization .... In October 2010, Nanjing Iron & Steel issued additional 2.2 billion new shares at a price of RMB4.15 per share to Nanjing Nangang, which indirectly held 62.69% equity interest in Nanjing Iron & Steel through Nanjing Steel United. After the completion of above transactions, Nanjing Nangang and Nanjing Steel United own a 56.53% and a 27.25% equity interest in Nanjing Iron & Steel, respectively, resulting in an increase of the effective interest of Nanjing Nangang in Nanjing Iron & Steel from 62.69% to 83.78%.

bars and wire rods .... a category of elongated steel products used in a wide variety of applications. For example, "merchant bars" are used by fabricators to manufacture numerous products such as furniture, stair railings and farm equipment; "concrete reinforcing bars" are used to strengthen concrete in highways, bridges and buildings

blast furnace .... a large-scale cylindrical container in which a hot air stream is injected into the fuel to accelerate the burning rate to turn iron ore into hot metal

coke .... solid fuel made in an oven by coking coal using complex physical and chemical processes, including high temperature dissolution, crystallization and compression

coking coal .... a type of coal with qualities that allow the production of coke suitable to support a blast furnace charge

cold-rolled .... the rolling of metal at a temperature below the recrystallization point of the metal to create strain hardening; cold rolling changes the mechanical properties of strips and produces certain useful combinations of hardness, strength, stiffness, ductility and other characteristics

continuous casting	a casting process in which molten steel is continuously fed into a crystallizer and the cast piece is released from the crystallizer and cooled by water in the secondary cooling chamber to form a semifinished product such as slab
converter	a furnace into which oxygen is blown through the molten bath of hot metal for the purpose of oxidizing impurities
ferroalloy	metal products commonly used as raw material feeds in steelmaking, usually containing iron and other metals to aid various stages of the steelmaking process such as deoxidation, desulfurization and adding strength; examples include ferrochrome, ferromanganese and ferrosilicon
HPBG Report	the Verification Report Relating to the Reserve of Polymetallic Iron Ore Mine Resources of Shiilu Mine of Changjiang County, Hainan Province,（《海南省昌江縣石碌礦區鐵多金屬礦資源儲量核實報告》）prepared by the Resources & Environment Investigation Institute of Hainan Provincial Bureau of Geology
hot-rolled	the rolling of semi-finished steel products after it has been re-heated at above the recrystallization temperature
iron ore	mineral containing enough iron to be a commercially viable source of iron for use in iron making
MLR Report	the Verification Report Relating to the Reserve of Resources of Caolou Iron Ore Mine of Huoqiu County, Anhui Province（《安徽省霍邱縣草樓鐵礦資源儲量核實報告》）(Guo Tu Zi Chu Bei Zi (2010) No. 126), prepared by the MLR
medium and heavy steel plates ..	a category of plate-shape steel with a thickness of more than 3mm but less than 50mm, which is mainly applied in boilers, shipbuilding, aviation, military products, construction, bridge and containers etc., generally supplied in wound coils of super imposed layers
ship classification society	an organization in charge of implementing the verification of registration and classification of vessels with authority to register vessels in their respective class upon passage of examination as to whether such vessels satisfy the required shipbuilding standards
slabs, billets and blooms	semi-finished steel products with square or rectangular cross sections; slabs, billets and blooms are used for the production, respectively, of steel plates, bars and wire rods and strips

JORC Code .... the Code for Reporting of Mineral Resources and Ore Reserves, an internationally accepted mineral resource/ore reserve classification system established in Australia. It is commonly used in independent technical reports for mineral resource and ore reserve statements

Asset Management Business

AUM .... Asset under management refers to the asset we manage or with respect to which we have control, including capital we have the right to call from our investors pursuant to their capital commitments to various funds

Other

CAGR .... compound annual growth rate, calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered

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SUMMARY

Overview

We are a large holding company with a portfolio focused on businesses benefiting from China's growth momentum. As a result of our rapid growth since our incorporation, we have established what we believe is a high-quality business combination which has benefited from China's economic growth, urbanization and industrialization. We have significant experience in managing different businesses in China and have successfully grown our core businesses into strong players with widely recognized brands within their respective industries. We seek to achieve sustainable and rapid growth of our investment portfolio value through the continued optimization of the existing portfolio and upgrading the management of our investee companies. Our past superior investment returns and our experience in improving the management of investee companies in a variety of industries in China give us what we believe to be a competitive advantage in continuously capturing investment opportunities. We have a strong investment platform which enables us to identify investment opportunities that we believe will benefit from China's rapid growth.

We believe our in-depth understanding of China's macroeconomic and microeconomic trends and our established operational experience in managing different business lines in China positions us to capture more investment opportunities benefiting from China's growth momentum. We have extensive experience in brand promotion, enhancing management structures and building sales networks, which effectively facilitate the development of an investee company's business. In addition, as a large diversified, non-state-owned enterprise in a rapidly growing market, we have developed strong execution capability that allow us to respond quickly to opportunities and challenges emerging from rapid economic development. We also have a diversified financing platform which gives us access to a wide range of capital resources for our Group's sustainable development.

Currently, our core operation consists of seven business segments: (i) insurance, (ii) pharmaceuticals and healthcare, (iii) property, (iv) steel, (v) mining, (vi) retail, services, finance and other investments, and (vii) asset management. Our principal portfolio companies include Fosun Pharma, Forte, Nanjing Iron & Steel and Hainan Mining. We believe that our principal portfolio companies enjoy competitive advantages within their respective industries and significant growth potential. We invest in a number of listed and unlisted companies, such as Jianlong Group, Yuyuan, Club Med, Focus Media, Folli Follie, Minsheng Bank and Vigor Kobo. We believe our insurance and asset management business segment, although recently established, have shown great growth potential. Our insurance segment has the platform to provide a variety of insurance products, including property and casualty insurance, life insurance, health insurance, reinsurance and others. Our asset management business segment managed US dollar and RMB funds with a total committed amount of RMB16.61 billion as of June 30, 2012.

For the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012, our consolidated revenue was RMB34,855.8 million, RMB44,643.7 million, RMB56,816.2 million, RMB25,568.8 million and RMB25,730,7 million, respectively, and our profit was RMB6,818.4 million, RMB6,146.7 million, RMB5,064.7 million, RMB4,662.4 million and RMB2,294.8 million, respectively.

Competitive Strengths

We believe we have the following competitive strengths:

Successful business strategies and strong execution capabilities

We focus on investing in various industries that benefit from China's growth momentum. Our investments have a track record of stable and profitable growth, which we consider to be evidence of the success of our business strategies and our strong execution capabilities. We have grown rapidly by leveraging our strong capabilities in identifying market opportunities and executing appropriate investment strategies. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012, our consolidated revenue was RMB34,855.8 million, RMB44,643.7 million and RMB56,816.2 million, RMB25,568.8 million and RMB25,730,7 million, respectively.

Our business segments currently cover (i) insurance, (ii) pharmaceuticals and healthcare, (iii) property, (iv) steel, (v) mining, (vi) retail, services, finance and other investments and (vii) asset management. We have also invested in a number of pre-IPO projects and listed companies. We strategically focus our investment on selected industries with high growth potential, such as consumption upgrade, financial services, resources and energy, and manufacturing upgrade. Since January 1, 2010, 17 of our private equity investments have successfully completed their initial public offerings.

We are an active shareholder and bring value to our investee companies, including providing strategic guidance, participating in executive recruitment and motivating management. We believe our principal portfolio companies are in leading positions within their respective market segments. Through our rapid growth in the past decade, the "Fosun" ("復星") brand has gained recognition as that of a valuable investor and business partner and is well recognized in China. We believe this will give us an advantage in identifying and capturing investment opportunities in the market.

Proven track record in achieving significant investment returns

We have a proven track record of opportunely capturing attractive investment opportunities in a wide range of industries. We believe our industry expertise has given us an early-mover advantage in entering markets with high-growth potential at reasonable costs. Our capturing of these opportunities has resulted in significant investment returns for us. During our investment period, we may obtain dividend distributions from our investee company, and our exit from investments may bring us cash inflows. For example:

- We began our investment in Yuyuan, a publicly traded company, in 2002, when we paid an aggregate of RMB353.7 million for a 20% interest in the company. Based on the closing price of Yuyuan's shares as of June 30, 2012, the market value of our 17.26% equity interest in Yuyuan was RMB1,955 million. In addition, in 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012, we received dividends from Yuyuan in the amount of RMB8.7 million, RMB11.0 million, RMB12.4 million, RMB0 million and RMB17.4 million, respectively.

- Following our investment in Jianlong Group in 2002, we capitalized on our steel production experience and established Nanjing Steel United in 2003 with an aggregate initial investment amount of RMB1,650.0 million for a 60% equity interest in Nanjing Steel United. In 2008 and 2009, we received dividends from Nanjing Steel United in the aggregate amount of RMB600.0 million. In October 2010, Nanjing Steel United's major steel-related assets were injected into Nanjing Iron & Steel, and such assets thus became part of a publicly listed company. In 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012, we were able to receive dividends from Nanjing Nangang, the holding company of Nanjing Steel United, in the amount of RMB600.0 million for the year ended December 31, 2011.

- In 2003, we identified the growth potential in China's healthcare supply chain industry and therefore invested in Sinopharm. We initially invested an aggregate amount of RMB813.3 million in Sinopharm. Based on the closing price of Sinopharm's shares as of June 30, 2012, the market value of Fosun Pharma's 32.05% equity interest in Sinopharm was RMB13,433 million. In addition, in 2009, 2010 and 2011 and the six months ended June 30, 2012, Fosun Pharma had received dividends from Sinopharm in the aggregate amount of RMB60.7 million, RMB61.0 million, RMB91.5 million and RMB91.6 million, respectively.

In recent years we have also invested in Focus Media, Club Med, Folli Follie, Minsheng Bank and Vigor Kobo with the goal of generating high cash flow from investment returns over the next few years.

Multi-channel and sustainable funding sources to raise capital

We have diversified and sustainable capital resources to support our business growth and our working capital needs. Our capital resources include liquid assets that can be sold to raise additional capital. As of June 30, 2012, our Group held equity investments at fair value through profit or loss amounting to RMB8,636.7 million, consisting of equity investments in Hong Kong with a market value of RMB1,979.6 million, in the United States with a market value of RMB4,239.3 million, in China with a market value of RMB1,734.6 million and in Europe with a market value of RMB683.2 million, representing their carrying value on our balance sheet measured at fair market value. As of June 30, 2012, our Group held listed available-for-sale investments amounting to RMB4,331.8 million, consisting of equity investments in Hong Kong with a market value of RMB973.9 million, in the United States with a market value of RMB253.8 million and in China with a market value of RMB3,104.0 million, representing their carrying value on our balance sheet measured at fair market value. As of June 30, 2012, our Group also held available-for-sale unlisted equity investments worth RMB4,564.3 million, representing their carrying value on our balance sheet stated at cost.

Moreover, our corporate structure allows us to raise capital at both the holding company and the portfolio company levels, which gives us access to multiple capital sources and increases our financial flexibility. As our Company and some of our principal portfolio companies are publicly traded on either the Shanghai Stock Exchange or the Hong Kong Stock Exchange, we have the ability to raise funds in different capital markets through equity and debt financing. For example, Fosun Pharma successfully completed an H share offering in 2012 raising net proceeds of RMB3,156.8 million.

We have strong relationships with more than 70 domestic and foreign financial institutions, from which we have obtained loan financing (including syndicated loans). These financial institutions include the big five commercial banks in China, Standard Chartered Bank (Hong Kong) Limited, China Development Bank, Citic Bank International China Merchant Bank and other banks.

We have also established strategic relationships with several financial firms such as The Carlyle Group and Prudential Financial, Inc. to raise and manage funds to invest in companies with high growth potential. In March 2010, we formed a foreign-funded equity investment partnership enterprise in China with The Carlyle Group with a combined initial investment of US$100 million. In 2011, we entered into a strategic arrangement with Prudential Financial, Inc. to establish a private equity fund, under which Prudential Financial, Inc., as a limited partner, will invest US$500 million in the fund, while we as a general partner will be responsible for making investment decisions and shall invest no less than US$100 million in the fund. We believe these strategic relationships not only help us expand our global investment capabilities and enhance our ability to raise capital from investors, but also give us access to our strategic partners' experience and resources to better capture investment opportunities in China.

We believe that we are able to finance our capital needs cost-effectively and diversify our funding sources, thereby satisfying the cash flow needs of our portfolio companies and offering financial support for our strategic and private equity investments.

Diversified investment portfolio and strong operating profit from subsidiaries

We have achieved and maintained what we believe to be a well-diversified, high-quality investment portfolio and sources of income, which help reduces our risk exposure to economy downturn and industrial fluctuation. Such investment portfolio may also provide us with access to resources to achieve synergies among various industries, which contributes to our competitive strengths in business sourcing, project execution and sales and marketing, and may also help to reduce our operation cost.

The following chart sets forth our total assets and profit for the year by business segment for the years indicated:

Business Segment	2009		2010		2011		Six months ended June 30, 2012	
	% of total assets	% of profit for the year	% of total assets	% of profit for the year	% of total assets	% of profit for the year	% of total assets	% of profit for the year
Insurance	—	—	0.5	—	0.4	—	0.4	—
Pharmaceuticals and healthcare	12.4	36.6	14.1	12.5	16.1	27.4	16.4	37.4
Property	31.2	8.9	32.3	31.1	35.9	36.2	36.5	30.0
Steel	36.2	22.4	31.5	11.1	26.0	0.8	24.6	(8.3)
Mining	6.4	5.3	7.2	24.3	7.8	35.3	6.8	33.4
Retail, services, finance and other investments	19.2	30.4	15.9	25.0	17.6	5	20.6	18.5
Asset management	—	—	0.5	(0.4)	8.9	(0.8)	10.1	(1.1)
Unallocated expenses	—	(1.7)	—	(2.8)	—	(6.2)	—	(8.6)
Elimination[1]	(5.4)	(1.9)	(2.0)	(0.8)	(12.7)	2.3	(15.4)	(1.3)
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note:

(1) Assets corresponding to intersegment loans and other balances are hereby excluded from total assets, and profit for the year derived from intersegment transactions is hereby excluded from total profit for the year.

Disciplined investment approach and strict investment management procedure

We employ a disciplined investment approach and follow strict investment management procedures with a goal of achieving high returns and minimizing risk exposure. We have adopted comprehensive investment management and decision-making procedures which cover the whole cycle of selecting, evaluating, structuring, diligencing, negotiating, executing, monitoring and exiting investments.

Our investment projects are initiated by our professional investment teams located in major cities in the PRC. Our investment teams closely study government policy changes and industry trends by maintaining close relationships with industry experts, industry associations and other resources, and then applying the information garnered through these different channels to identify high-growth investment opportunities. Our investment professionals perform detailed research on each prospective investment, including review of candidates' financial statements, comparative analysis of other public and private companies and analysis of relevant industry data. In addition, our strategic cooperation with international private equity firms, such as The Carlyle Group, enhances our ability to identify investment opportunities around the world.

After initial selection and evaluation of an investment opportunity, our investment professionals prepare a detailed analysis of the investment opportunity for our investment team manager. The team manager will decide whether to give preliminary approval to continue the evaluation and due diligence process. The due diligence will typically include: on-site visits; interviews with management, employees, customers and vendors of the target portfolio company; research relating to the company's industry, human resources, markets, brand names, products and services, and competitors; exiting mechanism analysis; and background checks. After completion of the due diligence, the proposed transaction will be reviewed by our investment committee, which consists of our Executive Directors. The investment committee will typically conduct several meetings to consider an investment opportunity before approving or, alternatively, turning down that investment. Each committee member will have a one-on-one meeting with the management team of the target company and at least two committee members shall visit the target company onsite. Both at such meetings and in other discussions with the deal team, our Executive Directors will provide guidance to the deal team on strategy, process and other pertinent considerations. Every investment requires the approval of our investment committee.

Our investment may take various forms. We may acquire control of or strategically invest in a portfolio company and purchase securities of the portfolio company from the open market. Our investment professionals will continue to monitor performance and market conditions after an investment is made and will make recommendations with respect to an exit strategy. Disposition decisions are subject to careful review and approval by the investment committee.

Seasoned leadership team

We are led by a core management team consisting of our four founders and executives — Messrs. Guo Guangchang, Liang Xinjun, Wang Qunbin, and Fan Wei — and three other executives who joined us at the early stage of our development — Messrs. Ding Guoqi, Qin Xuetang and Wu Ping. The team has worked together for almost two decades and has been instrumental in achieving profitable growth and implementing operating disciplines. All members of our core management team have a wealth of experience in one or more of our core businesses and also bring drive, vision and creativity to our Company. In addition, our executives have a deep understanding of China's economy, industries, politics and culture, as well as insight into regulatory changes in China, which we believe gives us a competitive advantage in capitalizing upon market opportunities in China. Besides our core management team, we also employ specialists in different businesses and professionals to manage our portfolio companies and identify investment opportunities. For instance, many core management members of Nanjing Iron & Steel, Forte and Fosun Pharma have more than 25 years of experience in the relevant industries. In addition, we actively seek international talent such as John Snow, the former US Treasury Secretary, who is an advisor to our board, to complement the experience of our core management team and further contribute to the growth of our business.

Strategies

Our vision is to become a premium investment group targeting investments that benefit from China's growth momentum. To achieve this goal, we have formulated the following business strategies:

Continue to optimize and grow our industrial operations

We will continue to support our existing principal portfolio companies, including Fosun Pharma, Forte, Nanjing Iron & Steel and Hainan Mining, to grow into leaders in their respective industries through organic growth as well as mergers and acquisitions. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012, we generated an aggregate revenue of RMB35,540.0 million, RMB46,138.4 million, RMB58,298.1 million, RMB26,354.9 million and RMB26,265.9 million, respectively from our pharmaceuticals and healthcare, property, steel and mining segments. Where opportunity arises, we plan to add more light-asset businesses to our industrial business portfolio.

Leverage our China expertise to capture investment opportunities that benefit from China's momentum

Our core investment strategy is to focus on investing in industries that benefit from China's growth momentum and to keep building an integrated investment platform fully utilizing our domestic and global resources. We will continue to explore investment opportunities in the following areas:

(i) consumption upgrade;

(ii) financial service;

(iii) resources and energy, and

(iv) manufacturing upgrade

In these key investment areas, we will target the investment opportunities in (i) overseas-listed China-based companies with growth potential; (ii) transforming and upgrading local companies; (iii) foreign companies that may benefit from China's growth momentum; and (iv) local-market focused enterprises presenting potential to become an industry leader. We believe that our experience in China's growth momentum and our strategic cooperation with partners with global expertise can create synergies that will ultimately translate into outstanding performances.

Develop our asset management and insurance businesses as a source of long-term low-cost capital

Our ongoing asset management business includes the management of a variety of US dollar funds, RMB Private Equity Fund, Star Capital Funds and Forte Real Estate Fund Series with the total commitment amount of RMB16.61 billion as of June 30, 2012. We strive to develop our asset management business to further expand our Group's investment capacity to capture investment opportunities that benefit from China's growth momentum.

Our insurance business includes Yong'An P&C Insurance, Pramerica Fosun Life Insurance and Peak Reinsurance, which we believe will develop into an integrated business segment providing a wide variety of insurance services, including property and casualty insurance, life insurance, health insurance, reinsurance and others. We believe that in the long run, the insurance floats and the investable funds generated from our insurance business will become a source of long-term low-cost capital. We aim to proactively explore and develop our insurance business.

Enhance our ability to provide business support and management improvement to different industries

We plan to further improve the supervisory and control system at our Company through systematically enhancing our management system by adopting strategic planning, overall budgeting and annual planning, performance appraisal and incentive schemes. We will also strive to explore the revenue and cost synergies of our Group companies to enhance the profitability of our investee companies.

We plan to further develop our Group's global business network to support investee companies to expand their businesses globally. We also plan to proactively integrate and utilize global resources to expand our business portfolio companies' operations in China.

To successfully implement these strategies, we will strive to optimize our corporate governance structure and internal control mechanisms, incentive schemes and information management systems, and retain and train more talents.

General Information

We are a company incorporated in Hong Kong with limited liability under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). We were incorporated on December 24, 2004, and our certificate of incorporation number is 942079. Our principal executive offices are located at No. 2, East Fu Xing Road, Shanghai, China. Our registered office is located at Room 808, ICBC Tower, 3 Garden Road, Central, Hong Kong. Our shares have been listed on the Main Board of the Hong Kong Stock Exchange since July 16, 2007 under the stock code "00656."

The Issuer is a private company with limited liability established under the laws of the BVI. Its registered address is at the offices of Tricor Services (BVI) Limited, P.O. Box 3340, Road Town, Tortola, the BVI. The Issuer is a special purpose vehicle established to issue the Notes.

None of the information contained on our websites constitutes part of this offering memorandum.

THE OFFERING

Terms used in this summary and not otherwise defined shall have the meanings given to them in "Description of the Notes."

Issuer	Sparkle Assets Limited
Parent Guarantor	Fosun International Limited (the "Company" or the "Parent Guarantor").
Notes Offered	US$400 million aggregate principal amount of 6.875% Senior Notes due 2020 (the "Notes").
Offering Price	100% of the principal amount of the Notes.
Maturity Date	January 30, 2020.
Interest	The Notes will bear interest at a rate of 6.875% per annum, payable semi-annually in arrears on January 30 and July 30 of each year, commencing July 30, 2013.
Ranking of the Notes	The Notes are: ● general obligations of the Issuer; ● senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes; ● at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Issuer (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); ● guaranteed by the Parent Guarantor, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described below under the caption "— the Parent Guarantee," "— The Subsidiary Guarantees" and in "Risk Factors — Risks Relating to the Notes, the Parent Guarantee, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any)";

- effectively subordinated to the other secured obligations (if any, other than the 2011 Notes and any Permitted Pari Passu Secured Indebtedness) of the Issuer, the Parent Guarantor, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and

- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

Parent Guarantee........................ The Parent Guarantor will guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes and the Indenture.

Subsidiary Guarantees .... Each of the Subsidiary Guarantors will, jointly and severally, guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date are Billion Infinity Investment Limited, Fosun Financial Holdings Limited, Fosun Gold Holdings Limited, Fosun Industrial Holdings Limited, Fosun Property Holdings Limited, Laxton Investments Limited, Spread Grand Limited and Topper Link Limited. The Parent Guarantor and all of the Subsidiary Guarantors are holding companies that do not have significant operations. See "Risk Factors — Risks Relating to the Notes, the Parent Guarantee, Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) — The Issuer, the Parent Guarantor and the Subsidiary Guarantors are dependent upon cash flow from other members of the group to meet their obligations on the Notes, the Parent Guarantee and the Subsidiary Guarantees, respectively." The Parent Guarantor will cause each of its future Restricted Subsidiaries (other than (i) Persons organized under the laws of the PRC and their respective Subsidiaries, (ii) Restricted Subsidiaries the Common Stock of which is listed on a Qualified Exchange, and their respective Subsidiaries, (iii) any Restricted Subsidiary (A) not less than 10% and not more than 49.9% of the Voting Stock of which is held by Persons other than the Parent Guarantor and its Wholly Owned Restricted Subsidiaries, (B) that holds itself out as an investment company and (C) that would be required to be registered as an investment company under the United States Investment Company Act of 1940, as amended if it were to Guarantee the payment of the Notes, and any Restricted Subsidiary of such Restricted Subsidiary other than those organized under the laws of the PRC, (iv) any Restricted Subsidiaries the provision of a Subsidiary Guarantee or a JV Subsidiary Guarantee by which would be prohibited by any applicable laws or regulations or any applicable rules or policies of any applicable governmental or regulatory bodies or agencies or (v) any Financial Services Subsidiary, as soon as practicable but in any event within 30 days after such Person becomes a Restricted Subsidiary and to the fullest extent permitted by the laws of the jurisdiction of incorporation of such Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor, provided, however that, the Parent Guarantor will not be required to cause a future Restricted Subsidiary to execute a supplemental indenture and provide such guarantee unless either (a) the net assets of such Restricted Subsidiary on a non-consolidated basis exceed US$3.0 million (or the Dollar Equivalent thereof) or (b) the aggregate net assets of all Restricted Subsidiaries on a non-consolidated basis which have not executed supplemental indentures and provided Guarantees of the Notes in reliance on this provision exceed US$15.0 million (or the Dollar Equivalent thereof) at the time of creation of the relevant Restricted Subsidiary, provided further, that if at any time the Common Stock of any Person exempted from providing a Subsidiary Guarantee or JV Subsidiary Guarantee under clause (ii) above ceases to be listed for trading on a Qualified Exchange, (y) under clause (iv) above ceases to be prohibited by applicable laws or regulations or any applicable rules or policies of any applicable governmental or regulatory bodies or agencies from providing a Subsidiary Guarantee or a JV Subsidiary Guarantee or (z) under clause (v) above ceases to be a Financial Service Subsidiary, such Person (other than (a) those organized under the laws of the PRC and their respective subsidiaries, (b) those the Common Stock of which is listed on a Qualified Exchange and their respective Subsidiaries, (c) those the provision of a Subsidiary Guarantee or a JV Subsidiary Guarantee by which would be prohibited by applicable laws and (d) those that are Financial Services Subsidiaries shall as soon as practicable but in any event within 30 days after such Person ceases to be so listed or ceases to be so prohibited, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor.

A Subsidiary Guarantee may be released or replaced in certain circumstances. See "Description of the Notes — The Subsidiary Guarantees — Release of the Subsidiary Guarantees and JV Subsidiary Guarantees" and "Description of the Notes — The Subsidiary Guarantees — Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees."

Ranking of the Parent Guarantee............................... The Parent Guarantee is:

- a general obligation of the Parent Guarantor;
- senior in right of payment to all future obligations of the Parent Guarantor expressly subordinated in right of payment to the Parent Guarantee;
- effectively subordinated to the secured obligations (if any, other than the 2011 Notes and any Permitted Pari Passu Secured Indebtedness) of the Parent Guarantor, to the extent of the value of the assets serving as security therefor; and
- at least *pari passu* with all unsecured, unsubordinated Indebtedness of the Parent Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

See "Risk Factors — Risking Relating to the Notes, the Parent Guarantee, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any)."

Ranking of Subsidiary Guarantees .... The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to the secured obligations of such Subsidiary Guarantor (if any, other than its subsidiary guarantee provided for the 2011 Notes and the Permitted Pari Passu Secured Indebtedness), to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and
- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

See "Risk Factors — Risks Relating to the Notes the Parent Guarantee, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) the Collateral."

JV Subsidiary Guarantees	In the case of a Restricted Subsidiary (i) that is, or is proposed by the Parent Guarantor or any of its Restricted Subsidiaries to be, established or acquired after the Original Issue Date, (ii) that is incorporated in any jurisdiction other than the PRC and (iii) in respect of which the Parent Guarantor or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 5% of the Capital Stock of such Restricted Subsidiary and such Restricted Subsidiary remains as a Restricted Subsidiary immediately following such sale or (y) is proposing to purchase the Capital Stock of an Independent Third Party and designate such entity as a Restricted Subsidiary and such entity becomes a Restricted Subsidiary immediately following such purchase, the Parent Guarantor may, concurrently with the consummation of such sale, issuance or purchase, provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC. No JV Subsidiary Guarantee exists as of the Original Issue Date. The JV Subsidiary Guarantee of each JV Subsidiary Guarantor: ● will be a general obligation of such JV Subsidiary Guarantor; ● will be enforceable only up to the JV Entitlement Amount; ● will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor; ● will be limited to the JV Entitlement Amount and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and ● will be limited to the JV Entitlement Amount and will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

The Parent Guarantor may also deliver a JV Subsidiary Guarantee instead of a Subsidiary Guarantee on substantially similar conditions for certain Restricted Subsidiaries that are established after the Original Issue Date.

Collateral.................................... The Parent Guarantor has agreed to pledge, or cause the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of the initial Subsidiary Guarantors in order to secure, the obligations of the Parent Guarantor under (x) the 2011 Notes and related indenture and (y) the Parent Guarantee and the Indenture and the obligations of such initial Subsidiary Guarantor Pledgor under its Subsidiary Guarantee, in each case subject to Permitted Liens and the Intercreditor Agreement.

None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future. If any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned by the Parent Guarantor or any Subsidiary Guarantor will be pledged to secure the obligations of the Parent Guarantor under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above.

The Parent Guarantor has also agreed, for the benefit of the Holders, to pledge, or cause each Subsidiary Guarantor (other than a JV Subsidiary Guarantor, if any) to pledge, on a first priority basis (subject to Permitted Liens and the Intercreditor Agreement) the Capital Stock directly owned by the Parent Guarantor or such Subsidiary Guarantor of any Person that becomes a Subsidiary Guarantor or JV Subsidiary Guarantor after the Original Issue Date, to the fullest extent permitted by the laws of the jurisdiction of incorporation of such Subsidiary Guarantor or JV Subsidiary Guarantor (as the case may be) and any other applicable laws or regulations or any applicable rules or policies of any applicable governmental or regulatory bodies or agencies, to secure (subject to Permitted Liens and the Intercreditor Agreement) the obligations of the Parent Guarantor under the Parent Guarantee and the Indenture, and of each Subsidiary Guarantor Pledgors under its Subsidiary Guarantee, in the manner described above.

	The Collateral will be shared on a *pari passu* basis pursuant to the Intercreditor Agreement by the holders of the Notes, the holders of the 2011 Notes and the holders of other Permitted Pari Passu Secured Indebtedness.
Intercreditor Agreement...............	On or prior to the date of the Indenture, (i) the Issuer, (ii) the Parent Guarantor, (iii) the initial Subsidiary Guarantor Pledgors, (iv) China Alliance, (v) The Bank of New York Mellon, as collateral agent (the "Collateral Agent"), (vi) The Bank of New York Mellon, as trustee and the security trustee with respect to the 2011 Notes and (vii) the Trustee will enter into an intercreditor agreement (as may be amended, supplemented or modified from time to time, the "Intercreditor Agreement") dated as of the Original Issue Date, pursuant to which the trustee with respect to the 2011 Notes and the Trustee shall agree to (1) the parties thereto shall share equal priority and pro rata entitlement in and to the Collateral; (2) the conditions that are applicable to the release of or granting of any Lien on such Collateral; and (3) the conditions under which they will enforce their respective rights with respect to such Collateral and the Indebtedness secured thereby.
Use of Proceeds	We intend to use the net proceeds from this offering to refinance our existing indebtedness and for working capital and general corporate purposes. Pending the use of the net proceeds of this offering for the purposes described above, we intend to invest the net proceeds, to the extent permitted by relevant PRC laws and regulations in short-term deposits with banks or in government bonds.
Optional Redemption of the Notes	At any time and from time to time after January 30, 2017, the Issuer may at its option redeem the Notes, in whole or in part, at the redemption prices set forth in "Description of the Notes — Optional Redemption" plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time prior to January 30, 2017, the Issuer may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

	At any time and from time to time prior to January 30, 2017, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Parent Guarantor in an Equity Offering at a redemption price of 106.875% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided that* at least 65% of the aggregate principal amount of the Notes issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.
Repurchase of Notes Upon a Change of Control Triggering Event	Upon the occurrence of a Change of Control Triggering Event, the Issuer or the Parent Guarantor will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date. See "Description of the Notes — Repurchase of Notes Upon a Change of Control Triggering Event."
Redemption for Taxation Reason	Subject to certain exceptions and as more fully described herein, the Issuer may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption, if the Issuer, the Parent Guarantor or a Subsidiary Guarantor would become obliged to pay certain additional amounts as a result of certain changes in specified tax laws. See "Description of the Notes-Redemption for Taxation Reasons."

Covenants	The Notes, the Indenture governing the Notes, the Parent Guarantee and the Subsidiary Guarantees will limit the Parent Guarantee's ability and the ability of its Restricted Subsidiaries to, among other things: ● incur or guarantee additional indebtedness and issue disqualified or preferred stock; ● declare dividends on its capital stock or purchase or redeem capital stock; ● make investments or other specified restricted payments; ● issue or sell capital stock of Restricted Subsidiaries; ● guarantee indebtedness of Restricted Subsidiaries; ● sell assets; ● create liens; ● enter into sale and leaseback transactions; ● enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; ● enter into transactions with shareholders or affiliates; and ● effect a consolidation or merger. These covenants are subject to a number of important qualifications and exceptions described in "Description of the Notes — Certain Covenants."
Transfer Restrictions	The Notes 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 "Transfer Restrictions."

Form, Denomination and Registration	The Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.
Book-Entry Only	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see "Description of the Notes - Book-Entry; Delivery and Form."
Delivery of the Notes	The Issuer expects to make delivery of the Notes, against payment in same-day funds on or about January 30, 2013, which the Issuer expects will be the fifth business day following the date of this offering memorandum referred to as "T+5." You should note that initial trading of the Notes may be affected by the T+5 settlement. See "Plan of Distribution."
Trustee and the Collateral Agent	The Bank of New York Mellon
Paying Agent	The Bank of New York, London Branch
Registrar	The Bank of New York Mellon (Luxembourg) S.A.
Listing and Trading	Approval in-principle has been received for the listing and quotation of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for as long as the Notes are listed on the SGX-ST.
Ratings	The Notes have been provisionally rated "BB+" by Standard and Poor's Ratings Services and "B1" by Moody's Investors Service. We cannot assure investors that these ratings will be confirmed or they will not be adversely revised or withdrawn either before or after delivery of the Notes.
Governing Law	The Notes and the Indenture will be governed by and will be construed in accordance with the laws of the State of New York.

Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see "Risk Factors."
ISIN/Common Code	

ISIN	Common Code
XS0878012334	087801233

Before making an investment decision, prospective investors should carefully consider all of the information set out in this offering memorandum, including the risk factors set forth below. The risks and uncertainties described below are not the only ones we face. Prospective investors should be aware that our business is located almost exclusively in the PRC and we are governed by a legal and regulatory environment that in some respects differs from that which prevails in other countries. Additional risks and uncertainties not presently known to us or that we currently deem immaterial could also harm our business. If any of the following risks actually materializes, our business, financial condition or results of operations could be materially adversely affected, the trading price of the Notes could decline, our ability to pay pursuant to the terms of the Notes could be adversely affected and you may lose all or part of your investment. You should also refer to the other information contained in this offering memorandum, including the financial statements and related notes.

Risks Relating to Our General Operations

We may not be able to grow at a rate comparable to our growth rate in the past.

We have experienced significant growth in recent years. A large portion of our growth has been attributable to the increase in scale of our existing operations through organic expansion and the broadening of the scope of our business through investments and acquisitions. Our revenue increased from RMB18,033.0 million in 2004 to RMB56,816.2 million in 2011, representing a compound annual growth rate (or CAGR) of 17.8%. Although we plan to continue to grow our business through organic expansion as well as investments and acquisitions, we may not be able to grow at a rate comparable to our growth rate in the past, either in terms of revenue or profit.

We may not be able to successfully identify, acquire, invest in or operate suitable investment projects, acquisition targets or businesses.

A significant portion of our growth is expected to be achieved through investments and acquisitions. We may not be able to identify investment projects or acquisition targets that suit our development plans. Even if we do identify suitable investment projects or acquisition targets, we cannot assure you that we will be able to complete the acquisitions and/or investments within the timeframe or budget as we anticipated, or at all. Completion of proposed investments and/or acquisitions is dependent upon the completion of due diligence and the negotiation of definitive agreements, and there can be no assurance that all or any of the proposed transactions will be consummated on commercially acceptable terms, if at all. The successful acquisition of businesses with good potential requires an assessment of a number of factors, many of which are inherently inexact and may prove to be inaccurate. In connection with acquisitions, we may assume liabilities that were not disclosed to or known by us or that exceed our estimates. Our assessments of potential acquisitions may not reveal all existing or potential problems, nor may such assessments make us sufficiently familiar with the businesses to fully assess their strengths and weaknesses.

In identifying investment projects, acquisition targets or businesses with high-growth opportunities, we may decide to acquire only a non-controlling interest in other entities and may not necessarily embark on new business lines. Such growth opportunities carry additional risks because we may not have a good understanding of our business partners and/or have any proven track record in operating the new businesses. As a result, we may be unable to operate any such acquired businesses profitably.

We may encounter difficulties in implementing centralized management and supervision of our portfolio companies and in integrating the operations of an acquired business or in realizing anticipated efficiencies and cost savings.

We may not be able effectively to implement centralized management and supervision of our portfolio companies and our investees or ensure consistent application of our strategies and policies throughout the Group. In a number of portfolio companies, there are other major shareholders holding significant portions of equity interests and have great influence in their management. We may not be able to ensure that the Group's strategies and policies are implemented effectively and consistently within each portfolio company. In addition, due to the large number of our portfolio companies, their broad geographic distribution and limitations in our information systems and other factors, we may not always be able to effectively detect or prevent on a timely basis operational or management problems at these portfolio companies, and information available to and received by our management may not be accurate, timely or sufficient for our management to manage risks and plan for and respond to market and other changes in our operating environment. If we are unable effectively to implement our centralized management and supervision of our portfolio companies, or apply our strategies and policies consistently throughout our Group, our business, financial condition and results of operations could be materially and adversely affected and our reputation could suffer.

In addition, we may grow our business through acquisitions. To successfully execute our growth strategy through acquisitions, we need to properly manage post-closing issues, which could be complex, time-consuming and expensive. The successful integration of an acquired business may be affected by the size and complexity of the acquired business and the execution of the integration plan by local management. We may face unexpected delays or encounter difficulties that may require us to allocate additional resources to deal with such problems. Any such problem may impair our competitiveness and growth prospect, and adversely affect our business, financial condition and results of operations.

We face increasing competition from existing and new market participants, which may result in reduced operating margins and loss of market share.

Our operating environment is and will continue to be highly competitive. In particular:

- Competition in the PRC insurance industry continues to increase. We face intense competition from both domestic and foreign-invested insurance companies. Some of our competitors have competitive advantages based upon operating experience, capital base and product diversification. In addition, we face potential competition from commercial banks, which have been permitted to invest in, or form alliances with, insurance companies to offer insurance products and services that compete against those offered by us.

- Some of our pharmaceutical products are manufactured based on non-proprietary formulae or production techniques. If other manufacturers obtain the required approvals from the SFDA, they may produce and sell similar products using the same formulae or production techniques in China. Further, the administrative or patent protection periods for some of our pharmaceutical products will expire soon. We may encounter more competition from other market players as a result, including from major international pharmaceutical companies that have sought to expand their business into the PRC market.

- Since China became a member of the World Trade Organization (or WTO) in 2001, many tariffs and other competitive barriers for the domestic steel industry and mining industry have been reduced or eliminated. We expect more competition from international steel producers and mining groups as a result. Further, as domestic production capacities increase, the steel industry and mining industry in China may become increasingly competitive, which may exert downward pressure on prices for our steel and mining products.

- As we expand our property business to other cities and regional markets in China, we need to compete with local property developers in those cities, some of which have better knowledge of target purchasers and the local business environment and may have stronger relationships with construction contractors.

- The asset management business is intensely competitive, with competition based on a variety of factors, including investment performance, continuity of investment professionals and client relationship, the quality of services provided to client, corporate positioning and business reputation. A number of our competitors have greater financial, technical, marketing and other resources, better name recognition and more personnel than we do.

Some of our principal competitors in one or more of our business segments have more resources than us and are making significant capital investments in select areas. Our inability to compete effectively or an increase in competition with respect to our products could have an adverse effect on our financial results and return on capital expenditures, which could cause a decline in our growth rates, reduce our revenue, or reduce our ability to increase our target market shares. As we expand into new geographical markets or introduce new products, we may be subject to competition from other market players. We cannot predict the extent to which this competition will affect our future operating results.

We may fail to obtain sufficient capital resources for continued growth and other operational needs.

We require additional capital resources to pursue our business strategy of growing our business through organic expansion as well as investments and acquisitions and to remain competitive by responding timely to technological changes or market demand. In particular, we require significant capital to build, maintain and operate our production facilities, to conduct research and development of new pharmaceutical products, to acquire new land parcels for property development projects, and to invest in or acquire suitable investment projects or acquisition targets, which requires a considerable period of time before we can generate any revenue or investment returns, if at all. In addition, as part of our investment business we invest in the securities of privately-held and publicly-traded companies, which often requires large amounts of investments. Also, many of such investments are not liquid assets. Our liquidity, financial condition and our ability to finance our other operations and to service our debt obligations may be materially and adversely affected if we cannot quickly liquidate such investments for cash when needed. See "— Risks Relating to our Retail, Services, Finance and Other Investments — We may fail to realize any profit from our investment activities or may be unable to sell our investments for a considerable period of time or to recover our investment costs." Further, the growth of our asset management business largely depends on our ability to retain new clients and increase the size of the funds we operate, which, however, may be substantially affected by the performance of the global capital and credit markets. The volatility in and disruption of the global capital and credit market will materially and adversely affect the size of our AUM, and thereby our financial condition and business performance. See "— Risks Relating to our asset management business — Volatility in and disruption of the global capital and credit markets, and adverse changes in the global economy, are likely to significantly affect our AUM."

We expect to meet the funding needs for our operations through cash flows from operations, securities offerings, bank borrowings and other external financing sources. Our ability to obtain additional financing or to obtain new clients for our asset management segment will depend on a number of factors, including China's economic condition, prevailing conditions in capital markets, regulatory requirements, our financial condition, results of operations and cash flows, and costs of financing including changes in interest rates. If we cannot obtain sufficient funding on acceptable terms or receive necessary approvals from the regulatory authorities, we may not be able to successfully implement our business strategy, and our prospects could be materially adversely affected.

Our borrowing levels and significant interest payment obligations could limit the funds we have available for various business purposes.

We have a high level of borrowings. We have relied on both short-term and long-term borrowings to fund a portion of our capital requirements and expect to continue to do so in the future. As of June 30, 2012, we had total interest-bearing bank and other borrowings of approximately RMB52,252.4 million. Our ratio of total interest-bearing bank and other borrowings to total assets was 36.9% as of June 30, 2012.

Our results of operations may be adversely affected by an increase in the effective interest rate of our borrowings, including as a result of increases in LIBOR, HIBOR or other benchmarks to which our floating rate borrowings are linked. See "Description of Other Material Indebtedness" in this offering memorandum. Since the end of 2008, the PBOC has increased the bank deposit and lending rates a number of times. The most recent interest rate increase in China was in early July 2011, as a result of which the benchmark one-year lending rate in Renminbi-denominated debt increased from 6.31% to 6.56%. Although the PBOC recently cut the lending interest rate twice since July 2011, it is possible that the PBOC may increase the bank deposit and lending rates to control inflation in the future.

We require significant funding for our capital expenditure and investment programs as a result of our continued growth and other operational needs. We had capital commitments of RMB9,446.9 million as of June 30, 2012. A significant portion of these capital needs was financed by our operating cash flows, bank loans and securities offerings. In 2009, 2010 and 2011 and the six months ended June 30, 2012, however, we allocated a significant portion of our cash flows, amounting to RMB1,525.0 million, RMB1,910.3 million, RMB2,581.8 million and RMB1,813.8 million, respectively, to pay interest on borrowings. Interest payments reduce funds available for our working capital, capital expenditures and other business purposes. Any funding shortage could limit our ability to respond to changing market conditions or to grow our business, make us more vulnerable to adverse economic and industry conditions, and place us at a competitive disadvantage compared to our competitors with less indebtedness.

Our historical consolidated financial information may not be indicative of our current or future results of operations.

Our historical consolidated financial information must be evaluated in light of the impact of the significant changes in our portfolio that have occurred in the periods covered in the financial statements. We cannot assure you that the historical financial information will be indicative of what our results of operations, financial condition or cash flow will be in the future. In particular:

- Our scale of operations has grown significantly in recent years, a large part of which has been attributable to investments and acquisitions. For additional information on changes in our portfolio companies, see "Financial Information — Overview of Our Operations — Portfolio Companies" in this offering memorandum.

- We may fail to consolidate some of our existing subsidiaries if our voting interests in them are diluted further. See "— Our voting interests in our portfolio companies may be diluted."

- We have recognized substantial other income from interest income, revenues generated by our subsidiaries outside their core business activities, dividends from available-for-sale investments, dividends from equity investments at fair value through profit or loss, government grants and exchange gains; and gains from our disposal of interests in subsidiaries, deemed disposal of interests in associates, fair value gain on investment properties and fair value adjustment of equity investments at fair value through profit or loss. We recognized, RMB109.8 million, RMB77.5 million, RMB284.4 million and RMB87.3 million in the aggregate as dividends from available-for-sale investments in 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively, and RMB640.6 million, RMB1,158.8 million, RMB94.0 million and RMB324.2 million in the aggregate in 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively, as gains in connection with the disposal of interests in subsidiaries and associates. See "Management's Discussion and Analysis of Financial Condition and Results of Operations —— Principal Components of Our Income Statement —— Other Income and Gains" in this offering memorandum. We may not be able to realize similar gains from our portfolio companies in the future.

We establish, as well as acquire and dispose of equity interests in, portfolio companies from time to time in accordance with our business objectives. Period-to-period comparisons of our historical operating results must be evaluated in light of the impact of such transactions.

Our corporate structure, which consists of a large number of companies in multiple business lines, exposes us to challenges not found in companies with a single business line, such as conflicts of interest among business segments.

Our Group consists of portfolio companies operating in multiple industries, including several publicly-traded companies with unrelated businesses. Due to the diverse characteristics of our portfolio companies, we face challenges not found in companies with a single business line. In particular:

- We are exposed to business, market and regulatory risks relating to different industries. We need to devote substantial resources to monitor changes in different operating environments so that we can react with appropriate strategies that fit the needs of the portfolio companies affected.

- Due to the large number of portfolio companies involved, a successful operation of our Group requires an effective management system that emphasizes accountability, imposes financial discipline on portfolio companies, and creates value-focused incentives for management. As we continue to grow through acquisitions of businesses in an increasing number of different industries, our operations will become more complex, which increase the difficulty of implementing our management system.

- As many of our principal portfolio companies are publicly traded, transfers of funds into or out of these companies are subject to various regulatory restrictions. Intra-group transactions may also be subject to applicable listing requirements, such as the issuance of press notices, the obtaining of independent shareholders' approval at general meetings and disclosure in annual reports and accounts. Portfolio companies with funding needs may not be able to obtain financial support from us in a timely manner.

A portion of the borrowings of our portfolio companies are guaranteed by Fosun Group, including the seven-year enterprise bonds issued by Nanjing Steel United in February 2009 with a principal amount of RMB2,500 million and the seven-year corporate bonds issued by Nanjing Iron & Steel in May 2011 with a principal amount of RMB4,000 million. Although none of our portfolio companies have defaulted on their borrowings in the past, if a portfolio company defaults on any such borrowings, the relevant lender may exercise its right under the guarantee to demand payment from Fosun Group. This may result in a funding shortage at the holding company level and adversely affect the financial support that Fosun Group may offer to its portfolio companies in other segments.

Further, our portfolio companies in different operating segments may determine that it is in their shareholders' interests to pursue business ventures together. We cannot assure you that such business ventures will be successful or generate the synergies expected, if any. The successful completion of this type of transaction will depend on several factors, including satisfactory due diligence findings and the receipt of necessary regulatory approval, among others. If we fail to complete such business ventures or they prove to be unsuccessful, our operating segments involved may be adversely affected.

The composition of our business segments has changed from time to time may change in the future, and the historical financial information of each segment may not be comparable from period to period or be indicative of its future financial results.

Our Group currently consists of seven business segments, under each of which, there are number of portfolio companies. The classification of segmentation is primarily made based upon ownership structure, business operations and our development strategies. These composition and the portfolio companies under each business segment may change from time to time, based on the development of Group operations. For example, as the management changes the structure of its internal organization, we changed our reporting segments from five to seven. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Operating Segments". Huaxia Mining, our associate company, which was accounted for under our mining segment, was recently reclassified under our steel segment as a result of Jianlong's acquisition of 80% equity interest in Huaxia Mining in September 2012. As such, the financial information of each segment may change from time to time, and may not be comparable from period to period or be indicative of the future financial results of such segment. Period-to-period comparisons of our historical operating results must be evaluated in light of the impact of such transactions.

Disputes with our joint venture partners may materially and adversely affect our business, results of operations and financial condition.

We have developed certain projects and made certain investments through joint ventures or cooperation arrangement with our PRC or foreign partners. Our joint partners or cooperation partners may have economic or business interests or goals that are inconsistent with ours, take actions contrary to our instructions or requests or contrary to our policies or objectives, may be unable or unwilling to fulfill their obligations under the relevant joint venture or cooperation agreements or have financial difficulties. Disagreement with any of our joint venture partners or other cooperation partners with respect to business objective or the scope or performance of our respective obligations under joint venture or cooperation arrangements or the early termination of our joint venture or cooperation arrangement could adversely affect our business operations, financial condition and result of operations.

We depend on the experience and industry expertise of our senior management.

To ensure the successful operation of our Group, the senior management of our Company assigns directors, officers and senior staff members with the relevant experience and expertise to our portfolio companies. To a large extent, our continued ability to successfully integrate new operations and to identify other market opportunities will depend on the experience and expertise of our senior management and the management assigned to our portfolio companies. At the holding company level, we rely principally on our seven Executive Directors, four of whom are our controlling shareholders, in formulating business strategy and supervising the operations of our Group as a whole. For details concerning our Directors, see "Management and Corporate Information" in this offering memorandum. At the business segment level, in addition to our Company's Executive Directors, we rely also on certain management personnel in our portfolio companies. The continued success of our Group depends in large part on the leadership of our existing management personnel, our ability to retain such management personnel, and our ability to attract and recruit adequate management personnel with specialized expertise in the industries in which our portfolio companies operate. Our business may be adversely affected if we lose the service of any key management personnel in our Company or in any of our portfolio companies.

Rapid growth may strain our management and operating resources.

As we continue to grow our business by growing our existing principal portfolio companies as well as investment portfolio, our operations have become more complex, and our management's responsibilities have correspondingly increased. Our managerial and operational resources could become strained as a result of our growth. If we fail to retain or identify and attract additional management capability and operating personnel, our ability to successfully grow our business will be adversely affected. Further, during periods of increased demand for our products, we may encounter constraints on the total output and mix of products due to capacity limitations at our production facilities.

Our voting interests in our portfolio companies may be diluted.

Our voting interests in our portfolio companies that are not currently publicly traded may be diluted if these entities become publicly traded. For instance, in September 2009, Sinopharm, an indirect associate of our Group, completed its global offering and listing on the Hong Kong Stock Exchange. As a result, our direct interest in Sinopharm was diluted from approximately 47% to 34%.

In addition, our portfolio companies may from time to time need additional capital to achieve their expansion plans or other business objectives and may issue additional shares or other equity securities to meet their capital needs. We may choose not to, or be unable to, subscribe for the securities offered in any such additional issuances by our portfolio companies. If we fail to subscribe for additional securities of a portfolio company on a pro-rata basis consistent with our existing shareholding in such company, our equity interest in the company will be diluted. For instance, in May 2011, Sinopharm, our indirect associate, completed its placing of 138,056,825 H shares. Upon the completion of the placing, our direct interest in Sinopharm was diluted from approximately 34% to 32.05%.

Our voting interests in our portfolio companies could also be diluted as a result of the redemption or conversion of stock options or equity-linked instruments. For example, our 9.96% equity interest in Club Med as of December 31, 2012 could be diluted as a result of the redemption or conversion of securities giving access to the share capital of Club Med such as that issuer's OCEANE bonds (ISIN: FR0010922855, convertible/exchangeable for new or existing shares).

A dilution of our equity interest in a portfolio company would reduce our share of the profits earned by such portfolio company, which may have an adverse effect on our results of operations. Further, if our ownership were reduced significantly, it may cause our representation on such company's board of directors to be reduced, or otherwise reduce our ability to direct or influence the operations of that company.

We depend on our investment returns and our receipt of cash dividends from our portfolio companies for our cash flow and ability to satisfy our obligations under the Parent Guarantee.

We depend on cash from disposal of investments held by our Company and our receipt of cash dividends from Fosun Group for our cash flow and ability to satisfy our obligations under the Notes. See "— We may fail to realize any profits from our investment activities or may be unable to sell our investments for a considerable period of time or to cover our investment costs" below for risks associated with our investments. The dividends paid to us by Fosun Group are dependent on dividends and distributions from our other portfolio companies. If our other portfolio companies fail to pay cash dividends to Fosun Group, our ability to receive cash dividends from Fosun Group may be materially adversely affected.

While many of our portfolio companies have, in the past, paid cash dividends from time to time, the pattern may not be indicative of the amount of dividends Fosun Group may receive in the future, or at all. In particular:

- Dividend policies of our portfolio companies may vary significantly and change from time to time. Some portfolio companies may conclude that it is in the best interest of their shareholders to retain earnings, if any, for use in the operation and expansion of their businesses. The shareholders or the board of directors of a portfolio company (as the case may be) have the power to determine whether to pay dividends based on conditions then existing, including the company's earnings, financial condition and capital requirements, as well as economic and other conditions the shareholders or the board may deem relevant.

- Our principal portfolio companies are incorporated in the PRC and as such their ability to declare and pay dividends is subject to various PRC legal, regulatory and contractual constraints. Generally, a portfolio company is required to allocate a portion of its profit to statutory reserve funds before it may pay any dividends. Furthermore, if a portfolio company has incurred cumulative losses, it may not issue any dividends until such losses have been offset by profits and the above mentioned statutory reserve funds have been allocated.

Our controlling shareholders may withdraw their financial support or take actions that are not in the best interests of our Company.

Messrs. Guo Guangchang, Liang Xinjun, Wang Qunbin and Fan Wei are our controlling shareholders, who, as of June 30, 2012, together owned 79.08% of our share capital through Fosun International Holdings and Fosun Holdings. Our controlling shareholders may provide financial support to us from time to time. As a result of their ownership of our share capital and provision of financial support, they have the ability to exert significant influence over the management of our Company, including the ability to implement administrative policies, elect our directors and appoint members of our senior management. They may withdraw their financial support or take actions or direct us to take corporate actions that are not in the best interests of our Company or its non-controlling shareholders.

We may not be able to satisfy the applicable regulatory requirements for the conduct of our businesses.

Our operations are subject to PRC Government regulations. Many of the industries in which our portfolio companies operate are subject to heavy government regulations, such as the pharmaceuticals and healthcare, property, steel and mining and insurance industries. To maintain our current operations or to commence a new operation, we need to obtain, maintain and renew government authorizations, including permits, licenses and other qualifications. For instance, the terms and premium rates of certain insurance products are subject to regulation, and CIRC regulations require insurance companies to maintain minimum solvency margin rations; steel companies need manufacturing permits to engage in iron and steel production; all pharmaceutical production facilities in China need manufacturing permits and GMP certificates to produce pharmaceutical products; property development companies need qualification certificates and permits to develop and sell properties; and mining companies are also required to obtain certain government approvals, permits and licenses, among which exploration permits, mining permits, production safety permits are crucial to mining operations.

We believe our Group has all permits, licenses, qualifications and other government authorizations necessary to conduct its business and to use its properties in the manner described in this offering memorandum. We, however, cannot assure you that these permits, licenses, qualifications and other authorizations will be renewed upon their expiration, or that we will continue to meet the standards imposed by the government. Further, government authorizations may be revoked if the operation fails to comply with the stipulated standards. Failure to obtain, maintain or renew relevant qualifications may have a material adverse impact on our business.

Our right to occupy and use some of our land and buildings is subject to legal uncertainties.

We face several legal uncertainties in our continued occupation of some of the land and properties we occupy. As of June 30, 2012, we did not have valid and enforceable title certificates, such as land use rights certificates (or LURCs), building ownership certificates (or BOCs) or real estate title certificates (or RECs), or required government approvals, for certain properties we occupied as of that date. Our rights in relation to such properties and land, including the rights of occupation, utilization, profit and disposal, may not be recognized and protected under PRC law until we obtain the relevant title certificates and government approvals, and we cannot guarantee that we will be able to obtain them. We may be subject to penalties for occupying land in the absence of the required government approvals and may be required to return the land to its previous owner, demolish and remove buildings constructed on the land, restore the land to its original condition, or turn over the buildings to the government. We may be fined an amount of between 1% and 2% of the consideration paid under the relevant construction contracts if we fail to obtain construction permits or if our commencement report is not approved under the Regulation on the Quality Management of Construction Projects in relation to properties we use or have under construction.

Similarly, as of June 30, 2012, there were also some properties occupied and leased by us for which the lessors had not provided us with the relevant BOCs or documentary evidence of the property owners' consent to sublease, as a result of which the leases had not been registered with the relevant government authority. If any of our leases were to be terminated as a result of challenges by third parties or any failure of our lessors to renew the leases or obtain their legal title or the requisite government approval or consent to lease the relevant properties, we may be forced to relocate some of our manufacturing operations or offices and incur losses or additional costs associated therewith.

Regulatory actions and legal proceedings against us could cause us reputational harm and have a material adverse effect on our business, financial condition and results of operations.

We are subject to extensive regulation by PRC and overseas regulatory authorities in each of the markets where we conduct our business, and, from time to time, we may be subject to regulatory or legal proceedings. Responding to these regulatory or legal proceedings, regardless of their ultimate outcome, is time-consuming and expensive and can divert the time and effort of our senior management from our business. Moreover, our provisions for regulatory or legal proceedings may be inadequate. Given the uncertainties and complexity of many of these regulatory or legal proceedings, their outcome generally cannot be predicted with any reasonable degree of certainty. We are subject to periodic examinations by the CIRC, the PBOC and other PRC governmental authorities, relating to our compliance with PRC laws and regulations.

Any fraud, sales misrepresentation, money laundering and other misconduct committed by our employees and agents and other external parties could result in violations of laws and regulations by us and subject us to regulatory sanctions. Even if such instances of misconduct do not result in any legal liabilities on our part, they could cause serious reputational or financial harm to us. In particular, since 2006, the State Council and various PRC regulatory authorities, including the CIRC, have intensified their efforts to combat commercial bribery in the PRC. While we are implementing measures aimed at detecting and preventing employees' and external parties' fraud, sales misrepresentation, money laundering and other misconduct, we may not be able to timely detect or prevent such fraud, sales misrepresentation, money laundering or other misconduct, which could harm our reputation and have a material adverse effect on our business, financial condition and results of operations.

Accidents in our business operations may expose us to liability and harm our corporate image.

Our significant portfolio companies operate in industries that may be exposed to accidents in business operations from time to time. A significant portion of our business relates to steel production, mining operations and real estate development. Steel production and mining operations involve the operation of heavy machinery and hence, are generally subject to certain operating risks, including industrial accidents, environmental hazards, the encountering of unusual or unexpected geological formations, cave-ins, flooding and earthquakes. These occurrences could result in damage to, or destruction of, our steel production facilities or mining operations, personal injury or death, environmental damage, asset write-downs, monetary losses and legal liability. In addition, working at steel production facilities or mining facilities presents risks to our employees. We may be held liable for on-the-job injuries or deaths. Further, real estate development may be exposed to construction-related personal injuries from time to time. We may also experience interruptions to our operations and may be required to change the manner in which we operate as a result of governmental investigations or the implementation of safety measures upon occurrence of accidents. Any of the foregoing could adversely affect our business, financial condition and results of operations.

On October 5, 2011, a molten iron spill accident occurred at Nanjing Iron & Steel, resulting in the deaths of 12 workers and one worker suffering serious injuries. The accident also caused a direct economic loss of RMB 12.08 million to Nanjing Iron & Steel. The relevant management personnel and staff of Nanjing Iron & Steel who were found liable for the accident received different levels of penalties and three staff were convicted. A fine of RMB 1 million was imposed on Nanjing Iron & Steel by the relevant government authority. We cannot assure you that such industrial accident will not happen again in our steel production facilities or mining operations in the future. If an industrial accident occurs in the future, it may cause serious on-the-job injuries or even staff casualty as well as serious economic losses to us. It may also significantly damage our corporate image.

We may be exposed to claims by third parties which, if successful, could cause us to pay significant damage awards and incur other costs.

We are exposed to product liability, consumer, commercial, environmental and tax litigations, government investigations and other legal proceedings that may arise from time to time in the ordinary course of our business. Litigation is inherently unpredictable, and excessive verdicts may occur. We could in the future incur judgments or enter into settlements of claims that could have a material adverse effect on our results of operations in any particular period.

Our insurance coverage may not adequately protect us against all operating risks.

We face various operational risks in connection with our business, including but not limited to:

- production interruptions caused by operational errors, electricity outages, raw material shortages, the failure of equipment and other production risks;

- operating limitations imposed by environmental or other regulatory requirements;
- work-related personal injuries;
- economic loss due to product reclaim;
- on-site production accidents;
- social, political and labor unrest;
- disruption in global capital markets and global economy in general;
- loss on investments;
- environmental or industrial accidents; and
- catastrophic events such as fires, earthquakes, explosions, floods, collapse of mine or other natural disasters.

To manage operating risks, we maintain in our portfolio companies insurance coverage of various kinds. Although we believe that each company's insurance coverage is consistent with the relevant industry practice in China, we cannot assure you that all claims under their insurance policies will be honored fully or on time. In addition, we cannot assure you that the safety measures we have in place for our operations will be sufficient to mitigate or reduce industrial accidents. We also cannot assure you that casualties or accidents will not occur or that our insurance coverage would be sufficient to cover costs associated with accidents. Furthermore, we are generally unable to insure against certain types of losses, including but not limited to losses caused by earthquakes, typhoons, floods, wars and riots, and we do not have business interruption insurance. To the extent that any of our portfolio companies suffer loss or damage that is not covered by insurance or that exceeds the limit of its insurance coverage, our results of operations and cash flow may be adversely affected.

Our risk management and internal control systems may not be adequate or effective in identifying or mitigating the risks to which we are exposed to.

We have been devoted to establishing risk management and internal control systems consisting of an organization framework, policies, procedures and risk management methods that we consider to tailored to the operations of each of the relevant business segment. However, there is no assurance that our systems may be adequate or effective in identifying and mitigating our risk exposure in the market environments related to the relevant business segment or against all types of risks that the relevant business segment may be exposed to.

Stricter environmental and safety protection in China may increase our operating costs.

We are subject to extensive and increasingly stringent safety and environmental protection laws and regulations in the PRC. Among other things, these laws and regulations:

- impose fees for the discharge of waste substances exceeding the discharge standards promulgated by relevant government authorities;
- require the establishment of reserves for reclamation and rehabilitation;
- impose fines for serious environmental offenses; and
- allow the PRC government, at its discretion, to close any facilities failing to comply with orders to correct or stop operations that have caused environmental damage.

The PRC government is currently moving toward more rigorous enforcement of applicable laws and regulations, as well as the adoption and enforcement of more stringent environmental standards. As a result, our budgeted capital expenditure for environmental regulatory compliance may be insufficient and we may need to allocate additional funds. Moreover, we cannot assure you that we can comply with all environmental laws and regulations that may be adopted or amended in the future. If we fail to comply with current or future environmental laws and regulations, we may be required to stop production, pay penalties or fines or take corrective actions, any or all of which may have a material adverse effect on our business, financial condition and results of operations.

A deterioration in our brand image could adversely affect our business.

We regard the "復星" "Fosun" brand name and the related trademarks and devices we use as important assets to our business. Any negative incident or negative publicity concerning us could adversely affect our reputation and business. Brand value is based largely on subjective consumer perceptions and can be damaged even by isolated incidents that degrade consumer trust. Consumer demand for our products and our brand value could diminish significantly if we fail to preserve the quality of our products, or fail to deliver a consistently positive consumer experience, or if we are perceived to act in an unethical or socially irresponsible manner. In addition, any unauthorized use or infringement of our brand name may impair the value we have built in our brand name, damage our reputation and materially and adversely affect our business and results of operations.

Acts of God, acts of war and terrorism, riots, epidemics and other disasters could affect our business.

Our business is subject to general and social conditions. Natural disasters, epidemics, acts of God and other disasters that are beyond our control may materially and adversely affect the economy, infrastructure and livelihoods of the people of the PRC. Some cities in the PRC are under the threat of flood, earthquake, sandstorm or drought. Our business, financial condition and operating results may be materially and adversely affected if natural disasters occur.

Epidemics threaten people's lives and may materially and adversely affect their livelihood as well as their living and consumption patterns. The occurrence of an epidemic is beyond our control, and there is no assurance that the outbreak of severe acute respiratory syndrome, the H5N1 strain of avian influenza, the H1N1 strain of swine flu or any other epidemics or pandemics will not occur.

Any epidemic or pandemic occurring in areas in which we operate, or even in areas in which we do not operate, may materially and adversely affect our business, financial condition and operating results.

Acts of war and terrorism may cause damage or disruption to us or our employees, facilities, markets, suppliers or customers, any of which may materially and adversely impact our revenue, cost of sales, financial condition and operating results. Potential war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot currently predict.

Risks Relating to Our Insurance Business

The rate of growth of the insurance market may not be sustainable or as high as we anticipate.

We expect the insurance market in the PRC to expand and the insurance penetration rate to rise with the continued growth of the PRC economy and household wealth, the reform of the social welfare system, demographic changes and the opening up of the PRC insurance market to foreign participants. Our judgments regarding the anticipated drivers of such growth and their impact on the PRC insurance industry are prospective. Our prospective judgments may not be consistent with actual developments, which could have a material adverse effect on our business, results of operations and financial condition.

We have a limited operating history in the insurance industry.

Pramerica Fosun Life Insurance and Peak Reinsurance were both recently established at the end of 2012. Although we acquired a 19.93% equity interest in Yong'An P&C Insurance, we had limited influence on its business decision making process. As such, we have limited operating history in the insurance industry for investors to evaluate our business operations and to forecast our future performance. Although we partner with Prudential Financial, Inc., which is one of the most reputable players in the insurance industry, there is no guarantee that its expertise, skills and distribution network may be immediately transferred to a new business entity. Further, we have no operational experience in offering reinsurance products. Although the management of Peak Reinsurance have experience in reinsurance business, there is no assurance that their experience and connections can be applied in a new business entity as fast as we anticipate. As such, there is no assurance that we may be able to achieve our performance goals with respect to our insurance segment, and if we cannot achieve our performance goals in accordance with our expected timetables, our business, results of operations and financial condition may be materially and adversely affected.

Competition in the PRC insurance industry continues to increase and our profitability and market share could be materially and adversely affected if we are unable to compete effectively.

We face intense competition from both domestic and foreign-invested insurance companies. Competition in the insurance industry is affected by a number of factors, including brand recognition and reputation of the provider of services and products, distribution network and easy access to services and services personnel, pricing and quality of services, product design and diversification, financial strength, high-quality and stable professional team and information technology capabilities. Some of our competitors also have competitive strengths based on operating experience, capital base and product diversification.

In addition, we face potential competition from commercial banks, which have been permitted to invest in, or form alliances with, insurance companies to offer insurance products and services that compete against those offered by us. Large commercial domestic banks, such as Bank of China, Bank of Communications and China Construction Bank, have invested in insurance companies. Closer integration between the insurance and banking sectors may potentially better align their economic interests and increase incentives for banks to distribute insurance products and services of their insurance business affiliates and partners instead of ours. Such potential competitors may further increase the competitive pressures we expect to face.

Our failure to respond effectively to these various competitive pressures could result in a loss of market share, losses on some or all of our activities and slower growth, if we:

- fail to adapt to customer demand and regulatory changes;
- fail to implement our strategies successfully;
- fail to adopt the right product offering or distribution strategy; or
- fail to offer competitive, attractive and innovative products and services that are also profitable.

A decline in our competitive position due to one or more of these factors may have a material adverse effect on our business, results of operations and financial condition.

The ability of our insurance and reinsurance companies to diversify investment portfolio is limited by the applicable PRC laws and regulations, which may have a material adverse effect on our business, results of operations and financial condition.

Although the PRC regulatory authorities, including the CIRC, have significantly expanded the assets classes in which PRC insurance companies are permitted to invest in recent years, the asset classes remain limited, as compared to those available to many international insurance companies. Even with the broadened investment types, the ability of our insurance and reinsurance companies to diversify their investment portfolio continues to be limited by the restrictions on the amount and percentage that we can invest in some of these asset classes, such as stocks listed on PRC stock exchanges and securities investment funds. Our limited ability to diversify our investments may have a material adverse effect on our business, results of operations and financial condition.

Credit risks in our insurance, reinsurance and distribution operations and credit risks relating to our investments may expose us to significant losses.

We are exposed to the risk that counterparties in our insurance, reinsurance and distribution operations, including customers and distribution partners, do not perform their obligations. Our customers and distribution partners may default on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy, operational failure, fraud or other reasons. We are also subject to the risk that our rights against these counterparties may not be enforceable in all circumstances. In addition, we are exposed to credit risks in relation to our investments, including a decrease in the fair value of securities we own, a downgrade in credit ratings of securities we own and the credit risks of counterparties in our investment activities.

We are also exposed to credit risks in connection with our investments under our insurance segment. The fair value of our exchange-traded bond investments is assessed with reference to the quoted market prices at the close of business on each balance sheet date. The fair value of our bond investments that are traded in interbank markets is determined using the estimated market prices published by the China Central Depositary & Clearing Co., Ltd. Domestic credit ratings may not use the same methods or have the same analytical capabilities as internationally-recognized rating agencies, such as Standard and Poor's Ratings Services, Moody's Investors Service and Fitch, Inc. and thereby may not reflect the same creditworthiness as used by internationally-recognized rating agency. We may be subject to greater credit risks with respect to our investments in debt securities than we believe, which could result in a decrease in the fair value of our debt securities, resulting in impairment losses. Although we attempt to minimize the risks associated with investments through diversification, improving our credit analysis capability and paying attention to current interest rate trends, we cannot assure you that we are able to identify and mitigate credit risks successfully. As a result, the losses in fair value or realized losses we could incur on investments we hold as well as a significant downgrade in the credit rating of the debt securities owned by us could have a material adverse effect on our business, financial condition, results of operations and prospects. Furthermore, the counterparties in our investments, including issuers of securities we hold, banks that hold our deposits, debtors and investees of private equity funds, may default on their obligations to us due to bankruptcy, lack of liquidity, economic downturns, operational failure, fraud or other reasons. We are also subject to the risk that our rights against these counterparties may not be enforceable in all circumstances.

Volatility in the PRC and other securities markets could result in lower returns or losses on the investment assets under our insurance segment.

Volatility in stock markets in the PRC and other regions may affect our profitability, financial position and dispositions of equity securities and equity-linked assets. A decline in stock markets may lead to a reduction of unrealized gains in such assets or result in unrealized or realized losses, impairments, and a reduction of realized gains upon the disposition of such assets, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects. Stock markets are subject to volatility for numerous reasons including, among other things, political, economic and social conditions. These and other factors may from time to time result in significant price volatility, unexpected losses and lack of liquidity in stock markets. A significant decrease in the prices of the listed stocks that our insurance companies have invested in, could materially reduce the value of our investment portfolio. Debt securities markets are also subject to volatility. Any significant decline in debt securities markets in the PRC or elsewhere could negatively affect the value of our debt securities and have a material adverse effect on our business, financial condition, results of operations and prospects.

Our investment portfolio under the insurance segment is subject to liquidity risk which could decrease its value.

Some of our investments under the insurance segment may not have sufficient liquidity as a result of a lack of market makers, market sentiment and volatility, and the availability and cost of credit. As an investor with diversified investments in the PRC, we may also hold significant positions in some of the listed stocks that we directly invest in, and any decision to sell or any perception in the market that we intend to sell could adversely affect the liquidity and market price of such security and, in turn, our returns on investments in such security. We may also hold privately placed fixed income securities, private equity investments and real estate investments. If we are required to dispose of these or other potentially illiquid assets on short notice due to significant insurance claims to be paid, surrenders and withdrawals of existing life and health insurance policies or other reasons, we could be forced to sell such assets at prices significantly lower than the prices we have recorded in our consolidated financial statements. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Changes in market interest rates could have a material adverse effect on our insurance business and our profitability.

The profitability of many insurance products and investment returns are highly sensitive to interest rate fluctuations. Changes in prevailing interest rates (including changes in the difference between the levels of prevailing short-term and long-term rates) could reduce our investment returns and spread and thus materially and adversely affect our insurance businesses and investment returns, which in turn could have a materially adverse effect on our business, financial condition and results of operations.

A decline in interest rates could not only result in an increase in the value of our existing fixed income assets calculated based on fair value, but also result in reduced returns on investment from our newly added fixed income assets, thus materially reducing our profitability. During periods of declining interest rates, our average investment yield may be affected as our maturing investments and bonds that are redeemed or prepaid to take advantage of the lower interest rate environment may have to be replaced with new investments carrying lower yields, thus reducing our investment margins and investment income. Lowering assumed pricing rates could help offset decreases in investment margins on some life and health insurance products. However, our ability to lower these rates could be limited by competition and may not match the timing or magnitude of changes in investment yields, which would reduce or eliminate the profit margins on our products. Accordingly, declining interest rates could have a material adverse effect on our business, financial condition, results of operations and cash flows and significantly reduce our profitability.

Differences between the actual benefit and claim payments and those assumptions and estimates used in the pricing of, and setting reserves for, our insurance products could have a material adverse effect on our business, financial condition and results of operations.

Our earnings from our insurance segment and the performance of Yong'An P&C Insurance significantly depend on the extent to which the actual benefit and claim payments are consistent with those assumptions and estimates used in pricing products and establishing reserves for future policy benefits and claims.

Yong'An P&C Insurance prices its property and casualty insurance products based on our estimates of probability of loss and various costs and the judgment of its management. For property and casualty insurance products sold, Yong'An P&C Insurance establishes claim reserves and unearned premium reserves in accordance with industry practice and accounting and regulatory requirements. Claim reserves represent estimates of the ultimate cost of claims for claims incurred but not settled, whether or not reported, as at the balance sheet date, and includes reserves allocated for loss adjustment expenses that may be incurred for future benefits of claims. These estimates are based on actuarial and statistical projections and the predictions of variable factors based on the facts and circumstances known at the time when the losses are incurred. We price and establish reserves for life and health insurance products based on many assumptions and estimates, including as to investment returns, mortality rates, morbidity rates, lapse and surrender ratios, and expense ratios, among others. These estimates are based on our previous experience, statutory requirements, industry practice and the judgment of our management.

Due to the nature of underlying risks and the uncertainties associated with the determination of liabilities for future policy benefits and claims, the amount which we will ultimately pay to settle our liabilities may differ from estimated amount, particularly when those payments may not occur until well into the future. The estimates made in connection with pricing and establishing reserves are largely based upon prior operational experiences. We, however, have limited operational history and limited accumulated experience in this industry. If our previously established reserves prove to be inadequate, we will incur additional costs in the form of costs of claims or we may be required to increase our reserves for future policy benefits, resulting in additional costs in the period during which the reserves are established or re-estimated, which could have a material adverse effect on our business, financial condition and results of operations.

Catastrophic events, which are covered by our insurance or covered by the insurance for which we provide reinsurance, could materially increase our liabilities for claims by policyholders and affect our reinsurance availability.

Both our life and health insurance and reinsurance businesses expose us to risks of liabilities for insurance claim payments relating to catastrophic events, which are covered by our insurance or the insurance for which we provide reinsurance services. Catastrophes can be caused by various natural hazards, including earthquakes, typhoons, floods, draught, windstorms, hailstorms, severe weather, fires and explosions. Catastrophes can also be man-made, such as terrorist attacks and industrial or engineering accidents. In addition, our life and health insurance businesses are exposed to the risk of catastrophic mortality and illness, such as a pandemic or other event that causes a large number of hospitalizations and deaths. For example, significant influenza pandemics have occurred three times in the last century, and in 2003 an outbreak of severe acute respiratory syndrome infected over 5,000 individuals and caused over 300 deaths in China. Neither the likelihood, timing, nor the severity of a future pandemic can be predicted. If we offer group insurance products or reinsurance from group insurance products, a localized catastrophic event that affects the workplace of one or more of the group insurance customers could cause a significant loss due to mortality or morbidity claims. Catastrophes could also result in losses in our investment portfolios, due to, among others, the failure of our counterparties to perform their obligations or significant volatility or disruption in the financial markets, and could in turn have a material adverse effect on our business, financial condition and results of operations. We will likely in the future experience losses related to catastrophic events covered by our insurance or the insurance for which we provide reinsurance services that could materially and adversely affect our financial results. The extent of our losses from catastrophes is a function of their frequency and severity. In addition, catastrophic events, such as rainstorms, floods and typhoons, generally occur more frequently during the second half of each year in China, which have resulted, and will likely result in the future, in an increase of total claims and claim payments during such periods compared to the first half of each year.

We have limited experience investing in certain asset classes that have only recently been permitted by the CIRC and may have limited experience investing in other asset classes that may be permitted in the future.

The CIRC has in recent years significantly expanded the scope of permitted investments for PRC insurance companies. We are permitted to invest our insurance funds in a variety of areas such as infrastructure debt investment plans, unsecured bonds, shares of unlisted companies, real estate, bank financing products, trust plans, financial derivatives and overseas investments, and may be permitted by the CIRC to invest in additional new asset classes in the future. When making investments in these asset classes, we may face new and heightened risks, including but not limited to liquidity, credit and operation risks, partially due to our limited experience in investing in such asset classes. Investments in these asset classes may increase the overall risk exposure of our investment portfolio. Our lack of investment experience in certain new asset classes could reduce our investment returns and cause our investment returns to fall below expectations, which could in turn have a material adverse effect on our business, financial condition and results of operations.

Adverse changes in the reinsurance markets could have a material adverse effect on our business, financial condition and results of operations, and we are exposed to the risk that our reinsurers may not perform their obligations.

As part of our overall risk management strategy, we plan to cede a portion of the insured risks we will underwrite to reduce the underwriting risk of our various business segments. Under a reinsurance contract, the assuming reinsurer becomes liable to us to the extent of the risk ceded although we remain liable to the insured as the insurer. The supply and prices of reinsurance are global and inelastic. The availability, amount and cost of reinsurance depend on general market conditions and may vary significantly in different periods of time. As a result, we may be unable to (i) maintain our current reinsurance coverage, (ii) obtain additional reinsurance coverage in the event our current reinsurance coverage is exhausted by a catastrophic event, or (iii) obtain other reinsurance coverage in adequate amounts at acceptable rates. We may be unable to obtain sufficient reinsurance to cover losses in the future, and we may not be able to obtain the reinsurance we require in a timely or cost-effective manner. Any decrease in the amount of reinsurance will increase our risk of loss and any increase in the cost of reinsurance will, absent a decrease in the amount of reinsurance, reduce our net income. Accordingly, we may still be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could materially restrict our ability to underwrite future business or result in the assumption of more risk with respect to the retention amounts under those policies we issue.

Reinsurance may not protect us completely against losses due to the credit risk that our reinsurers may not perform their obligations. Although a reinsurer is liable to us to the extent of the risks reinsured, we remain liable for those transferred risks if the reinsurer cannot meet its obligations. Our reinsurers may default on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy, operational failure, fraud or other reasons. We are also subject to the risk that our rights against our reinsurers may not be enforceable in all circumstances. As a result, although we seek reinsurance arrangements only with reputable and creditworthy reinsurers, a default by a reinsurer to which we have material exposure could expose us to significant losses and therefore have a material adverse effect on our business, financial condition and results of operations.

Our risk management and internal control systems, as well as the risk management tools available to us, may not be adequate or effective in identifying or mitigating risks to which our insurance business may be exposed.

We have been devoted to establishing risk management and internal control systems consisting of an organizational framework, policies, procedures and risk management methods that we consider to be appropriate for our insurance business operations. However, due to our limited operation history in insurance industry, the inherent limitations in the design and implementation of such systems, including internal control environment, risk identification and evaluation, effectiveness of risk control, and information communication, our systems may not be adequate or effective in identifying or mitigating our risk exposure in all market environments or against all types of risks.

We are in the business of being paid to accept certain risks and provide relevant protection. Our employees and agents who conduct our insurance business, including management, sales and product managers, sales agents and investment professionals, among others, do so in part by making decisions that expose us to risks. These decisions include setting underwriting guidelines and standards, product design and pricing, investment decisions, and pursuit of business opportunities, among others. In addition, our employees and agents may make decisions beyond their scope of authority and that exposes us to excessive risks. Although we endeavor, in the design and implementation of our compensation and incentive plans and internal control system, to avoid giving our employees and agents incentives to take excessive risks, they may make decisions that expose us to risks regardless of the structure of our compensation and incentive plans and internal control system. Similarly, although we employ controls and procedures designed to monitor business decisions of our employees and agents and prevent them from taking excessive risks, we cannot assure you that these controls and procedures may always be effective. If our employees and agents take excessive risks or make intentional or unintentional mistakes, the impact of those risks or mistakes could have a material adverse effect on our business, financial condition and results of operations.

As the regulatory framework of the PRC insurance industry continues to be liberalized and the PRC insurance market continues to evolve, we are likely to offer a broader and more diversified range of insurance products and invest in a significantly wider range of assets in the future. The diversification of our insurance product offerings and investments will require us to continue to enhance our risk management and internal control capabilities. Our failure to timely adapt our risk management and internal control policies and procedures to our developing business could have a material adverse effect on our business, financial condition and results of operations.

Failures of or inadequacies in our information technology systems could have a material adverse effect on our business, financial condition and results of operations.

Our insurance business depends heavily on the ability of our information technology systems to timely process a large number of transactions across vast geographic areas and numerous product lines. In particular, transaction processes have become increasingly complex and the volume of transactions continues to increase. The proper functioning of our financial controls, accounting, customer database, customer service and other data processing systems, including those relating to underwriting and claims processing functions, actuarial and risk management, together with the communications systems linking our headquarters, branches, sales and service outlets and main information technology centers, is critical to our operations and to our ability to compete effectively. Our business activities would be materially disrupted in the event of a partial or complete failure of any of these information technologies or communications systems. These failures could be caused by, among others, hardware failure, software program errors, computer virus attacks, Internet failure, conversion errors due to system upgrading or system relocation, failure successfully to implement ongoing information technology initiatives, human errors, natural disasters, war, terrorist attacks, blackouts and unanticipated problems at our existing and future facilities. Many of these events are wholly or partially outside of our control. Although we back up our business data regularly and have an emergency disaster recovery center located at a site different from our production data center, any material disruption to the operation of our information technology systems could have a material adverse effect on our business.

We update our information technology systems and introduce new information technology systems from time to time. However, delays, system failures or other accidents may occur during such system upgrades or introduction of new systems. In addition, the upgraded or new information technology systems may not be able to achieve the projected processing capacity and availability, and may also not be able to meet the needs of our business scale and business growth in the future. Our failure to address these problems promptly, including any delay in the implementation of any upgraded or new information systems, could result in our inability to perform, or prolonged delays in performing, critical business operational functions, the loss of key business data, or a failure to comply with regulatory requirements, which could have a material adverse effect on our business operations, customer service and risk management, among others. This could in turn have a material adverse effect on our business, financial condition and results of operations.

Insurance businesses are extensively regulated, and changes in laws and regulations could have a material adverse effect on our business, financial condition and results of operations.

Our insurance businesses are subject to extensive regulations including regulations imposed by the CIRC and OCI. The terms and premium rates of certain insurance products are subject to regulation. Changes in these regulations may affect the profitability of these insurance products. In addition, the CIRC regulations require insurance companies to maintain minimum solvency margin ratios.

Failure to comply with any of the laws and regulations to which we are subject could result in fines, restrictions on our business operations or expansion or, in extreme cases, revocation of our business licenses, any of which could have a material adverse effect on our business, financial condition and results of operations. As some of the laws and regulations to which we are subject are relatively new, there is uncertainty regarding their interpretation and application. Changes in these laws and regulations, or in the interpretation or application thereof, are often made for the benefit of the insured parties, which may materially increase our direct and indirect compliance and other expenses and have a material adverse effect on our business, financial condition and results of operations.

Concentrated policy surrenders in our insurance businesses may have a material adverse effect on our business, financial condition and results of operations.

Under normal circumstances, it is generally possible for insurance companies to anticipate the overall level of policy surrenders in a given period. However, the occurrence of unusual events that have significant or lasting impact, such as sharp declines in customer income due to a severe deterioration in economic conditions, radical changes in applicable government policies, or loss of customer confidence in the insurance industry due to the severe or perceived weakening of the financial strength of one or more insurance companies, may trigger concentrated surrenders of insurance policies. If this were to occur, on our business, financial condition and results of operations may be materially adversely affected.

Risks Relating to Our Pharmaceuticals and Healthcare Business

Our pharmaceuticals and healthcare business is strictly regulated, which limits our flexibility managing our operations.

As the pharmaceuticals industry is monitored closely by the PRC Government, our operations are constrained in many ways. To introduce a new product to the market, we must obtain all the necessary permits and product certifications. We cannot assure you that regulatory authorities will approve all of our new products. Changes in regulations may also make the application process more difficult.

Regulatory authorities conduct periodic assessments of our operations to ensure that we comply with applicable laws. All of our pharmaceutical production facilities in China must be GMP-certified. Failure to attain GMP standards can result in suspension of operations at our production facilities or the revocation or non-renewal of our manufacturing permits. In addition, we must follow specific standards when distributing pharmaceutical products, and our pharmaceutical retailers and wholesalers must be GSP-certified. For more details on GMP and GSP certification in China, see "Regulation — Laws Applicable to Our Business — Pharmaceuticals and Healthcare Business — Distribution of Pharmaceutical Products" in this offering memorandum.

Our pharmaceuticals and healthcare business is subject to strict price control.

Most of our pharmaceutical products are subject to price controls in China, which typically involve the imposition of retail price ceilings. The nature and scope of price controls may be varied by the PRC Government from time to time. For example, our ability to set and raise prices of our products which are included in the National Medical Insurance Drugs Catalogue is subject to the price control. See "Regulation — Laws Applicable to Our Business — Pharmaceuticals and Healthcare Business — Price Controls" in this offering memorandum. We derived a substantial portion of our revenue from sales of pharmaceutical products that were subject to price controls. From January 1, 2009 to June 30, 2012, retail price controls imposed by the PRC Government significantly impacted the selling prices of many of our pharmaceutical products. We cannot assure you that the PRC Government will not further expand the list of pharmaceutical products subject to price control, further lower the price ceilings or strengthen the existing price control measures. If such changes take place, our pharmaceuticals and healthcare business may be adversely affected.

In China, regulations and policies relating to the pharmaceuticals industry change from time to time. If the standards become more lenient, we may face increased competition. If the standards become stricter, our compliance costs may increase. Although our pharmaceutical production facilities in China and our pharmaceuticals retail and distribution companies have generally been able to meet the required standards, we cannot be sure that this will continue to be the case. If we fail to comply with the latest standards, our pharmaceuticals and healthcare business may be adversely affected.

Our pharmaceutical products may be removed or excluded from the National Medical Insurance Drugs Catalogue or the Provincial Medical Insurance Drugs Catalogues.

In the PRC, eligible participants in the governmental basic medical insurance program who purchase drugs listed in the National Medical Insurance Drugs Catalogue and/or the Provincial Medical Insurance Drugs Catalogues are entitled to reimbursement from the social medical insurance fund. As a result, it is critical for a pharmaceutical producer in China to have its products included in the National Medical Insurance Drugs Catalogue and/or the Provincial Medical Insurance Drugs Catalogues. This reimbursement is up to the entire cost of medicines that are included in such catalogues, and for this reason, hospitals in China frequently order medicines included in the catalogues for their patients. The PRC central and provincial governmental authorities select medicines for the catalogues based on a variety of factors including treatment requirements, frequency of use, effectiveness and price, and they may also from time to time review the catalogues and adjust medicines included the National Medical Insurance Drugs Catalogue and the Provincial Medical Insurance Drugs Catalogues. See "Regulation — Pharmaceuticals and Healthcare Business" in this offering memorandum. As of June 30, 2012, of the 625 pharmaceutical products that we manufactured, 477 were included in the National Medical Insurance Drugs Catalogue, including all of our 19 major prescription drugs. We also have an additional 122 products included in the Provincial Medical Insurance Drugs Catalogues. If any of our existing major pharmaceutical products are removed from any of the catalogues or new major products we launch in the future are not included in the catalogues, our business, financial condition and results of operations may be adversely affected.

We are subject to risks associated with quality issues that may arise on our pharmaceutical products during post-production processes.

The quality of our pharmaceutical products may be affected during certain post-production processes including transportation, storage, warehousing and usage. We generally rely on transport operators for delivery of our pharmaceutical products. Delivery disruptions for various reasons beyond our control, including weather conditions, political turmoil, social unrest and strikes could lead to delayed deliveries. The nature of pharmaceutical products may also mean that poor handling by pharmacies, hospitals or transport operators could result in damage to our products, including contamination or degeneration. Some of these processes are managed by third parties, which we have limited control over. Product liability claims may arise if any of our pharmaceutical products are deemed or proven to be unsafe, ineffective, defective or contaminated. Under certain circumstances, we may be required to recall products. Even if a situation does not necessitate a product recall, we cannot assure you that product liability claims will not be asserted against us as a result. Any claims relating to the quality of our pharmaceutical products, regardless of their merit, could adversely affect our reputation, divert our time, resources and attention of our management, and result in material and adverse impact on our business, financial condition and results of operations of our pharmaceutical and healthcare business. Also see "Risk Factors — Risks Relating to Our Pharmaceuticals and Healthcare Business — We may incur losses and our reputation may be adversely affected by potential product liabilities relating to certain products that we manufactured".

We may incur losses and our reputation may be adversely affected by potential product liabilities relating to certain products that we manufactured.

In August and September 2012, Chongqing Yaoyou was notified by the Chongqing branch of SFDA that certain hospitals in Anhui and Jiangsu provinces and Guangxi Zhuang Autonomous Region reported a number of occurrences of side effects in patients after being administered with Shaduolika from two different batches. Upon being notified of these occurrences, Chongqing Yaoyou immediately activated voluntary recall procedures for the two batches of Shaduolika products involved in the occurrences of side effects as well as 14 other batches which were manufactured around the same time as the abovementioned two batches and the defective batch of Shaduolika had been successfully recalled. Fosun Pharma had also voluntarily suspended the production of Shaduolika and is currently conducting its own investigation into the production of Shaduolika, including the examination of our procurement, manufacturing, quality control and product evaluation procedures for Shaduolika.

On September 25, 2012, Chongqing Yaoyou received an administrative penalty decision issued by the Chongqing branch of SFDA. The decision indicated that a batch of Shaduolika product that were reported to have caused cases of side effect in Jiangsu province contained excessive level of bacterial endotoxins and therefore failed to meet the applicable quality requirements, according to the examination conducted by the Jiangsu Changzhou branch of SFDA. Pursuant to the administrative penalty decision, the government authorities disgorged our revenue of RMB9,282 from sales of the defective batch of Shaduolika products, confiscated all of our recalled Shaduolika products from this defective batch, and imposed a fine of RMB280,730.9, which was equivalent to the value of the defective batch of Shaduolika products on Chongqing Yaoyou.

Our PRC legal counsel, Chen & Co, confirms that the statutory period of limitation for legal claims against pharmaceutical manufacturers or hospitals from patients is generally two years from the moment patients discover or should have discovered that their rights have been infringed upon. However, in particular, if patients file claims for compensation of personal injuries or initiate litigations against sales of substandard goods without prior notice, the statutory period of limitation is one year from the moment patients discover or should have discovered that their rights have been infringed upon. Fosun Pharma does not maintain product liability insurance for Shaduolika. The foregoing occurrences and the related negative publicity may adversely affect Fosun Pharma's business reputation and the sales of its Shaduolika or other pharmaceutical products.

Additionally, quality of pharmaceutical products may also be affected by various other factors after production. Also see "Risk Factors — Risks Relating to Our Pharmaceuticals and Healthcare Business — We are subject to risks associated with quality issues that may arise on our pharmaceutical products during post production processes."

We cannot assure you that similar or more serious incidents relating to our product quality will not arise in the future, including but not limited to quality issues arising from raw materials procurement, manufacturing, storage and transportation. Any claims against us, regardless of their merit, could materially and adversely affect our financial condition, because litigation related to these claims could strain our financial resources in addition to consuming the time and attention of our management. If any claims against us were to prevail, we may incur monetary liabilities, and the reputation of our pharmaceutical and healthcare business could be adversely affected, which in turn would have a material and adverse impact on our business, financial condition and results of operations of our pharmaceutical and healthcare business. Also see "Risk Factors — Risks Relating to Our Pharmaceuticals and Healthcare Business — Product liability claims or product recalls could result in substantial damages."

Our employees, distributors or third-party sales representatives could engage in corrupt practices or other improper conduct that could harm our reputation and business.

In each of our business segments, we are subject to PRC laws and regulations relating to healthcare fraud and abuse. We are subject to risks in relation to actions taken by us, our employees, distributors or third-party sales representatives that constitute violations of the PRC anti-corruption and other related laws. Our failure to comply with these laws, or effectively manage our employees and affiliates in this regard, could have a material adverse effect on our reputation, results of operations and business prospects. In the pharmaceutical industry, corrupt practices include, among others, acceptance of kickbacks, bribes or other illegal gains or benefits by pharmacies, hospitals and medical practitioners from pharmaceutical manufacturers and distributors in connection with the prescription of certain pharmaceutical products. If we, our employees, distributors or third-party sales representatives violate these laws, rules or regulations, we could be fined. In the case of our pharmaceutical manufacturing business, our pharmaceutical distribution and retail business, and our diagnostic products and medical devices business, the government authorities may seize the products involved in the illegal or improper conduct, and suspend our operations or, in the case of our retail pharmacy operations, outstanding claims to local government social security bureaus for reimbursements of purchases paid with medical insurance cards could be rejected. Any of the consequences resulting from corrupt practices by us, our employees or affiliates could materially and adversely affect our business, financial condition and results of operations. Actions by PRC regulatory authorities or the courts to provide an interpretation of PRC laws and regulations that differs from our own or to adopt additional anti-corruption laws and regulations could also require us to make changes to our operations. Our reputation and results of operations could be adversely affected if we become the target of any negative publicity as a result of actions taken by us, our employees or affiliates.

We sell our pharmaceutical, diagnostic products and medical devices primarily through third parties and have limited control over their practices.

In our pharmaceutical, diagnostic products and medical devices businesses, we rely on various channels to sell our products in China. In particular, our non-prescription pharmaceutical products are distributed to consumers mainly through retail pharmacies. Our prescription pharmaceutical products are sold through distributors to hospitals, which then sell the products to patients. Our diagnostic products and medical devices are mainly sold to hospitals through third party distributors. We cannot assure you that we will be able to maintain a sufficiently diversified sales network for our products in our pharmaceutical, diagnostic products and medical devices businesses. Nor can we assure you that we will be able to renew the contracts with our distributors on the same terms and conditions. Furthermore, we have limited ability to control and manage the activities of these third-party sales channels. If any third party in our sales channels treats our competitors' products more favorably than ours, or stops selling our products, and we are unable to find appropriate substitutes, our business, financial condition and results of operations may be adversely affected.

If we fail to win the statutory tender process or have to share orders from hospitals or other medical institutions, our pharmaceutical manufacturing business may be adversely affected.

During the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, a substantial portion of revenue from our pharmaceutical manufacturing segment was derived from sales to hospitals and other medical institutions in the PRC. The purchase of pharmaceutical products by government owned or controlled hospitals is generally subject to an annual statutory tender process run by the relevant local governments. With the recent introduction of a more centralized statutory tender system for essential drugs, which may lead to increasing competition among suppliers of essential drugs, the PRC Government is expected to apply further downward pricing pressure on pharmaceutical product manufacturers. See "Regulation — Laws Applicable to our Business — Pharmaceuticals and Healthcare Business — Tendering Requirement For Hospital Purchases of Medicines" for details of such statutory requirements. We may fail to win the statutory tender process if our prices are not competitive, our pharmaceutical products fail to meet certain quality requirements or are less effective clinically than competing products, our reputation is adversely affected by unforeseen events, our service quality or any other aspect of our operation fails to meet the relevant requirements, or for other reasons. If we fail to win orders from hospitals or other medical institutions through the statutory tender process, we will not be able to sell our products to them and our pharmaceutical manufacturing business will be adversely impacted. On the other hand, even if we win the statutory tender process, we may have to share the orders with other co-winners, resulting in a decrease in our share in the relevant market.

Our research and development efforts may not result in the production of commercially successful pharmaceutical products or otherwise generate desirable results.

An important element of our business strategy is to focus on the research and development of innovative drugs, biopharmaceutical generic drugs and first-to-market chemical generic drugs. For the years ended 31 December 2009, 2010 and 2011 and the six months ended June 30 2012, our research and development expenses, excluding capitalized research and development costs, amounted to RMB71.4 million, RMB119.9 million, RMB189.4 million and RMB101.7 million, respectively, which represented 3.1%, 4.2%, 4.9% and 4.7% of total external revenue for our pharmaceutical manufacturing segment for the same periods. However, the development process is complex, uncertain, time-consuming and costly. We cannot assure you that our research and development efforts will result in the development of commercially successful products, or that any such research projects will generate expected benefits. In particular, relatively few medical research and development programs successfully developed commercially viable products. In addition, a product candidate that appears promising at the early phases of development may fail to reach the market for a number of reasons, such as:

- failure to demonstrate safety and efficacy in preclinical and clinical trials;

- lack of proprietary rights, such as patent rights for product candidates;
- inability to acquire or license such rights on commercially reasonable terms, or at all; and
- failure to obtain approvals for the intended use from relevant regulatory bodies, such as the SFDA.

Delays in any part of the development process or inability to obtain regulatory approval of our products could have a material adverse effect on our business, financial condition and results of operations.

Even if we successfully develop and launch a new product, we cannot assure you that it will be commercially accepted in the market. The primary factors which may affect the commercial viability of our products include, among other things:

- the safety and effectiveness profile of the product;
- our reputation and brand image;
- the product's perceived advantages and disadvantages as compared to competitors' products;
- the product's cost-effectiveness; and
- the effectiveness of our marketing efforts.

If any of our new products is not well accepted by the market, we may not be able to recoup our investment in the research and development process. Moreover, even if we successfully commercialize new products, these products may serve markets that are currently being served by our existing products and may result in cannibalization of our existing products. If our research and development efforts fail to attain our projected sales levels, our business, financial condition and results of operations may be materially and adversely affected.

We may from time to time become a party to litigation, legal disputes, claims or administrative proceedings that may materially and adversely affect us.

As a large publicly listed company, we may from time to time become a party to various litigation, legal disputes, claims or administrative proceedings arising in the ordinary course of our pharmaceuticals and heathcare business. Such negative publicity may damage our reputation and adversely affect the image of our brands and products. In addition, ongoing litigation, legal disputes, claims or administrative proceedings may distract our management's attention and consume our time and other resources. Furthermore, any litigation, legal disputes, claims or administrative proceedings which are not of material importance may escalate due to the various factors involved, such as the facts and circumstances of the cases, the likelihood of winning or losing, the monetary amount at stake, and the parties concerned continue to evolve in the future, and such factors may result in these cases becoming of material importance to us. Finally, if any verdict or award is rendered against us, we could be required to pay significant monetary damages, assume other liabilities, and suspend or terminate the related business ventures or projects. Consequently, our business, financial condition and results of operations may be materially and adversely affected. See "Business — Pharmaceuticals and Healthcare Business" for more details.

We rely on third parties for the development and clinical testing of certain pharmaceutical products outside China.

In order to leverage on the network and brand name of research institutions in developed countries, we have entered into research agreements with certain such institutions with respect to the development of specific products or production processes. We also contract with research organizations and other third parties in developed countries to manage the clinical trials of some of our pharmaceutical products and invest in joint ventures to develop and commercialize new products.

We cannot assure you that we will be able to enter into similar collaborative relationships with third parties for additional research and development, preclinical and clinical testing and marketing. Our inability to maintain or develop such relationships could limit the growth of our pharmaceutical products' sales.

Collaborative relationships may create obligations on our part, such as confidentiality, non-competition and exclusivity in the procurement of raw materials or distribution of end products. These obligations may place restrictions on our operations and our ability to procure or use certain external resources. If the parties collaborating with us fail to perform under their relevant agreements with us or fail to meet regulatory standards, clinical testing of the relevant products may be delayed or prematurely terminated. Moreover, these parties may gain access to our patents, trademarks, know-how, trade secrets and/or other intellectual properties through collaboration with us. Even though the collaboration agreements generally have confidentiality provisions, we cannot assure you that the parties collaborating with us will not knowingly or unknowingly misuse, infringe or violate our intellectual properties to their advantage and that the relevant agreements can offer us meaningful protection against such misuse, infringement or violation. These parties could also pursue alternative technologies as a means of developing or marketing products for the diseases targeted by our collaborative programs.

Pharmaceutical and healthcare industry is highly competitive, and our business, financial condition and results of operations may be adversely affected if we are not able to compete effectively.

Each of the pharmaceutical manufacturing, pharmaceutical distribution and retail, healthcare services, and diagnostic products and medical devices industries is highly competitive, and we face intense competition in each of these segments. Our pharmaceutical products may lose their market appeal as lower-priced products become available, as similar or new products are introduced or as other technological advances and developments render our products obsolete or less effective. In particular, the majority of revenue in our pharmaceutical manufacturing business was derived from sales of generic drugs during the year ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012. For the year ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, sales of our generic drugs accounted for 59.1%, 61.5%, 63.9% and 71.8%, respectively, of external segment revenue of our pharmaceutical manufacturing segment. Since we do not have intellectual property rights in these products or enjoy any administrative protection in respect of their production, we cannot preclude any third party from offering the same products at more competitive prices. Partly as a result of their non-proprietary nature, competition in the market segment for many of these products is intense. Our key competitors are multinational pharmaceutical companies as well as large domestic pharmaceutical companies, whose products have similar curative effects and can be used as substitutes for our products.

In our pharmaceutical distribution and retail business, our key competitors are regional pharmaceutical distributors, large retail pharmacy chains, independent pharmacies, supermarkets and convenience chains in our target markets. As we further expand our healthcare service operations, we expect to face strong competition from other premium or specialized healthcare service providers in our target markets in China. In our diagnostic products and medical devices business, we compete with both large multinational companies and domestic diagnostic products and medical devices manufacturers. We cannot assure you that we will be able to remain competitive by distinguishing our products or services from our competitors, or by expanding our production capacity, sales forces, retail pharmacy network or healthcare service operations, nor can we assure you that we will be able to maintain or increase our existing market share in any of our business segments. Our competitors in each of our business segments may have more financial resources, better research and development resources, manufacturing techniques, marketing capability and experience than we do and may choose to invest more in the product and technology development, service offering, facilities and equipment, or sales and marketing, as the case may be. As a result, our competitors in the pharmaceutical manufacturing, diagnostic products and medical devices industries may succeed in developing products that are more effective, less costly or with a shorter time-to-market than ours, our competitors in the pharmaceutical distribution and retail business may be able to offer products that are more popular in the pharmaceutical retail market than ours, and our competitors in the healthcare service business may be able to deliver healthcare services that are more effective and less costly than ours. We must continuously keep abreast of the latest developments in our industries in order to remain competitive. Furthermore, new competitors may enter the markets in which we currently operate. If we are unable to compete effectively against our existing or new competitors, our business, financial condition and results of operations may be materially and adversely affected.

Product liability claims or product recalls could result in substantial damages.

We are subject to product liability claims with respect to the pharmaceutical products, diagnostic products and medical devices we manufacture, distribute and/or sell. Such claims may arise if any of our products are deemed or proven to be unsafe, ineffective, defective or contaminated or when we are alleged to have engaged in practices such as improper filling of prescriptions, insufficient or improper labeling of products, provided inadequate warnings or insufficient or misleading disclosures of side effects, or unintentionally distributed counterfeit medicines. In the event that the use or misuse of any product manufactured and/or distributed by us results in personal injury or death, product liability and/or indemnity claims may be brought against us. We may be subject to product recalls, and the relevant regulatory authorities in the

PRC may close down some of our related operations and take other administrative actions against us. In addition, as pharmaceutical manufacturers are responsible for all consequences arising from clinical trials of their new products in China, we could be subject to claims and expenses arising from any professional malpractice of medical practitioners or researchers with whom we contract for clinical trials. We may also be held responsible for professional malpractice by medical practitioners or researchers with whom we contract for clinical trials in other countries, such as the United States. Moreover, we may be subject to malpractice or other claims for injuries or wrongful death claims in our healthcare service business.

We cannot guarantee that such claims will not be filed against us in the future. A substantial claim or a substantial number of claims against us, if successful, would have a material adverse effect on the reputation, business, financial condition and results of operations of our pharmaceutical and healthcare business. We do not have product liability insurance for all of the products manufactured or sold by us. From 2009 to 2011, we maintained product liability insurance for all products manufactured or sold by our subsidiaries Guilin Pharma, Huaiyin Medical Instruments Company Limited, Chongqing Carelife Pharmaceutical Company Limited and Shine Star (Hubei) Biological Engineering Company Limited. The product liability insurance covers personal injuries, diseases, death and loss of property resulting from the use, consumption or operation of the products of these subsidiaries globally. We significantly expanded the scope of our product liability insurance coverage in 2012. Our product liability insurance policy is now more product-oriented, and it now covers a significant portion of our major products. See "Business — Pharmaceuticals and Healthcare Business — Insurance" for details of the scope of our product liability insurance coverage. For the products for which we have insurance, our coverage, however, may not be sufficient to cover the amount of damages. If any of our products are alleged to be harmful, we may experience reduced sales of the products manufactured or distributed by us and may have to recall these products from the market. Any claims against us or any product recalls, regardless of merit, can strain our financial resources and consume the time and attention of our management. If any claims against us are successful, we may incur monetary liabilities, and our reputation may be severely damaged.

Moreover, applicable laws, rules and regulations require our in-store retail pharmacists to offer advice, without additional charge, to our customers regarding medication, dosage, common side effects and other information deemed significant by these pharmacists. Our in-store pharmacists may be legally required to warn customers regarding any potential negative effects of a prescription medicine. We may be liable for claims arising from such advice or the failure to adhere to such advice given by our in-store pharmacists, and our business, financial condition and results of operations, as well as reputation, could be materially and adversely affected.

Substantially all of our pharmaceutical products must undergo a clinical trial process before they can be introduced into the market for commercial sale. The process is expensive, lengthy and uncertain.

Generally, we must provide regulatory authorities with clinical data that demonstrates the safety and efficacy of our pharmaceutical products in order to obtain approval for their commercial sale. The clinical trial process, which involves preclinical testing and clinical development, can take several years to complete and the outcome of such process is uncertain.

Product testing can fail at any stage of the clinical trial. Success in preclinical testing and early clinical trials does not ensure that later clinical trials will be successful, and interim results of trials do not necessarily predict final results. It is not unusual for companies to suffer significant setbacks in advanced clinical trials, even after promising results in earlier trials. Further, the duration of a clinical trial generally varies substantially with the type, complexity, novelty and intended use of the product. Clinical trials may be delayed or need to be repeated for many reasons, such as negative or inconclusive results, adverse medical events, ineffectiveness of the study compound, inability to manufacture sufficient quantities of the compound for use in clinical trials and failure of the regulatory authority to approve our clinical trial protocols. Our clinical trials may be suspended at any time if we or the regulatory authorities believe the patients participating in our studies are exposed to unacceptable health risks.

We do not know whether planned clinical trials will begin on time or whether any of our clinical trials will be completed on schedule, or at all. Our product development costs would likely increase if we encounter delays in testing or obtaining approvals or if we need to perform more or larger clinical trials than planned. If the delays are significant, the commercial prospects for some of our pharmaceutical products will be harmed, which will adversely affect the results of operations in our pharmaceuticals and healthcare business. Our pharmaceuticals and healthcare business may also be adversely affected if after we devote significant time and expense on the clinical trial process, a product under development fails to achieve approval for commercial sale.

Sales of counterfeit versions of the pharmaceutical products we manufacture or distribute may harm our reputation and adversely impact our pharmaceuticals and healthcare revenues.

The manufacture and distribution of counterfeit products has affected many manufacturers of Chinese consumer products, including pharmaceutical products, for several years, and has been widely reported in various international media. In the past, counterfeit versions of one of our principal pharmaceutical products, Artesunate, was reported to have been sold in various countries in Southeast Asia and elsewhere. We have made significant efforts to prevent the counterfeiting of Artesunate and our other pharmaceutical products, including increasing the sophistication of the packaging of our pharmaceutical products to make them more difficult and expensive to counterfeit. Despite these efforts, it is possible that sales of counterfeit products manufactured to appear similar to our genuine products will happen or continue. Sales of counterfeit products we manufacture could damage the market reputation of these products despite our best efforts to prevent it. Further, sales of counterfeit products may reduce revenues that we would otherwise receive from the sale of the genuine versions of the products we produce and adversely impact our revenues.

Our pharmaceutical products may not gain international accreditation.

We seek to increase our export of certain pharmaceutical products. Before we may develop, market and sell our pharmaceutical products in a particular country, governmental approvals are required. These requirements vary from country to country. In most countries, obtaining government approval to develop, market and sell new drugs is time-consuming and expensive, and clinical studies conducted outside of any particular country may not be accepted by that country and the approval of a pharmaceutical product in one country does not assure that the product will be approved in another country. In addition, governmental approvals might not be obtained in a timely manner, if at all, and we and our collaborative partners might not be able to meet other regulatory requirements for our pharmaceutical products. Even if we are successful in obtaining all required approvals to market and sell a new drug, post-marketing requirements and the failure to comply with other regulations could result in suspensions or limitations of government approvals.

In the case of exports to a developed country, our growth and success will depend upon acceptance by local physicians, laboratories and health insurance providers of our pharmaceutical products. This requires acceptance of our pharmaceutical products as clinically useful and cost-effective alternatives to other competing products. Further, our growth and success will depend, in part, on the extent to which companies, other organizations and governmental bodies provide insurance or comparable coverage for using our pharmaceutical products. We cannot predict the effect of any current or future policies relating to bulk purchases of pharmaceutical products by companies and other organizations.

We rely on a stable supply of raw materials to manufacture our pharmaceutical products.

Many of our pharmaceutical products require raw materials that are not readily available or are only manufactured by a limited number of suppliers. We have long-term supply agreements with some of these suppliers. Although we have been able to procure our required materials from our suppliers in the past, we cannot assure you that our suppliers will continue to supply materials at prices and on terms and conditions acceptable to us in the future. The availability and market prices of these materials may be adversely affected by factors beyond our control, such as weather conditions, natural disasters, changes in pricing principles or a sudden surge in demand. If the supply of raw materials is disrupted or the prices of the raw materials increase, our pharmaceuticals and healthcare business may be adversely affected.

Disputes over intellectual property rights may adversely affect our pharmaceuticals and healthcare business.

Although some of our pharmaceutical products enjoy administrative protection, patent, and other forms of intellectual property rights protection, our competitors may independently develop proprietary technologies similar to ours, introduce counterfeits of our products, misappropriate our proprietary information or infringe on our brand names or trademarks. Any misappropriation of our intellectual property rights may impair the market value of our pharmaceutical products or production technologies and adversely affect our pharmaceuticals and healthcare business and our reputation. Protection of intellectual property rights in China is different from other jurisdictions, and our efforts to protect our intellectual property may not be adequate. We may be unable to identify unauthorized use of our intellectual property or to take appropriate steps to enforce our rights on a timely basis.

Third parties, including our competitors, may make claims or initiate litigation seeking to establish their patent, copyright, trademark and other intellectual property rights in products, technologies and trade names that are relevant to our pharmaceuticals and healthcare business. Although we have not encountered any material intellectual property infringement claims, the risk of us being subject to such claims may increase as we continue to expand and diversify our product lines. Because patent applications are confidential, and many new patent applications are currently under review in China, we may be unable to determine whether any of our products, their production technologies or means of use, or their design and appearance infringe or will infringe upon the patent rights of others.

Litigation may divert our management resources and result in substantial legal costs. If any claim made against us is successful, we may have to obtain licenses from the claimants in order to continue selling the affected products, and such licenses may be unavailable on commercially reasonable terms or at all. Further, we may be forced to discontinue production of the relevant products and may be required to pay compensation for the alleged infringement.

Risks Relating to our Property Business

Our property business may be adversely affected if there is a downturn in China's property market.

Our property business targets middle to high-end consumers from urban areas in China and will therefore continue to be affected by the property markets in major cities in China, especially changes in supply and demand in the cities where we operate. If our targeted residential property markets experience downturns, our property business may be adversely affected.

We currently have property development operations in Shanghai and 18 other cities, namely, Beijing, Tianjin, Nanjing, Chongqing, Chengdu, Xi'an, Wuhan, Changchun, Wuxi, Hangzhou, Taiyuan, Changsha, Ningbo, Sanya, Datong, Nantong, Dalian and Harbin. We cannot assure you that demand for new properties in the areas we operate or intend to expand will continue to grow. Increased competition may lead to increased acquisition costs for land use rights, and a longer waiting period for obtaining regulatory approval, and may depress property prices. In addition, because such growth has often been coupled with volatility in market conditions and fluctuations in property prices, we cannot assure you that property development and investment activities in the cities where we operate will maintain their current pace.

Generally, the property market in China is significantly affected by social, political, economic and legal developments, as well as changing demand for residential properties. The transaction volumes and selling prices of real property in our target market have fluctuated in the past. In the event of any adverse change in employment rate, consumer confidence, urbanization rate or other aspects of the economy in China, the Chinese property market may suffer a significant downturn, and our property development business may be adversely affected.

Our property business may be adversely affected by policy changes by the PRC Government and local governments.

The PRC Government has recently announced various measures to slow down growth in the property segment. See "Regulation — Laws Applicable to Our Business — Property Business" in this offering memorandum. We expect these measures will discourage property development for the following reasons:

- suspending or restricting land grants and development approvals for villas and largersized units
- charging an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the land use rights grant contract and canceling land use rights for land which has not been developed for two years or more;
- at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing house for low-income people, small-to medium-size units and shantytown renovation;
- adopting the "70/90 rule" which requires at least 70% of the total GFA of a residential project approved or constructed on or after June 1, 2006 consist of units with a GFA of less than 90 sq.m. per unit;
- increasing the minimum amount of down payment from 20% to 30% of the purchase price of property if the property is to be used as a primary residence and has a GFA of 90 sq.m. or more;
- for a second-time home buyer, increasing (i) the minimum amount of down payment to 60% of the purchase price of the underlying property and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark lending interest rate; if a member of a family (including the buyer and his/her spouse and their children under 18) has financed the purchase of a residential unit with loans from banks, any member of the family that buys another residential unit will be regarded as a second-time home buyer;
- in municipalities, provincial capitals and cities specifically designated in the state plan, permanent residents of local families who have one house unit or non-permanent residents who can provide proof of a certain number of years of local taxes or social insurance contributions are allowed to purchase one housing unit; permanent residents of local families who have two or more housing units, permanent residents of non-local families with one or more housing units, or non-permanent residents who cannot provide proof of a certain number of years of local taxes or social insurance contributions are suspended from purchasing local property;
- for a commercial property buyer, (i) prohibiting banks from financing any purchase of properties without a certificate of completion and acceptance, (ii) increasing the minimum amount of down payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark lending interest rate, and (iv) limiting the terms of such bank loans to no more than 10 years, although commercial banks are allowed flexibility based on their risk assessment;
- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price of the underlying property with the other terms similar to those for commercial properties;

- requiring property developers to provide a down payment of no less than 50% of the land grant fee and, generally, requiring them to pay the remaining balance in installments within one year;

- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years;

- imposing a ban on onward transfer of properties where the investment in place (excluding land grant fee) has not reached 25% of the total investment;

- limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;

- imposing an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the land grant contract and cancelling the land use right for land being idle for two years or more;

- revoking the approvals for projects not in compliance with the planning permits; and

- banning the land grant for villa construction and restricting the land provision for high-end residential property construction.

In addition, local governments have also imposed restrictive policies to cool off the housing market. On January 27, 2011, the governments of Shanghai and Chongqing issued their respective measures for implementing pilot property tax schemes, which became effective on January 28, 2011. These two governments may issue additional measures to tighten the levy of property tax. It is also expected that more local governments will follow Shanghai and Chongqing in imposing property taxes on commodity properties, including Beijing, Shenzhen and Hangzhou. The imposition of property taxes on commodity properties will increase the purchasing cost of properties and is expected to have a negative impact on demand for properties in China, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We cannot assure you that the PRC Government will not impose more restrictive policies in the future. A significant portion of working capital in our property business is financed by proceeds from the pre-sale of properties under development. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sales of properties and may only use such proceeds to finance their developments. If the PRC Government places additional restrictions on pre-sales, we would need to obtain additional funding to support our development projects. Any similar changes in government policies could lead to additional financing costs and our cancellation of certain planned property development projects, which could materially and adversely affect our property business.

We may not be able to obtain adequate funding to finance our land acquisitions or property developments.

The property development business is capital intensive. We have historically financed our land acquisition and property developments primarily through a combination of capital contributions from our shareholders, bank loans, internal cash flows, including proceeds from the pre-sale of our properties, and other funds we raised from the capital markets, including Forte's initial public offering in 2004 and Forte's offering of the domestic corporate bonds in 2009. As a result of the delist of Forte from the Hong Kong Stock Exchange, we may have less access to the capital markets. We cannot assure you that we will have sufficient cash flow available for land acquisitions or property developments or that we will be able to achieve sufficient pre-sales and sales to fund land acquisitions or property developments. In addition, we cannot assure you that we will be able to secure external financing on terms acceptable to us or at all.

Our ability to arrange adequate financing for land acquisitions or property developments on terms that will allow us to earn reasonable returns depends on a number of factors, many of which are beyond our control. The PRC government has in recent years taken a number of measures in the financial sector to further tighten lending requirements for property developers, which include, among other things:

- forbid PRC commercial banks from extending loans to property developers to finance land premiums;
- restrict PRC commercial banks from extending loans for the development of luxury residential properties;
- restrict the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- prohibit commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans; and
- forbid property developers from using borrowings obtained from any local banks to fund property developments outside that local region.

In addition, the PBOC increased the reserve requirement ratio for financial institutions six times in 2010, seven times in 2011 and twice through June 30, 2012. Effective May 18, 2012, the reserve requirement ratio is 20.0% for large-sized financial institutions in China and is 16.5% for small-sized financial institutions.

We cannot assure you that the PRC government will not introduce other measures which may limit our access to capital resources. The foregoing and other governmental actions and policy initiatives may limit our flexibility and ability to use bank loans or other forms of financing to finance our property developments and therefore may require us to maintain a relatively high level of internally sourced cash. As a result, our business, financial condition and results of operations may be materially and adversely affected.

PRC tax authorities may enforce the payment of LAT and may disagree with the basis on which we calculate our LAT obligations.

Under PRC tax laws and regulations, our properties developed for sale are subject to land appreciation tax (or LAT) collectible by local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined by the relevant tax laws, with certain exemptions available for the sale of ordinary residential properties if appreciation does not exceed 20% of the total deductible items as defined in the relevant tax laws. Sales of ordinary non-residential properties or above-standard residential properties, however, are not eligible for such exemption.

We have estimated and made provisions in our property business for the amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but only a portion of such provisions has been paid as required by the local tax authorities. In 2009, 2010 and 2011 and the six months ended June 30, 2012, we made additional LAT provisions in the amounts of RMB112.8 million, RMB443.5 million, RMB245.5 million and RMB181.7 million, respectively.

According to the Administrative Regulations on the Settlement of LAT issued by the State Administration of Taxation on May 12, 2009, effective as of June 1, 2009, the taxpayer is responsible to volunteer to apply for LAT settlement with the relevant tax authorities, once the conditions on LAT settlement are satisfied, including (i) completion of construction and sales of the properties, (ii) transfer of the project under construction as a whole, or (iii) direct transfer of the land use rights. Furthermore, the competent tax authority may also require the taxpayer to conduct LAT settlement if any of the following occurs:

- in the case of the real estate development projects that have been completed and accepted, the sold area accounts for 85% of the saleable construction area, or any remaining saleable construction area has been leased or used by the developer itself;

- the taxpayer fails to complete the sale of the properties after obtaining the sale (presale) permit for three years;

- the taxpayer applies for cancellation of its tax registration but has not completed LAT settlement; or

- other circumstances as stipulated by the provincial tax authorities.

On May 19, 2010, the State Administration of Taxation promulgated the Notice on Issues Regarding Land Appreciation Tax Settlement《關於土地增值稅清算有關問題的通知》, which provides further clarifications and guidelines on LAT Settlement, income recognition, deductible expenses, timing of assessment and other related issues.

On May 25, 2010, the State Administration of Taxation promulgated the Notice on Strengthening the Levy and Administration of Land Appreciation Tax《關於加強土地增值稅徵管工作的通知》to impose further requirements on the collection of LAT. The notice provides that, except for social security housing, the minimum LAT prepayment rate shall be no less than 2% for properties in Eastern China, no less than 1.5% for properties in Central and Northeastern China and no less than 1% for properties in Western China. The LAT prepayment rate shall be determined by the local authorities based on different property types in the locality.

It is uncertain as to when local tax authorities will collect the amount of LAT in full, if at all. In the event that the LAT we have provided for in our property segment is actually collected by the PRC tax authorities, the cash flow and financial position of our property segment will be adversely affected. Further, the tax authorities may disagree with us on some of the assumptions made by us in computing the amount of LAT payable. In the event that LAT eventually collected by tax authorities exceeds the amount we have provided for, our property business will be adversely affected.

We may not be able to use our experience from developed markets when expanding our property business to other, less developed cities.

We have the relevant experience in developing properties in more developed cities, such as Shanghai and Beijing. In recent years, we have increased our focus on developing property in less developed cities, such as Tianjin, Nanjing, Chongqing, Wuhan, Wuxi, Hangzhou, Xi'an, Changchun, Chengdu, Taiyuan, Changsha, Datong, Nantong, Harbin, Ningbo, Dalian and Sanya. We may continue to expand our property business to other less developed cities in China by utilizing our accumulated experience. However, other cities differ in economic development, culture and customs, regulatory framework and consumer preferences, and we may be less familiar with construction companies and sales channels in these markets. In particular, changes in the property markets of less developed cities may be more difficult to predict compared to more developed cities, such as Shanghai and Beijing. Demand for and the price of new properties in such cities may not continue to grow as we expect, and such growth and demand may not match the growth and demand in Shanghai and Beijing. Accordingly, we may not be able to capitalize on our experience when expanding our property business to other cities in China.

We may be unable to maintain an adequate level of land reserves.

Our property business focuses on the development and sale of residential properties, office buildings and retail venues. Our results of operations therefore depend on our continued ability to acquire new parcels of land for the construction of residential and commercial properties. Although we also obtain land use rights through joint ventures or strategic alliances with companies with land use rights, land supply in China is largely controlled by the PRC Government and its land supply policies principally dictate our ability to acquire quality sites on commercially reasonable terms.

In recent years, the PRC central and local governments have implemented various measures to regulate the means by which property developers may obtain land. For example, regulations were introduced to require that land use rights for residential and commercial property developments be granted by public tender, auction or listing-for-bidding. The PRC government also controls land supply through zoning, land use regulations and other measures. Although we believe that the regulations would enable us to compete with large property developers for quality sites on an equal footing, the process may increase competition for land in

China. Major PRC cities, including the cities where we currently operate, have experienced significant increases in land cost in recent years and there is a limited supply of suitable land available for development in such cities. As a result, we may not be able to acquire suitable land at commercially acceptable costs. If we cannot acquire desirable land parcels or have to pay higher prices, our future development may be adversely affected.

Restrictions on the payment terms for land use rights may adversely affect our financial condition.

The fiscal and other measures adopted by the PRC Government from time to time may limit our flexibility and ability to use bank loans to finance our property developments and therefore may require us to maintain a relatively high level of internally-sourced cash. In November 2009, the PRC Government raised the minimum down payment of land premium to 50%. In March 2010, this requirement was further tightened. According to Circular of Certain Issues regarding Enhancing Land Supply and Supervision over Real Estate by Ministry of Land and Resources (國土資源部關於加强房地產用地供應和監管有關問題的通知(國土資發[2010]34號)), the PRC Government set the minimum land premium at no less than 70% of the benchmark price of the locality where the parcel of land is granted, and the bidding deposit at not less than 20% of the minimum land premium. Additionally, a land grant contract is required to be entered into within 10 working days after the land grant deal is closed, and the down payment of 50% of the land premium is to be paid within one month of signing the land grant contract, with the remaining to be paid in full within one year of the date of the land grant contract in accordance with provisions of such land grant contract, subject to limited exceptions. Such change of policy may constrain our cash otherwise available for additional land acquisition and construction. We cannot assure you that we will have adequate resources to fund land acquisitions (including any unpaid land premiums for past acquisitions), or property developments.

On September 28, 2007, the PRC Government issued revised "Rules regarding the Grant of State-owned Land Use Rights for Construction by Way of Public Tender, Auction and Listing-for-bidding" (招標拍賣掛牌出讓國有建設用地使用權規定), which provides that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and commence development on the land. This regulation became effective on November 1, 2007. On May 13, 2011, the Ministry of Land and Resources Promulgated the Opinions on Upholding and Improving the System for the Transfer of Land by Tender, Auction and Listing (《關於堅持和完善土地招標拍賣挂牌出讓制度的意見》), which provides, among other things, that (i) correct utilization of the regulating and controlling effects of the land transfer policy through tender, auction and listing; (ii) improvement in the transparency of the system of tender, auction and listing for housing land; (iii) adjustment and improvement in the land transfer policy through tender, auction and listing, including (a)limitation on house price or land price, and transfer of policy-related housing land by listing or auction; (b) limitation of the Gross floor area of allocated security housing, and transfer of commodity housing land by listing or auction; (c) carrying out of comprehensive assessment on conditions of land development and utilization and land transfer prices, and determination of the person who is entitled to land use rights by tender; (iv)promotion of online operation of the transfer of land use rights; (v) improvement in the contracts for land transfer through tender, auction and listing. As a result, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land in order to commence development, which had been the practice in many Chinese cities. The implementation of such regulation requires property developers to maintain a higher level of working capital, which may have a material adverse effect on our cash flow position, financial condition and business plans.

We may be required to forfeit land to the PRC government if we fail to comply with the terms of our land grant contracts.

Under PRC law, 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 premium, the designated use of the land and the schedule for commencing and completing the development, the relevant government authorities may issue a warning, impose a penalty and/or liquidated damages, or require us to forfeit the land. Any violation of the land grant contract may also restrict or prevent us from participating in future land bidding.

Pursuant to current PRC law, if we fail to commence the development of a parcel of land for more than one year from the commencement date stipulated in the land use rights grant contract, the relevant PRC land bureau may serve a warning notice on us and impose an idle land fee of up to 20% of the land premium. If we fail to commence development for more than two years from the relevant commencement date stipulated in the land grant contract, the land will be subject to forfeiture to the PRC government. Moreover, even if the commencement of the property development satisfies the stated requirements of the land use rights grant contract, if the developed GFA is less than one-third of the total planned GFA of the project or the total capital invested is less than one-fourth of the total planned investment the project, and development of the land is suspended continuously for more than one year without government approval, the land will still be treated as idle land.

In the Notice on Promoting the Saving and Intensification of Use of Land（國務院關於促進節約集約用地的通知）promulgated by the State Council in January 2008, the aforesaid policy was reinforced. This notice states, among other things, that the Ministry of Land and Resources and other authorities are required to conduct research on and commence drafting of implementation rules concerning the levy of land appreciation fees on idle land. Furthermore, the Ministry of land and Resources issued a 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）in August 2009, which reiterates the current rules regarding idle land. The Measures for the Disposal of Idle Land（閒置土地處置辦法）promulgated by MLR on June 1, 2012, stipulates the measures charging an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the land use rights grant contract and canceling land use rights for land which has not been developed for two years or more. In September 2010, the Ministry of Land and Resources and Ministry of Housing and Urban-rural Development jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction （關於進一步加強房地產用地和建設管理調控的通知）, which provides that a property developer and its controlling shareholders will be prohibited from participating in land bidding before any illegal behaviors in which it engages, such as land idle for more than one year without cause or failure to comply with the terms of land grant contracts, have been completely rectified.

We cannot assure you that circumstances leading to the imposition of penalty, liquidated damages or forfeiture of our land will not arise in the future. If we are deemed as holding land idle for more than one year without cause or are required to forfeit land, we may lose the opportunity to develop the relevant land, our investments in the land, including land premiums paid and development costs incurred, and our ability to bid for other land in the future, any of which could materially and adversely affect our business, prospects, financial condition and results of operations.

The operating results of our property business may fluctuate due to revaluation gains on investment properties.

In our property business, we reassess the fair value of investment properties upon their completion, and at every reported balance sheet date thereafter. Our valuations are based on active market prices or alternate valuation methods, such as through discounted cash flow analysis based on estimated future cash flows. In accordance with HKAS 40, we recognize changes to the fair value of such investment properties as a gain or loss (as applicable) in our income statements. However, there is no cash flow impact arising from any fair value gain or loss as long as the relevant investment property is held by us. Our property business recognized fair value gain of RMB85.2 million, RMB264.6 million, RMB97.5 million and RMB60.2 million for the year ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012. The fair value of our investment properties is likely to fluctuate further in the future, and our historical results should not be regarded as an indicator of the future profits of our property business. We cannot assure you that the fair value of our investment properties will not decrease in the future. Any such decrease in the fair value of such investment properties may reduce profits in our property segment.

The valuation attached to our property interests contains assumptions that may or may not materialize.

The assumptions from which we derived the fair value of our investment properties, by their nature, are subjective and uncertain and may differ materially from actual results. Accordingly, the valuations are not a prediction of the actual value we expect to realize from these properties. Unanticipated results or changes in particular property developments, or changes in general or local economic conditions or other relevant factors, including changes in government regulations, could affect such values. A decrease in the value of our investment properties would reduce the amount of our profit and could lead to a net loss during a particular period.

We rely on independent contractors to design and construct our property development projects.

We retain independent third party contractors for some of the work relating to our property development projects, including piling and foundation work, construction of the principal structures, landscaping, elevator installation, general construction and interior decoration. We select independent contractors for these projects by way of open tender. Although we strive to use reputable independent third party contractors with a sound track record and we supervise them closely during the development process, we cannot assure you that the services rendered by each of these independent third party contractors will be satisfactory or match our quality expectations. If the performance of any contractor is unsatisfactory, or if any contractor is in breach of its contractual obligations, we may need to replace such contractor or take actions to remedy the situation, which could materially and adversely affect the cost and the construction process of our project. In addition, our contractors may encounter financial or other difficulties that affect their ability to carry out their work. As a result, our projects may be delayed or subject to cost overruns, which would adversely affect our property business and our reputation.

External factors may prevent us from completing our property development projects according to our original specifications or schedule.

We may fail to complete our property development projects on schedule as a result of many factors, such as disruptions in the supply of materials and equipment, shortages of workers and technical staff, adverse weather conditions, natural disasters, labor disputes, disputes with contractors and sub-contractors, accidents, delays in the resettlement of original inhabitants, changes in government policies, changes in market conditions, and delays in obtaining the requisite permits and approvals. Any of these factors may cause delays in our property development projects, result in cost overruns and reduce our profits. In addition, our failure to complete a project on time or according to its original specifications may give rise to potential liabilities and adversely impact rates of return in our property segment.

In particular, our property projects may be delayed if we fail to obtain government approvals in time. Like other property developers in China, our property development projects are subject to extensive government regulation. For every property development project, we must obtain at various stages from different regulatory bodies the required permits, licenses, certificates and other approvals, including land use rights certificates, planning permits, construction permits, pre-sale permits, confirmation certificates for completion and inspection and delivery certificates. The developer must satisfy certain prescribed conditions before the relevant certificates or permits are issued, and the process may take longer than anticipated. We cannot assure you that we will not experience major problems or delays in obtaining these approvals in the future. In such cases, work on the relevant projects may be interrupted, and our property business may be adversely affected.

Fluctuations in the price of construction materials could adversely affect our business and financial performance.

The cost of construction materials such as steel and cement, which constitutes a significant proportion of our contractual payments to our construction contractors, may rise. Any rise in the cost of construction materials may result in additional costs to us and may lead to future increases in construction contract costs. Construction material costs have experienced periods of fluctuation in recent years. Any increase in the cost of any significant construction materials will adversely impact our overall construction costs, which is generally one of the largest components of our cost of sales in this business segment. If we cannot pass any or all of the increased costs on to our customers, our profitability will be adversely affected.

Changes in PRC regulations on the resettlement of original inhabitants may increase the cost of sales in our property business.

Under PRC law, if a developer receives government approval to redevelop a site, the developer must pay relocation and resettlement expenses to the site's inhabitants in accordance with the formulae stipulated by the local government. In general, in connection with a building's demolishment, the developer must pay its residents an amount that would reflect the market price of residential housing in the neighborhood, the appraised value of the building, the official price compensation index and the GFA of the building. We cannot assure you that the formulae for the computation of relocation and resettlement expenses will not be altered. If any local government alters the relevant formulae in favor of local residents, our construction and resettlement costs could increase accordingly.

In addition, if any inhabitants are dissatisfied with the amount of relocation and resettlement expenses to which they are entitled, they have the right to refuse to relocate and the property developer must resolve the disputes in accordance with the official mandated procedures. Disputes with inhabitants may substantially increase our construction and resettlement costs and delay the progress of our development projects. Furthermore, if a large number of residents object to the proposed resettlement arrangements, we may be prohibited from implementing the proposed development project at all.

We are subject to risks associated with the pre-sale of properties under development.

The pre-sale of properties under development is a widely-adopted practice in China. Like other developers, we are subject to potential liabilities arising from such practice. For example, if we fail to complete a project according to its original design specifications, we may be liable to purchasers of pre-sale units for losses they suffer. In addition, if a property development project is not completed on time, purchasers of pre-sale units may be entitled to compensation for late delivery, or, if the delay extends beyond a certain period, terminate their purchase agreements and claim damages against us. We therefore could be held liable for an amount in excess of the sales proceeds of the relevant unit. Such consequences may have an adverse effect on our property business.

The PRC Government may raise mortgage interest rates or impose a more stringent down payment requirement.

A large portion of purchasers of our properties rely on mortgages to fund their purchases. Therefore, demand for our properties may be affected by the availability and terms of mortgage financing in the PRC. For example, an increase in interest rates may significantly increase the cost of mortgage financing, thus affecting the affordability of residential properties. PBOC raised the benchmark interest rate for personal mortgage loans of over five years to 4.70% in early April 2011. Although the benchmark interest rate for personal mortgage loans of over five years was reduced to 4.5% in July 2012, there is no assurance that the PRC Government will not raise mortgage interest rate in the future.

In addition, the PRC Government has also imposed a more stringent down payment requirement and additional conditions on mortgage financing. Under current PRC laws and regulations, purchasers of residential properties generally must pay at least 30% of the purchase price of the properties before they can finance their purchases through mortgages. The minimum down payment for commercial property buyers has increased to 60% of the purchase price, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark lending interest rate and maximum maturities of no more than ten years. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. Such restrictions may make mortgage financing more difficult or unattractive to consumers. As a result, some consumers may become unable or unwilling to purchase our properties, and our property business may be adversely affected.

Customers of our property business may default on their mortgage loans, the payment of which is guaranteed by us for a limited period.

We have arranged with several domestic banks to provide mortgage loans to our customers. In accordance with industry practice, we are required to guarantee mortgage loans for the benefit of our customers until relevant ownership certificates and certificates of other interests are furnished to their mortgagee banks. The guarantee typically lasts until the relevant certificates for the properties are obtained. If a customer defaults under the mortgage loan when the guarantee is in effect, the mortgagee bank has the right to demand us to make repayment on behalf of the defaulting customer. In accordance with industry practice, we do not conduct independent credit checks on our customers but rely instead on credit checks conducted by the mortgagee banks.

As of June 30, 2012, the aggregate amount of mortgage loan obligations guaranteed by us for the benefit of our customers was RMB2,743.5 million. We cannot assure you that our customers will not default on their mortgage loan obligations or that we will not be called upon to fulfill our guarantee obligations. If a large number of defaults occur and the relevant banks exercise their rights to demand immediate payment from us, the financial condition of our property business could be adversely affected, especially if the market value of the underlying properties is lower than their original sales price or if the properties cannot be sold due to unfavorable market conditions or other reasons.

Risks Relating to our Steel Business

Our steel business is affected by the market conditions of the steel industry.

Market conditions in the steel industry change from time to time. In China, production capacities for steel products have increased substantially in recent years due to improvements in manufacturing technology and construction of new facilities, thus resulting in production overcapacity in the industry. Domestic overcapacity in steel production may have a negative impact on steel prices in China. The weakening of a large number of foreign economies especially those in the Eurozone which were heavily hit by the European debt crisis may result in lower local demand for steel products, which encourages greater steel exports to China at depressed prices. Further, our steel products are used principally in the oil and natural gas pipeline, shipbuilding and machinery industries. These industries are cyclical in nature, with the shipbuilding and machinery industries experiencing noticeable slow down in recent years. Our business may be affected indirectly by supply and demand changes within these downstream industries. All these factors have significant impacts on our economic efficiency.

Our steel products mainly include medium and heavy steel plate, steel bar, wire rod, steel strip and section steel. Historically, the market prices for these products have fluctuated widely and experienced periods of significant decline. Their prices are influenced by numerous factors and events which are beyond our control such as world demand and supply, forward selling activities, costs of production by other producers, exchange rates, general economic conditions and other macro-economic factors. If market prices of the steel products that we produce should fall due to these and other factors and events, our business, financial conditions and results of operations could be materially and adversely affected.

The weak demand and excessive supply in the steel industry have been the direct causes for the continued decline in steel prices in 2012. Low steel prices have significantly affected the results of our operations. For the six months ended June 30, 2012, our steel business generated revenue of RMB17,637.0 million, representing a decline of 7.2% compared with the same period for 2011, and suffered a loss of RMB190.7 million for the six months ended June 30, 2012, compared with a profit of RMB448.3 million for the same period for 2011. The loss was primarily due to a sharp decline in steel prices in 2012. It is anticipated that steel prices may continue to fluctuate at a low level in the mid and long term. We cannot assure you that the market conditions of the steel industry will not deteriorate and steel prices will not further decline in the future.

Our results of operations may be adversely affected by changes in PRC Government policies on the steel industry.

In an attempt to prevent an overheated economy, the PRC Government has promulgated in recent years various regulatory measures targeting the steel industry and its downstream industries. See "Regulation — Laws Applicable to Our Business — Steel Business" in this offering memorandum. We expect these measures will create pressure on the domestic steel industry in the following areas:

- steel manufacturers may need to alter their capacity expansion plans because they will have to finance at least 40% (up from 25%) of their project costs with capital resources generated internally for certain projects such as iron smelting, steel smelting and steel rolling;

- capacity expansion projects may take longer to complete, because projects involving significant fixed asset investment will require prior government approval and projects involving the construction of new steel plants and addition of production equipment will be subject to closer scrutiny by government authorities;

- projects involving steel production facilities will have to comply with more stringent requirements in production capacity, land use, environmental protection measures, energy consumption and comprehensive utilization of resources, safety and health, credit management and manufacturing technology and equipment;

- consolidation activities within the industry may decrease due to the additional limitations on foreign investment in steel companies in China. Under the Policies on Development of Steel and Iron Industry, foreign investors are generally not allowed to acquire controlling interests in domestic iron and steel enterprises;

- market demand for our steel products may decline because the PRC Government has imposed macroeconomic tightening measures on other industries;

- operational expenses may increase during the transition period when steel producers are required to phase out obsolete machinery and focus on technology reform and innovation; and

- export profit of our steel products may decrease because export tax rebate on certain steel products have been deducted or cancelled.

It becomes more difficult to obtain relevant approval for new projects because the new projects involving setting up new steel production facilities shall be in compliance with the goal of decreasing energy consumption and pollution release and phasing out obsolete production capacity.

In addition, new regulations may place additional restrictions on development planning, technology improvement, investments and acquisitions and foreign investment, which may increase our operating costs and affect the future development of our steel business. Similar policy changes may also impact our customers in certain downstream manufacturing industries. We cannot assure you that our steel business will not be adversely affected by changes in government policies.

Intensified competition among domestic and foreign steel producers may saturate the market and adversely affect our profit margin and other financial results.

We operate in a highly competitive industry. China's steel market experienced rapid growth in the last decade. A profitable domestic steel market led to overcapacity as existing and new steel companies continued to invest in new equipment and technologies and undertake capacity expansions. An effect of such capacity expansion is increased competition among domestic steel producers in both national and regional markets, which, in turn, has resulted in reduced revenues, narrowed-down profit margins and smaller market shares for steel producers. We may also face competitions from overseas suppliers.

The intensified competition in China's steel industry is caused by a number of factors which are beyond our control. We cannot assure you that competitions in the steel industry will be eased in the future. Any increase in competition in our existing and future markets may lead to further decreases in the sales volume and selling prices of our products, which may have an adverse effect on our results of operations.

The gross profit margins of our steel products may be adversely affected by increases in costs of raw materials, transportation and electricity.

Costs of raw materials, transportation and electricity can materially impact our gross profit margins. We procure raw materials from different suppliers at market prices. Market prices of iron ore, coking coal and scrap steel, as well as international shipping costs, have fluctuated significantly in recent years. In particular, prices of iron ores, the most important raw material for our steel production, have experienced sharp fluctuations in recent years. In addition, our electricity cost may increase in the future due to changes in governmental policies towards the electricity industry or other factors. We cannot assure you that the cost of our raw materials, transportation and electricity will not increase significantly. If the increase in prices of our steel products cannot fully offset the increases in our manufacturing costs, the gross profit margins in our steel products may decrease.

Our steel business may be materially and adversely affected by interruptions in the supply of raw materials or electricity, transportation problems, equipment breakdowns, or natural disasters.

Steel production requires a stable supply of electricity and consumes large quantities of raw materials, including iron ore, coke, scrap steel, alloy and other ancillary materials. In recent years, many regions of China, particularly Eastern China, have experienced power shortages from time to time. We have self-owned generator units, but they are not sufficient to supply all the electricity required for our steel operations. Similarly, we have long-term supply contracts with some domestic and overseas iron ore suppliers and coke suppliers, but these contracts cannot fully guarantee that we will obtain all of the iron ore, coke and other raw materials that we require. Although we have not experienced any significant interruption or shortage in the supply of electricity or raw materials, we cannot assure you that we will not encounter such problems in the future. Any interruption in the supply of electricity or raw materials may prevent our production facilities from operating at their full capacities and may have an adverse impact on our steel business.

Raw materials and finished steel products are delivered via railways, highways and waterways. Transportation problems could interrupt our production processes from time to time. Our dependence upon railroads and trucking and shipping companies impacts our ability to procure raw materials from our suppliers and deliver products to our customers. Disruption of service due to weather-related problems, strikes, lockouts, bottlenecks and other events could temporarily impair our ability to operate our steel business, resulting in decreased production volume or shipments. Decreased performance levels over long periods of time could cause our customers to look elsewhere for alternative steel producers, negatively affecting our revenues and profitability. Although we have not encountered any significant problems or interruptions in the transportation of raw materials and finished products, we cannot assure you that transportation problems will not occur in the future.

Successful operation of our steel business also depends on the performance of our manufacturing equipment. Although we conduct scheduled maintenance work on our facilities, malfunctions or breakdowns may occur. Closure of a production site, prolonged suspension of any substantial part of our production processes, damage to our production facilities arising from unexpected or natural disasters, such as earthquakes, fires or floods, or other similar events may decrease production volume and limit revenue in our steel segment.

Capacity expansion and technological renovation projects for our steel production facilities may face problems such as cost overruns and delays.

We have historically expended significant capital to improve and expand our production facilities and expect to undertake similar projects from time to time. These projects may be adversely affected by delays or cost overruns. Factors that may contribute to delays and cost overruns include the following: shortages of major equipment; difficulty in securing financing or increases in financing costs; work stoppages, weather interference and other general problems associated with construction work; difficulty in obtaining necessary permits for more stringent safety and environmental requirements; and unanticipated changes in government policies. If the improvements we are making or intend to make in the future experience cost overruns or delays, the benefits we hope to receive from making these investments may not materialize, and the production capacities of the related facilities may fall short of our design specifications, expectations or estimates. In addition, if there is a change in market demand for the relevant steel products, we may not be able to fully utilize these facilities, which would adversely affect our ability to increase our revenue in our steel segment.

Our failure to maintain stable relationships with our major customers could have an adverse effect on our steel business.

Nanjing Iron & Steel depends on its stable relationships with companies in the oil and natural gas, shipbuilding and machinery industries for its sales. We anticipate that we will continue to depend on a limited number of domestic customers in this segment in the foreseeable future.

We cannot assure you that we will be able to maintain or improve our relationships with our key customers in this segment, or that we will be able to continue to sell our products to these customers at current volumes or prices or at all. If any of our key customers substantially reduces, changes, delays or cancels their orders with us or terminates their business relationship with us, we may not be able to obtain orders on comparable terms or in a timely manner or at all from other customers to replace any such lost sales. The occurrence of any of the foregoing events may cause material fluctuations or declines in our revenue and could materially and adversely affect our business, financial condition and results of operations.

The financial condition, results of operations and cash flows in our steel business may be adversely affected if we cannot collect advances and deposits from customers of our steel products.

In accordance with the prevailing industry practice in recent years, we have been able to obtain from our customers advance payments or deposits for their orders. However, we cannot assure you that this practice will continue in the future, especially if our competitors abandon this practice or if demand for steel products decreases substantially. If our customers cease making advance payments or providing us with deposits, the risks of late payment or non-payment of our steel products will increase, which may adversely affect our steel business.

Demand for our steel products may decrease if substitutes for steel become available and more economical.

Our steel products are primarily used in the oil and natural gas pipeline, shipbuilding and machinery industries. In these industries, steel products can be replaced by aluminum, fiber-glass, plastic and other basic materials in certain applications. If our customers elect to substitute other materials for steel products, demand for our steel products may decrease, and the sales volume, sales price and profitability of our steel business may be adversely affected. In light of the advancements made in material science research, we cannot assure you that our steel products will not be gradually replaced by lower cost substitutes.

Laws and regulations relating to environmental protection and workplace safety in the PRC could impose significant costs on and require significant efforts from us.

The PRC government has adopted extensive environmental laws and regulations with national and local standards in relation to emission control, discharge of waste water and storage, transportation, treatment and disposal of waste materials. All steel manufacturing projects in the PRC are subject to the national environmental statutes, which include the Environmental Protection Law of the PRC, the Law of the Environmental Impact Assessment of the PRC. Before the projects obtain the approval or registration with the NDRC or its local delegate, the construction shall be subject to environmental impact assessment procedures first and the related report of the environmental impact assessment shall be checked and approved by competent environmental protection administrations.

In particular, according to the Notice of the Ministry of Environmental Protection of the PRC on the Implementation of Limitation of Excessive Production Capacity and Development in certain Industries and their Healthy Development (Huan Fa [2009] No. 127) issued on October 31, 2009, projects which have yet to commence the preparation of environmental impact assessment reports, or which have such reports still pending approval or substantially revised will no longer be accepted and approved. The related environment protection authorities at all levels shall further control approvals for the projects of steel and iron, cement and other projects with excessive production capacity or overlapping construction, and no approval power shall be delegated to the government authority at a lower level. According to the Notice of Office of the Ministry of Environmental Protection of the PRC on the Inspection and Verification of Environmental Protection Compliance of Steel Manufacturing Corporations (Huan Ban [2010] No.128) issued on September 20, 2010, the Ministry of Environmental Protection will examine steel manufacturing corporations on a regular basis. Approvals of steel manufacturing companies that fail to pass the inspections will be revoked. Compliance with environmental laws and regulations which apply to the steel industry may be difficult for us or may impose significant costs on us.

Steel production may also give rise to certain safety hazards to workers on the production line, and steel businesses in China are subject to the State and local laws and regulations relating to the maintenance of workplace safety. The environmental and workplace safety laws and regulations are constantly evolving and becoming increasingly stringent. We are not always able to quantify the cost of complying with environmental and workplace safety laws and regulations owing to their evolving nature. We cannot assure you that the State or local authorities would not enact additional regulations or enforce current or new regulations in a more rigorous manner. Any future change in environmental and workplace safety laws and regulations could force us to incur substantially more costs for compliances. If we are unable to comply with the existing and future environmental and workplace safety laws and regulations or are required to incur significant costs in complying with them, our business, financial condition and results of operations couldbe materially and adversely affected.

Risks Relating to our Mining Business

The gross profit margin of Hainan Mining will decrease.

It is anticipated that Beiyi open pit iron ore mine, the largest open pit iron ore mine of Shilu Mine, will be closed in 2016. Given such fact, the volume of raw iron ore extracted by Hainan Mining through open-pit mining will gradually decrease. The methods of mining of the company will also switch from open-pit mining to underground mining, resulting in rising extraction costs for raw iron ore. Meanwhile, product structure of Hainan Mining will also change, with the percentage ratio of iron ore lumps in iron ore products decreasing and the percentage ratio of iron concentrates increasing. The level of gross profit margin of iron concentrates is relatively low compared with that of iron ore lumps. As a result, the gross profit margin of Hainan Mining will decrease.

The mining industry is highly susceptible to the economic cyclicality and volatility in commodity prices.

The mining industry is primarily a supplier of industrial raw materials. Industrial production tends to be the most cyclical and volatile component of economic activity, which might be reflected in instability of demand for minerals and metals. Price volatility of major minerals and metals is closely related to the global economy, the economic cycle in China and the fluctuation of global currency markets. As the price of our primary mining products correlates with global and domestic commodity prices, any significant decreases in commodity price for metals could cause a material adverse impact on our mining business and results of operations.

Historically, the market prices for iron ore and gold have fluctuated widely and experienced periods of significant decline. Their prices are influenced by numerous factors and events which are beyond our control such as world demand and supply, forward selling activities, gold reserve movements at central banks, costs of production by other producers and other macro-economic factors such as expectations regarding inflation, interest rates, currency exchange rates (especially the strength of the U.S. dollar), as well as general global economic conditions and political trends. If market prices of iron ore, gold and other metals that we produce should fall due to these and other factors and events, our business, financial condition and results of operations could be materially and adversely affected.

A decline in the demand for steel would adversely affect our business and we might not be able to adjust production volume in a timely or cost-efficient manner in response to changes in demand.

Demand for our most important mining product, iron ore, depends on the demand for steel. Demand for steel depends heavily on global economic conditions and it also depends on a variety of regional and industry factors. The prices of different steels and the performance of the global and PRC steel industry are highly cyclical and volatile, and these business cycles in the steel industry affect demand and prices for our iron ore products.

We might not be able to adjust production volume in a timely or cost-efficient manner in response to changes in demand. During periods of high demand, our ability to rapidly increase production capacity is limited, which could render us unable to satisfy our clients' demand for our products. Conversely, we might have to operate at significant idle capacity during periods of weak demand. Operating at significant idle capacity might expose us to higher unit production costs since a significant portion of our cost structure is fixed in the short-term due to the high capital intensity of mining operations.

Higher energy costs or energy shortages would adversely affect our business.

Energy costs are a significant component of the production costs of our mining business. We consume a substantial amount of electricity in our mining process. We obtain our electricity from local power grids at market rates. Any disruption in electricity supply could lead to production shutdowns and the obsolescence of work in process, as well as increased costs related to recommencement of operations. In addition, any microeconomic control measures implemented by the PRC Government which cause the price of electricity to fluctuate will impact on our cost of production, which in turn could adversely affect our results of operations.

Our reserve estimates might materially differ from mineral quantities that we might actually be able to recover; our estimates of mine life might prove inaccurate; and market price fluctuations and changes in operating and capital costs might render certain reserves uneconomical to mine.

Our reserves are estimated quantities of ore and minerals that we have determined can be economically mined and processed under present and anticipated conditions to extract their mineral content.

There are numerous uncertainties inherent in estimating quantities of reserves and in projecting potential future rates of mineral production, including factors beyond our control. Reserve engineering involves estimating deposits of minerals that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available drilling data and engineering and geological interpretation and calculation. As a result, no assurance can be given that the reserves will be recovered or that it will be recovered at the rates we anticipate. Estimates may vary, and results of our mining and production subsequent to the date of an estimate may lead to revisions of estimates. Reserve estimates and estimates of mine life may require revisions based on actual production experience and other factors. For example, fluctuations in the market prices of minerals and metals, reduced recovery rates or increased operating and capital costs due to inflation, or other factors may render a part of or all proven and probable reserves uneconomic to exploit and may ultimately result in a restatement of reserves. In addition, our ore reserves are measured under the PRC standards which may not be directly comparable to the international standards, such as the JORC Code.

We face risks and uncertainties associated with our mining and processing operations.

Our mining and processing operations are subject to a number of operating risks and hazards, some of which are beyond our control. These operating risks and hazards include unexpected maintenance or technical problems, periodic interruptions due to inclement or hazardous weather conditions and natural disasters, industrial accidents, power or fuel supply interruptions, critical equipment failures in our mining and ore processing operations, fires, earthquakes, flooding and unusual or unexpected variations in the ore, and geological or mining conditions such as instability of the slopes and subsidence of the working areas. Such risks and hazards may delay the production and delivery of our products and/or increase the costs associated with our mining and processing operations, and may have a material adverse effect on our business, financial condition and results of operations. In addition, as our mining operations involve the use, handling, storage, discharge and disposal of hazardous, explosive, toxic materials and articles, our mining business may be exposed to risks and hazards in relation to the mishandling of dangerous materials and articles.

Any disruption for a sustained period to the operations of our mines or processing plants or supporting infrastructure, particularly the railroad transportation network, or any change to the natural environment surrounding our mines, such as landslides as a result of earthquakes may have a material adverse effect on our business, financial condition and results of operations.

Natural disasters, such as earthquakes, floods and snowstorms, may also interrupt our customers' operations and production. These natural disasters may also damage ancillary operations such as the transportation of our products to our customers. The occurrence of any natural disaster adversely affecting our customers and their ancillary operations may have a material adverse effect on our business, financial condition and results of operations.

Amortization expenses related to our mining rights may adversely affect our results of operations.

The mining rights are amortized over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proven and probable reserves of the mines using the unit-of-production method. We intend to regularly review the amount of reserves for our mines. Any material decrease in the amount of reserves for our mines may cause impairment on the carrying value of our mining rights, which may have a material adverse effect on our business, financial condition and results of operations.

We might not be able to replenish our reserves, which could adversely affect our mining prospects.

We engage in mineral exploration, which is highly speculative in nature, involves many risks and frequently is non-productive. Our exploration programs, which involve significant capital expenditures, might fail to result in the expansion or replacement of reserves depleted by current production. If we do not develop new reserves, we will not be able to sustain our current level of production beyond the remaining lives of our existing mines.

We face rising extraction costs over time as we shift our method of mining from open-pit mining to underground mining and as reserves deplete.

Reserves are gradually depleted in the ordinary course of a given mining operation. As mining progresses, distances to the primary crusher and to waste deposits become longer, pits become steeper and underground operations become deeper. As a result, over time, as our mines become more mature, the production volumes of our mines could adversely decrease and we could experience rising unit extraction costs with respect to each of our mines.

We could be adversely affected by changes in government policies, including, but not limited to, the imposition of new taxes, charges or mining royalties.

Mining activities are subject to governmental regulation in the form of, among other obligations, taxes and royalties, which can have an important financial impact on our operations. The relevant government authorities may impose taxes, raise existing taxes and royalties, or change the basis on which they are calculated, in a manner that is unfavorable to us. For example, the PRC Government increased the resources tax rates effective August 1, 2007. There is no assurance that the PRC Government will not further raise the rates of resources tax or other taxes.

Our plan to acquire additional mineral reserves may not succeed.

We intend to acquire exploration and mining rights in the future to expand our mineral reserves. However, we may encounter intense competition during the expansion process and we may fail to select or value targets appropriately. One of the important factors that we will consider when we select or value targets is their resource and reserve data. Such resource and reserve data are estimates that involve professional judgment based on factors such as technical data, experience, industry practice and assumptions and standards. The accuracy of these estimates may be affected by many factors, including the quality of the results of exploration drilling, sampling of the ore, analysis of the ore samples, estimation procedures and standards as well as the experience of the qualified person making the estimates. There are also many assumptions and variables beyond our control that result in inherent uncertainties in estimating reserves. As a result, resource and reserve data are only estimates and may be inaccurate. The failure to select or value targets appropriately may result in our inability to complete our expansion plans at a reasonable cost, if at all.

Even if our expansion plans are successful, we may have to allocate additional capital and human resources to implement the integration of any acquired business with ours. We cannot assure you that such integration will be completed within a reasonable period of time or at all or that it will generate the expected economic benefits. If our expansion plans are delayed or they fail to deliver the expected economic benefits, then our business, financial condition and results of operations may be materially and adversely affected.

Our mining operations have a limited life and eventual closure of these operations will entail costs and risks regarding ongoing monitoring, rehabilitation and compliance with environmental standards.

Our existing mining operations have a limited life, which we estimate to be around 40-50 years. The key costs and risks for mine closures are: (i) long-term management of permanent engineered structures (such as tailings dams) and acid drainage; (ii) achievement of environmental closure standards (such as rehabilitation requirements); (iii) orderly retrenchment of employees and third-party contractors; and (iv) relinquishment of the sites with associated permanent structures and community development infrastructure and programs to new owners. A difficult closure can result in increased closure costs and handover delays, ongoing monitoring and environmental rehabilitation costs, and damage to our reputation if desired outcomes cannot be achieved. As a result, our business and results of operations could be materially and adversely affected.

Risks Relating to Our Retail, Services, Finance and Other Investments

We may fail to realize any profits from our investment activities or may be unable to sell our investments for a considerable period of time or to recover our investment costs.

We have made and expect to continue to make significant investments in the securities of privately-held and publicly-traded companies, which involve significant risks. If our investments do not generate revenue, profit or cash flow in time or at anticipated levels, our growth prospects, business, results of operations and financial condition may be materially and adversely affected.

Many of our investments, in particular our private equity investments, are made in privately held companies by purchasing a portion of their equity securities. We hold these securities mainly for investment purposes and our principal means of realizing investment returns are through privately negotiated sales or through initial public offerings of the companies invested. Generally, it takes a considerable time before we can sell any such investment and in many cases involves substantial efforts and resources to improve the management and business of a company we invested with a view to enhancing the value of our investment, especially when we plan to take the company public. Further, in many cases, we may be prohibited by contract or by applicable securities laws from selling such securities for a period of time.

- Sales of privately-held investments through privately negotiated transactions depend heavily on our ability to identify suitable buyers for the particular investment. It may be difficult for us to find suitable buyers for our investment in a privately held company.

Any intended sale may involve prolong and difficult negotiations with the potential buyer, which may not materialize within a reasonable period, at an acceptable price, or at all.

- Realizing investment returns through the initial public offering of an invested company also involves significant uncertainties and is subject to a number of factors beyond our control, including the general economic conditions, performance of the relevant industries, competitiveness of the invested company as well as the conditions in the global and regional financial and capital markets. The securities offering will also need to comply with the applicable securities laws.

We also invest in publicly traded securities from time to time. Our ability to dispose of these investments is heavily dependent on the performance of the securities market, apart from other factors that may affect a traded company's financial performance. Market prices of publicly-traded securities tend to be volatile and subject to significant fluctuations. If the market price of the securities we hold declines significantly, we may be unable to sell any such securities at a favorable price, if at all, and may lose all or a portion of our investment amount. In addition, holdings of a large number of securities often can only be disposed of over a substantial length of time, exposing our investment returns to risks of downward movement in market prices during the intended disposition period. Accordingly, we may be forced to either sell the securities at lower prices or hold the securities for a considerable period of time, which could have a material adverse effect on our business, results of operations and financial condition.

Our investment company portfolio may include a variety of businesses and geographic markets, which may result in additional risks and uncertainties in our businesses.

We intend to grow our investment portfolio by expanding into new business and geographic markets.

To the extent we make investments or acquisitions in a new line of business, we will face numerous risks and uncertainties, including risks associated with (i) the required investment of capital and other resources, (ii) the possibility that we have insufficient expertise to engage in such activities profitably or to manage our risk exposure, (iii) combining or integrating operational and management systems and controls, including risk management and internal control, (iv) insufficient financial, operational, management and other human resources to support our new investments and (v) the broadening of our geographic footprint, including the risks associated with conducting operations in foreign jurisdictions. Investment into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from currently we are not subject to, and may lead to increased litigation and regulatory risk.

The due diligence process that we undertake in connection with our investments may not reveal all facts that may be relevant in connection with an investment.

Before making investments in a target company, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment, which often involves complex business, financial, tax, accounting, environmental and legal issues. Our due diligence relies on the resources available to us at the time, including public information, information provided by the target of the investment and, in some circumstances, third-party investigations. We cannot assure you that the due diligence investigation that we carry out with respect to any investment opportunity may reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. If we make an investment based on inaccurate or incomplete information, we may be unable to realize anticipated returns and may be subject to unexpected liabilities and losses.

We have made investments in portfolio companies that we do not control.

We invest in portfolio companies that we do not control. Our ability to manage and monitor the operations of our portfolio companies derives primarily from our contractual rights under shareholders' agreements and our shareholders' rights under PRC Company Law and other relevant laws and regulations. Typically, we manage and monitor these companies through our representation on their board of directors. Our inability to exercise control over these companies exposes us to inherent risks, and our interests may be adversely affected as a result of other shareholders' failure to perform their contractual obligations and disagreements among shareholders over the management or future directions of these companies. In addition, when we acquire minority equity interests or dispose of a portion of majority equity interests in portfolio companies in a manner that results in our Company retaining a minority investment and not having control, we are subject to the risk that the relevant portfolio company may make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. Furthermore, regardless of whether we have control, we cannot assure you that we will not have disputes with other shareholders of our portfolio companies. In the event of such disputes, the operations of such companies may be adversely affected, and we may be forced to take actions, including arbitration and litigation, to resolve such disputes. These actions could result in substantial costs, divert our management resources and adversely impact our reputation. The outcome of any such arbitration or litigation cannot be guaranteed. If any of the foregoing were to occur, the values of our equity interests in companies that we do not control could decrease and our financial condition and cash flows could suffer as a result.

The reputation and the trading price of the securities of our investee companies may be negatively affected by adverse publicity or other detrimental conduct, which could have adversely affect our exit plans and investment returns, and therefore affect our business, financial condition and results of operation.

Adverse publicity concerning our failure or perceived failure to comply with legal and regulatory requirements, alleged accounting or financial reporting irregularities, regulatory scrutiny and further regulatory action or litigation could harm the reputation and cause the trading price of the securities of our investee companies to decline and fluctuate significantly, which may materially and adversely affect our ability to exit our investments in these companies at our target price, or at all. For example, after Muddy Water Research, a privately held due diligence based equity research company, alleged Focus Media conducted a series of fraudulent conducts in November 2011, the share price of Focus Media plunged nearly 40% on the day Muddy Waters Research released its reports. Our investee companies may continue to be the target of adverse publicity and other detrimental conduct. Such conduct includes complaints, anonymous or otherwise, to regulatory agencies regarding their operations, accounting, revenues and regulatory compliance. Additionally, allegations may be posted on the internet by any person or entity which identifies itself or on an anonymous basis. Although Focus Media successfully entered into a buyout offer in December 2012 at per share price exceeding its trading price before the attack by Muddy Waters Research, there is no guarantee that our other investee companies will not be materially and adversely affected by such adverse publicity. If so, our exit plans and investment returns, and our financial condition and results of operation will be materially and adversely affected.

Our ability to retain our investment professionals is critical to our success and our ability to grow depends on our ability to attract additional key personnel.

Our success depends on our ability to retain our investment professionals and recruit additional qualified personnel. We anticipate that it will be necessary for us to recruit and train additional investment professionals as we pursue our growth strategy. However, we may not succeed in recruiting additional personnel or retaining current personnel, as the market for qualified investment professionals is extremely competitive. Our investment professionals possess substantial experience and expertise in investing, are responsible for implementing our investment strategies, identifying and executing our investments, and have valuable business network that may lead to investment opportunities. Therefore, the loss of our investment professionals could jeopardize the performance of our investment business, which would have a material adverse effect on our business, financial condition and results of operations. Efforts to retain or attract investment professionals may result in significant additional expenses, which could adversely affect our profitability.

Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments, which could negatively impact our net income and cash flow and adversely affect our financial condition.

Our investment business is materially affected by conditions in the financial markets and economic conditions or events in China and in the world, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation), trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts or security operations). These factors are outside our control and may affect the level and volatility of securities prices and the liquidity and the value of our investments. We may not be able to manage our exposure to these conditions and/or events.

We may be affected by reduced opportunities to exit and realize value from their investments as lack of financing makes it more difficult for potential buyers to raise sufficient capital to purchase assets in our portfolios, by lower than expected returns on investments, which could cause us to realize diminished or no profit, and by the fact that we may not be able to find suitable investments for us to effectively deploy capital, which could adversely affect our ability to make new investments because we can generally only raise capital for a new investment following the substantial deployment of capital from the existing investment.

During periods of difficult market or economic conditions or slowdowns (which may be across one or more industries, sectors or geographies), companies in which we have invested may experience decreased revenues, financial losses, credit rating downgrades, difficulty in obtaining access to financing and increased funding costs. These companies may also have difficulty in expanding their businesses and operations or be unable to meet their debt service obligations or other expenses as they become due, including expenses payable to us. Negative financial results in our portfolio companies may result in lower investment returns for our investment, which could materially and adversely affect our operating results and cash flow. To the extent the operating performance of such portfolio companies (as well as valuation multiples) deteriorate or do not improve, we may sell those assets at values that are less than we projected or even at a loss, thereby significantly affecting our performance and consequently our operating results and cash flow.

The Regulation of Finance Companies by the CSRC may adversely affect the operating results of Fosun Group Finance

The CSRC has put in place stringent requirements in relation to depositing funds in related parties by listed companies. As some companies within our Group are PRC listed companies, business transactions involving depositing funds by such listed companies with Fosun Group Finance are to certain extent restricted. In addition, there can be no assurance that the PRC government will not impose more stringent requirements on listed companies' fund deposit activities. If such more stringent requirements are imposed, the operating results of Fosun Group Finance may be adversely affected.

Risks Relating to Our Asset Management Business

Our ability to retain clients and increase our asset under management, or AUM, depends, in part, on our absolute and relative investment performance.

Our ability to achieve investment returns for clients that meet or exceed investment returns for comparable asset classes and competing investment services is a key consideration when clients decide to keep their assets with us or invest additional assets, and when a prospective client is deciding whether to invest with us. Poor investment performance, both in absolute terms and/or relative to peers and stated benchmarks, will result in clients withdrawing assets and in prospective clients choosing to invest with our competitors. The resulting lower AUM levels will lead to lower investment management fees and minimal or no performance-based fees, which will have a material adverse effect on our financial results.

Our investment performance may be affected by factors that are not under our control.

The mix, market value and level of our AUM are affected by the performance of financial markets (both domestic and international), global economic conditions, industry trends, interest rates, inflation rates, tax regulation changes and other factors that are difficult to predict. For example, since the financial crisis of 2008, the performance of a large number of asset management companies have been significantly and adversely affected by the crisis. Any decrease in our AUM will adversely affect our business operations and financial results.

Disputes with the limited partners or other general partners of the funds we manage may adversely affect our business, financial condition and results of operations.

We typically act as the general partners of the funds we manage and may obtain carried interests in addition to management fees we typically charge.

Disagreements with any of the limited partners or other general partners in connection with the scope or performance of our respective obligations under a fund partnership or cooperation arrangement could adversely affect our ability to implement our business strategies and achieve our investment goals. The limited partners or other general partners may interpret the obligations of the parties under the partnership or cooperation arrangement differently than we do. We may have disputes over the carried interests we may be entitled to. In addition, we may fail to identify appropriate investment opportunities and realize returns for our limited partners. The limited partners or other general partners may have economic or business interests or goals that are inconsistent with ours, take actions contrary to our instructions or requests or contrary to our policies or objectives, or be unable or unwilling to fulfil their obligations under the relevant partnership or cooperation agreements. Should any of these difficulties arise, we may be unable to derive the benefits we anticipate from such partnerships and our business, financial condition and results of operations could be adversely effected.

We may be unable to continue to attract, motivate and retain key personnel, and loss of key personnel could adversely affect our results of operations.

Our asset management business depends on our ability to attract, motivate and retain highly skilled, and often highly specialized, technical, managerial and executive personnel; there is no assurance that we will be able to do so. The market for qualified research analysts, portfolio managers, financial advisers, traders and other professionals is extremely competitive and is characterized by frequent movement of these investment professionals among different firms. Portfolio managers and financial advisers often maintain strong, personal relationships with their clients so their departure could cause us to lose client accounts, which could have a material adverse effect on our results of operations. Compensation packages for investment talents are very competitive. Our operating margin may decline if we increase compensation to retain key personnel without a commensurate increase in revenues.

Failure to adequately address conflicts of interest could damage our reputation and materially adversely affect our business.

Potential, perceived and actual conflicts of interest are inherent in our existing and future investment activities. For example, certain of our funds have overlapping investment objectives and potential conflicts of interest may arise with respect to our decisions regarding how to allocate investment opportunities among funds. Potential, perceived or actual conflicts of interest could give rise to investor dissatisfaction, litigation or regulatory enforcement actions. Adequately addressing conflicts of interest is complex and difficult and we could suffer significant reputational harm if we fail, or appear to fail, to adequately address potential, perceived or actual conflicts of interest.

Operational risks may disrupt our business, result in losses or limit our growth.

We are heavily dependent on the capacity and reliability of the communications, information and technology systems supporting our operations. Operational risks such as human processing errors or interruption of our financial, accounting, trading, compliance and other data processing systems, whether caused by fire, other natural disaster or pandemic, power or telecommunications failure, act of terrorism or war or otherwise, could result in a disruption of our business, liability to clients, regulatory intervention or reputational damage, and thus materially adversely affect our business. Although we have back-up systems in place, our back-up procedures and capabilities in the event of a failure or interruption may not be adequate.

Employee misconduct could expose us to significant legal liability and reputational harm.

We are vulnerable to reputational harm as we operate in an industry where integrity and the confidence of our clients are of critical importance. Our employees could engage in misconduct that adversely affects our business. For example, if an employee were to engage in illegal or suspicious activities, we could be subject to regulatory sanctions and suffer serious harm to our reputation, financial position, client relationships and ability to attract new clients. Our business often requires that we deal with confidential information. If any of our employees were to improperly use or disclose this information, we could suffer serious harm to our reputation, financial position and current and future business relationships. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent this activity may not always be effective. Misconduct by our employees, or even unsubstantiated allegations of misconduct, could result in a material adverse effect on our reputation and our business.

If our techniques for managing risk are ineffective, we may be exposed to material unanticipated losses.

In order to manage the significant risks inherent in our business, we must maintain effective policies, procedures and systems that enable us to identify, assess and manage the full spectrum of our risks including market, fiduciary, operational, legal, regulatory and reputational risks. Our risk management methods may prove to be ineffective due to their design or implementation, or as a result of the lack of adequate, accurate or timely information or otherwise. If our risk management efforts are ineffective, we could suffer losses that could have a material adverse effect on our financial condition or operating results. Additionally, we could be subject to litigation, particularly from our clients, and sanctions or fines from regulators.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data, including our proprietary business information and that of our customers, and personally identifiable information of our clients and employees, in our data centers and on our networks. The secure maintenance and transmission of this information is critical to our operations. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disrupt our operations, damage our reputation, and cause a loss of confidence in our products and services, which could adversely affect our business.

The investment management industry faces substantial litigation risks which could materially adversely affect our business, financial condition or results of operations or cause significant reputational harm to us.

We depend to a large extent on our network of relationships and on our reputation in order to attract and retain clients. If a client is not satisfied with our services, such dissatisfaction may be more damaging to our business than to other types of businesses. We make investment decisions on behalf of our clients that could result in substantial losses to them. If our clients suffer significant losses, or are otherwise dissatisfied with our services, we could be subject to the risk of legal liabilities or actions alleging negligent misconduct, breach of fiduciary duty, breach of contract, unjust enrichment and/or fraud. These risks are often difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time, even after an action has been commenced. We may incur significant legal expenses in defending against litigation. Substantial legal liability or significant regulatory action against us could materially adversely affect our business, financial condition or results of operations or cause significant reputational harm to us.

A decline in the pace of investment in our private equity funds would result in our receiving less revenue from transaction and advisory fees.

The transaction and advisory fees that we earn are driven in part by the pace at which our private equity funds make investments. Any decline in that pace would reduce our transaction and advisory fees and could make it more difficult for us to raise capital. Many factors could cause such a decline in the pace of investment, including the inability of our investment professionals to identify attractive investment opportunities, competition for such opportunities among other potential acquirers, decreased availability of capital on attractive terms and our failure to consummate identified investment opportunities because of business, regulatory or legal complexities and adverse developments in China or global economy or financial markets. In particular, the lack of financing options for new leveraged buy-outs resulting from the recent credit market dislocation, significantly reduced the pace of traditional buyout investments by our private equity funds.

Third-party investors in our funds with commitment-based structures may not satisfy their contractual obligation to fund capital calls when requested by us, which could adversely affect a fund's operations and performance.

Investors in all of our private equity funds make capital commitments to those funds that we are entitled to call from those investors at any time during prescribed periods. We depend on investors fulfilling their commitments when we call capital from them in order for those funds to consummate investments and otherwise pay their obligations when due. Any investor that did not fund a capital call would be subject to several possible penalties, including having a significant amount of its existing investment forfeited in that fund. However, the impact of the penalty is directly correlated to the amount of capital previously invested by the investor in the fund and if an investor has invested little or no capital, for instance early in the life of the fund, then the forfeiture penalty may not be as meaningful. If investors were to fail to satisfy a significant amount of capital calls for any particular fund or funds, the operation and performance of those funds could be materially and adversely affected.

The due diligence process that we undertake in connection with investments by our funds may not reveal all facts that may be relevant in connection with an investment.

Before making investments in private equity and other investments, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, independent auditors and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on the resources available to us, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that we will carry out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

Our funds make investments in companies that we do not control.

Investments by our capital markets funds will include debt instruments and equity securities of companies that we do not control. Such instruments and securities may be acquired by our funds through trading activities or through purchases of securities from the issuer. In the future, our private equity funds may seek to acquire minority equity interests more frequently and may also dispose of a portion of their majority equity investments in portfolio companies over time in a manner that results in the funds retaining a minority investment. Those investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. If any of the foregoing were to occur, the values of investments by our funds could decrease and our financial condition, results of operations and cash flow could suffer as a result.

Fraud and other deceptive practices could harm fund performance.

Instances of fraud and other deceptive practices committed by senior management of investee companies in which we invest may undermine our due diligence efforts with respect to such companies. Due to such frauds, the results of our due diligence may not accurately reflect the actual business performance, financial conditions, legal non-compliance and others that may affect our investment decisions. If such fraud is discovered after we make our investments, it will negatively affect the valuation of a fund's investments. The valuation based upon which we determine our investment price may overstate the value of the investee companies and value we purchase may be substantially lower than the price we pay, which causes under performance of the funds. In addition, when discovered, financial fraud may contribute to overall market volatility that can negatively impact our investment program. As a result, instances of fraud could result in fund performance that is poorer than expected.

Risks Relating to China

A downturn in China's economy may adversely affect our results of operations and financial condition.

Substantially all of our assets are located in the PRC and substantially all of our revenue is sourced from the PRC. We therefore depend heavily on general economic conditions in China for our continued growth. Although the Chinese economy has grown significantly in recent years, we cannot assure you that the economy will continue to grow, or that its growth will be steady or occur in geographic regions or economic sectors from which we benefit. The global crisis in financial services and credit markets that began in 2008 caused a slowdown in the growth of the global economy. Although the global and Chinese economies have since begun to recover, there is no assurance that any such recovery is sustainable. In addition, if the crisis in global financial services and credit markets were to recur, there is no certainty as to its impact on the global economy, especially the Chinese economy. A downturn in China's economic growth or a decline in its economic condition may have material adverse effects on our results of operations and financial condition.

Economic, political and social conditions in the PRC as well as government policies could affect our business.

Our results of operations, financial position and prospects are subject to the economic, political and legal developments in the PRC and could be affected my factors such as:

- political instability or changes in social conditions in the PRC;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and
- imposition of additional restrictions on currency conversion and remittances abroad.

The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may negatively affect our operations. For example, our financial condition and results of operations may be adversely affected by the PRC government's control over capital investment or any changes in tax regulations or foreign exchange controls that are applicable to us. In addition, since early 2004, the PRC government has implemented certain measures to prevent the PRC economy from growing too quickly. These measures may cause a decrease in the level of economic activity and may have an adverse impact on economic growth in the PRC and, consequently, our business, financial condition and results of operations.

Compliance with the PRC Labor Contract Law may increase our labor costs.

The PRC Labor Contract Law became effective on January 1, 2008. Compliance with the requirements under the PRC Labor Contract Law, in particular the requirements to make severance payments and non-fixed term employment contracts, may increase our labor costs.

Pursuant to the PRC Labor Contract Law, since January 1, 2008, we have been required to enter into non-fixed term employment contracts with employees who have worked for us for more than ten years or, unless otherwise provided in the PRC Labor Contract Law, for whom a fixed term employment contract has been concluded for two consecutive terms if the employees request or agree to renew the employment contract. We may not be able to efficiently terminate non-fixed term employment contracts under the PRC Labor Contract Law without cause. We are also required to make severance payments to fixed term contract employees when the term of their employment contracts expire, unless such employee voluntarily rejects an offer to renew the contract in circumstances where the conditions offered by the employer are the same as or better than those stipulated in the current contract. The amount of severance payment is equal to the monthly wage of the employee multiplied by the number of full years (six months or over six months are deemed as a full year) that the employee has worked for the employer, except in circumstances where the employee's monthly wage is three or more times greater than the average monthly wage in the relevant district or locality, in which case the calculation of the severance payment will be based on a monthly wage equal to three times the average monthly wage multiplied by a maximum of twelve years. A minimum wage requirement has also been incorporated into the PRC Labor Contract Law. Liability for damages or fines may be imposed for any material breach of the PRC Labor Contract Law.

In addition to the cost of compliance with current PRC labor laws and regulations, any significant changes in PRC labor laws in the future may substantially increase our operating costs and have a material adverse effect on our business, financial condition and results of operations.

Most of our revenue is denominated in Renminbi, which is not freely convertible for capital account transactions and may be subject to exchange rate volatility.

We require foreign currency to purchase imported equipment and raw materials, pay dividends to our shareholders and service our foreign currency-denominated debt obligations, including the Notes. Most of our revenue, however, is in Renminbi. Under PRC laws and regulations, payments of current account items, including profit distributions, interest payments and operation-related expenditures, may be made in foreign currencies without prior approval but are subject to procedural requirements. Strict foreign exchange control continues to apply to capital account transactions. These transactions must be approved by or registered with the SAFE, and repayment of loan principal, distribution of return on direct capital investment and investment in negotiable instruments are also subject to restrictions. We cannot assure you that we will be able to meet all of our foreign currency obligations or to remit profits out of China. In addition, Fosun Group may not be able to obtain sufficient foreign currency to pay dividends to us, repay inter-company loans or satisfy its other foreign currency requirements.

The value of the RMB against Hong Kong dollar, U.S. dollar and other currencies is affected by, among others, changes in China's political and economic conditions and China's foreign exchange policies. On July 21, 2005, PBOC announced that it ceased to peg the Renminbi to the U.S. dollar. Instead, the PRC government introduced a managed floating exchange rate system to allow the value of the RMB to rise or fall based on market supply and demand and by reference to a basket of other currencies. This change in currency policy resulted in the appreciation of the Renminbi against the U.S. dollar. On May 18, 2007, the PBOC enlarged, effective on May 21, 2007, the floating band for the trading prices in the inter-bank spot exchange market of the 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 each day. Under the current policy, the RMB is pegged against a basket of currencies, determined by the People's Bank of China, against which it can rise or fall by as much as 1% each day. There has been pressure from foreign countries on the PRC recently to adopt a more flexible currency system that could lead to further appreciation of the Renminbi. The Renminbi may be revalued further against the U.S. dollar or other currencies, or may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the U.S. dollar or other currencies, any of which could give rise to uncertainties in our financial condition and results of operations. Any appreciation of Renminbi may subject us to increased competition from imports, and any devaluation of Renminbi may adversely affect the value of our net assets, earnings and declared dividends in foreign currency terms, as well as our ability to service our foreign currency obligations.

China's legal system is less developed than that in some other countries.

China is a civil law jurisdiction. Under the civil law system, prior court decisions may be cited as persuasive authority but do not have binding precedent effect. Although progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organization and governance, foreign investment, commerce, taxation and trade, China's legal system remains less developed than the legal systems in many other countries. Furthermore, because many laws, regulations and legal requirements were adopted only recently, their interpretation and enforcement are subject to uncertainties. Changes in China's legal framework, the promulgation of new laws and conflicts between national and provincial regulation could adversely affect our financial condition and results of operations.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies may cause delay in or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC operating subsidiaries.

We are an offshore holding company of our PRC operating subsidiaries. In utilizing the proceeds of this offering in the manner described in "Use of Proceeds," we may make loans or additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations. For example, loans by us to our PRC subsidiaries that are foreign-invested enterprises to finance their activities cannot exceed the difference between the total investment amount and the registered capital of such foreign-invested enterprises and must be registered with the SAFE.

We may also decide to finance our PRC subsidiaries by means of capital contributions. These capital contributions must be approved by the PRC Ministry of Commerce or its local counterpart. We cannot assure you that we will be able to obtain these government approvals on a timely basis, if at all, with respect to future capital contributions by us to our subsidiaries. If we fail to receive such approvals, our ability to use the proceeds of this offering and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may adversely affect our business operations.

Pursuant to the State Administration of Foreign Exchange's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外滙管理有關問題的通知), or Circular No. 75, issued on October 21, 2005, (i) a PRC resident, including a PRC resident natural person or a PRC resident company, shall register with the local branch of the SAFE before it establishes or controls an overseas special purpose vehicle for the purpose of overseas equity financing (including convertible debt financing); (ii) when a PRC resident contributes the assets of or its equity interests in a domestic enterprise into a special purpose vehicle, or engages in overseas financing after contributing assets or equity interests into a special purpose vehicle, such PRC resident shall register his or her interest in the special purpose vehicle and the change thereof with the local branch of the SAFE; and (iii) when the special purpose vehicle undergoes a material event outside of China, such as a change in share capital, merger, investment with long-term stock rights or credits, or a provision of a guaranty to a foreign party, the PRC resident shall, within 30 days from the occurrence of such event, register such change with the local branch of the SAFE. Under Circular No. 75, failure to comply with the registration procedures set forth above may result in penalties, or restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the special purpose vehicle.

Our controlling shareholders have completed the registration of their overseas invested companies in accordance with Circular No. 75 and renewed the registration accordingly. Changes in the status of these overseas invested companies would, at the request of the local foreign exchange administration bureau, require further registration of changes in accordance with Circular No. 75. We cannot assure you that such process will be completed in a timely manner or at all, or that we will not be subject to fines or other sanctions which restrict our cross-border activities or limit our PRC subsidiaries' ability to distribute dividends or to repay shareholder loans to us.

Changes in tax and other preferential policies may adversely affect our business and results of operations.

Our business benefits from certain PRC Government incentives. Expiration of, or changes to, these incentives could have a material adverse effect on our operating results. In particular:

- Some of our portfolio companies receive tax incentives from local governments. These incentives may not be consistent with relevant national rules governing tax incentives. If any of the incentives granted by the local governments are repealed by the central government or terminated by the local governments, the relevant companies might lose the tax incentives they enjoy currently and could be required to pay back the tax subsidies or rebates that they received in the past.

- Some of our portfolio companies are eligible for preferential tax treatments. Under the Enterprise Income Tax Law promulgated in March 2007, beginning on January 1, 2008 (the "EIT Law"), a unified enterprise income tax rate of 25% and unified tax deduction standards is applied equally to both domestic-invested enterprises and foreign-invested enterprises. Enterprises established prior to March 16, 2007 that are eligible for preferential tax treatment in accordance with the currently prevailing tax laws and administrative regulations will be eligible under the regulations of the State Council to gradually become subject to the new tax rate over a five-year transition period starting from the date of effectiveness of the new law. As a result, the effective tax rates for some of our portfolio companies increased.

When our currently available tax benefits expire or become unavailable as a result of the enactment of the new measures as mentioned above or for any other reasons, the effective income tax rate of our PRC subsidiaries will increase significantly, and any increase of the income tax rate applicable to such subsidiaries in the future could have a material adverse effect on our financial condition and results of operations. Moreover, our historical operating results may not be indicative of our operating results for future periods as a result of the expiration of the tax benefits currently available to us.

We may be treated as a PRC resident enterprise for PRC tax purposes, which may subject us to PRC income taxes on our worldwide income and PRC withholding taxes on interest we pay on the Notes.

Under PRC tax laws effective prior to January 1, 2008, dividends, interest and other amounts paid to foreign investors by foreign-invested enterprises, such as amounts paid to us by our operating subsidiaries in China, were exempt from PRC withholding tax. Under the EIT Law and the implementation rules which both took effect on January 1, 2008, enterprises established outside the PRC whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax purposes. The implementation rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises.

We hold our shareholders' meetings and certain board meetings outside China and keep our shareholders' list outside China. However, most of our directors and senior management are currently based inside China and we keep our books of account inside China. The above elements may be relevant for the tax authorities to determine whether we are PRC resident enterprises for tax purposes. However, there is no clear standard published by the tax authorities for making such a determination.

Although it is unclear under PRC tax law whether we have a "de facto management body" located in China for PRC tax purposes, we take the position that we are not a PRC resident enterprise for tax purposes. We cannot assure you that the tax authorities will agree with our position. If we are deemed to be a PRC resident enterprise for EIT purposes, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income. Furthermore, we would be obligated to withhold PRC income tax of up to 7% on payments of interest and certain other amounts on the Notes to investors that are Hong Kong resident enterprises or 10% on payments of interest and other amounts on the Notes to investors that are not Hong Kong resident enterprises, provided that there are no tax treaties between China and those countries which exempt or reduce such witholding tax, because the interest and other amounts would be regarded as being derived from sources within the PRC. In addition, if we fail to do so, we may be subject to fines and other penalties. Similarly, any gain realized by such non-resident enterprise investors from the transfer of the Notes would be regarded as being derived from sources within the PRC and would accordingly be subject to a 10% PRC withholding tax.

Changes in PRC Government policy regarding foreign investment in China may adversely affect our business and results of operations.

Under the latest version of the Foreign Investment Industrial Guidance Catalogue, which became effective on December 1, 2007, some industries are categorized as sectors that are encouraged, restricted or prohibited for foreign investment. Although currently, none of our portfolio companies are within the prohibited category and most of their businesses are not in the restricted category, as this Catalogue is updated every few years, there can be no assurance that the PRC Government will not change its policies in a manner that would cause part or all of our businesses to fall within the restricted or prohibited categories. If we cannot obtain approval from relevant approval authorities to engage in businesses that become restricted for foreign investors, we may be forced to sell or restructure the businesses that have become restricted or prohibited for foreign investment. If we are forced to adjust our business portfolio as a result of changes in government policy on foreign investment, our business, financial condition and results of operations would likely be materially and adversely affected.

Holders of the Notes may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

Although we are a company incorporated under the laws of Hong Kong, our operating subsidiaries are incorporated under PRC laws, and substantially all of our assets are located in China. In addition, most of our directors and officers reside within China, and substantially all of their assets are located within China. As a result, it may not be possible to effect service of process outside of China upon most of our directors or officers. Moreover, our PRC counsel has advised us that China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in civil and commercial cases with the United States, the United Kingdom, Japan or most other members of the Organization for Economic Cooperation and Development (or OECD). Therefore, recognition and enforcement in China of judgments of a court in any of the jurisdictions mentioned above in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

Risks Relating to the Notes, the Parent Guarantee, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any)

The Issuer, the Parent Guarantor and the Subsidiary Guarantors are dependent upon cash flow from other members of the group to meet their obligations on the Notes, the Parent Guarantee and the Subsidiary Guarantees, respectively.

The Issuer is a special purpose finance company with no independent business operations and no significant assets. The Issuer expects that the proceeds from the Notes will be used by members of the Group in accordance with the intent set forth in the "Use of Proceeds" section of this offering memorandum. Investors should expect that repayment of the Notes will be wholly dependent on the ability of the Parent Guarantor and the Subsidiary Guarantors to honor their obligations under the Parent Guarantee and the Subsidiary Guarantees, respectively. The Parent Guarantor and the Subsidiary Guarantors are holding companies with no independent business operations or significant assets other than investments in their subsidiaries and derive all or substantially all of their revenue and cash from their operating subsidiaries. The Parent Guarantor and the Subsidiary Guarantors therefore depend upon the receipt of sufficient funds from their subsidiaries to meet their obligations.

A material number of our offshore Restricted Subsidiaries will be permitted to not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee.

According to the terms of the Notes, certain offshore Restricted Subsidiaries will not be required to deliver a Subsidiary Guarantee or a JV Subsidiary Guarantee, including the following:

- a publicly listed Restricted Subsidiary and its Subsidiaries;

- any Restricted Subsidiary the provision of a Subsidiary Guarantee or a JV Subsidiary Guarantee by which would be prohibited by any applicable laws or regulations or any applicable rules or policies of any applicable governmental or regulatory bodies or agencies;

- any Financial Service Subsidiary (as defined in the "Description of the Notes" section of this offering memorandum); and

- any Restricted Subsidiary which net assets on a non-consolidated basis do not exceed US$3.0 million (unless the aggregate net assets of all Restricted Subsidiaries on a non-consolidated basis which have not provided Guarantees of the Notes in reliance on this provision exceed US$15.0 million), As a result of these exemptions, a material number of our offshore Restricted Subsidiaries will not be Guaranteeing the Notes. We cannot assure you that there will be any future Subsidiary Guarantors or JV Subsidiary Guarantors.

Our ability to service the Notes will therefore heavily depend on the ability of the Parent Guarantor to honor its obligations under the Parent Guarantee.

We are a holding company and payments with respect to the Notes and the Parent Guarantee are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.

We are a holding company with no material operations. We conduct our operations primarily through our subsidiaries in the PRC. The Notes will not be guaranteed by any current or future PRC subsidiaries or their respective Subsidiaries or by certain other Non-Guarantor Subsidiaries. We and the Subsidiary Guarantors do not and the JV Subsidiary Guarantors (if any) may not, have material operations. Accordingly, our ability to honor the Parent Guarantee and the ability of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any) will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries, mainly our PRC subsidiaries.

Creditors, including trade creditors of our Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Parent Guarantee will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries (including obligations of our Non-Guarantor Subsidiaries under guarantees issued in connection with our business), and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of June 30, 2012, the Non-Guarantor Subsidiaries had total liabilities (excluding liabilities due to the Company and the initial Subsidiary Guarantors) of approximately RMB83,383.4 million (US$13,125.0 million) and the Non-Guarantor Subsidiaries had capital commitments of approximately RMB9,446.9 million (US$1,487.0 million) and contingent liabilities of approximately RMB3,844.8 million (US$605.2 million). The Notes and the Indenture do not restrict the ability of our subsidiaries to issue certain categories of guarantee in the ordinary course of business. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes.

Moreover, under the terms of the Notes, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to a third party of certain equity interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.

The Parent Guarantee, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Parent Guarantee, Subsidiary Guarantees or the JV Subsidiary Guarantees.

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in Hong Kong or other jurisdictions where future Subsidiary Guarantors or JV Subsidiary Guarantors (if any) may be established, or where insolvency proceeding may be commenced with respect to the Parent Guarantor, any such Subsidiary Guarantor or JV Subsidiary Guarantor (if any), a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives its guarantee:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;

- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;

- was insolvent or rendered insolvent by reason of such incurrence;

- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or

- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the law of the jurisdiction which is being applied. Generally, however, the guarantor would be considered insolvent at a particular time if it is unable to pay its debts as they fall due or if the sum of its debts was then greater than all of its property at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities on its existing debt as they became absolute and matured.

In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantors. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder was incurred for less than reasonably equivalent value or fair consideration.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor or JV Subsidiary Guarantor without rendering the guarantee, as it relates to such Subsidiary Guarantor or JV Subsidiary Guarantor, voidable under such applicable insolvency or fraudulent transfer laws. We cannot assure you that such limitation will be effective in preserving the enforceability of any of the Parent Guarantee, the Subsidiary Guarantees or JV Subsidiary Guarantees.

If a court voids the Parent Guarantee, a Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be), subordinates such guarantee to other indebtedness of the Parent Guarantor, Subsidiary Guarantor or JV Subsidiary Guarantor, or holds the Parent Guarantee, the Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be) unenforceable for any other reason, holders of the Notes would cease to have a claim against that the Parent Guarantor, Subsidiary Guarantor or JV Subsidiary Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Parent Guarantor, Subsidiary Guarantor or JV Subsidiary Guarantor (as the case may be), and would solely be creditors of us and any Subsidiary Guarantors or JV Subsidiary Guarantors whose guarantees have not been voided or held unenforceable. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

We have substantial indebtedness and may incur additional indebtedness in the future, which could adversely affect our financial condition and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations.

We and our portfolio companies have, and will continue to have after this offering, a substantial amount of indebtedness. As of June 30, 2012, our total consolidated debt including interest-bearing bank and other borrowings and loans from related companies, amounted to RMB52,404.6 million (US$8,248.8 million) and, our total contingent liabilities amounted to RMB3,844.8 million (US$605.2 million). Our substantial indebtedness could have important consequences to you. For example, it could:

- limit our ability to satisfy our obligations under the Parent Guarantee and other debt;
- increase our vulnerability to adverse general economic and industry conditions;
- require our operating companies to dedicate a substantial portion of their cash flow from operations to servicing and repaying indebtedness, thereby reducing the availability of cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industries in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;

- limit our ability to borrow additional funds; and

- increase additional financing cost.

In the future, we may from time to time incur additional indebtedness. Although the Indenture restricts us and some of our subsidiaries from incurring additional debt, these restrictions are subject to important exceptions and qualifications. If we or our portfolio companies incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance and the operating performance of our portfolio companies, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We may not be able to generate sufficient cash flow to meet our anticipated expenses and to service our debt obligations as they become due. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

In addition, certain of our financing arrangements impose operating and financial restrictions on our business. Moreover, the terms of the Indenture prohibit us from incurring additional indebtedness unless we are able to satisfy certain financial ratios and contain other restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. These provisions may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund needed capital expenditures, significantly increase research and development expenditures, or withstand a future downturn in our business. Any of these could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt. For a discussion of our material long-term indebtedness other than the Notes, see "Description of Other Material Indebtedness" in this offering memorandum.

Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries.

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Parent Guarantee. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments of such subsidiaries. A number of our PRC subsidiaries and non-PRC subsidiaries are also subject to certain restrictions on dividend distributions under their loan agreements with certain PRC banks. See "Description of Other Material Indebtedness" in this offering memorandum. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to us to make payments under the Parent Guarantee. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Parent Guarantee, the ability of the Issuer to meet its obligations under the Notes and the ability of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends by the board of directors or the general meeting of shareholders. In practice, our PRC subsidiaries generally pay dividends once a year. In addition, starting from January 1, 2008, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to a double tax treaty between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5%. As a result of such limitations, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Parent Guarantee or satisfy our obligations under the Parent Guarantee, the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

Furthermore, in practice, the market interest rate that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholders' loans paid by our subsidiaries, therefore, are likely to be lower than the interest rate for the Notes. Our PRC subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on our behalf on the interest paid under any shareholders' loans. PRC regulations require approval by the SAFE and MOFCOM prior to any of our non-PRC subsidiaries making shareholder loans in foreign currencies to our PRC subsidiaries and require such loans to be registered with the SAFE. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with the SAFE, as well as any other documents that the SAFE or its local branch may require.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Parent Guarantee, the Issuer's obligations under the Notes or the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be.

We may be subject to risks presented by fluctuations in exchange rates between Renminbi and other currencies, particularly the U.S. dollar.

The Notes are denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. The floating band was further widened to 1.0% on April 16, 2012. These changes in currency policy resulted in Renminbi appreciating against the U.S. dollar and the H.K. dollar by approximately 30.3% from July 21, 2005 to June 29, 2012. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar-denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between Renminbi and other currencies. Any hedging transaction that we may enter into from time to time may not be sufficient to reduce our exposure to such risks. Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging arrangements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging arrangements may require us to pledge or transfer cash and other collateral to secure our obligations under the arrangements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Initial Purchasers and their respective affiliates may enter into such hedging arrangements permitted under the Indenture, and these arrangements may be secured by pledges of our cash and other assets as permitted under the Indenture. If we were unable to provide such collateral, it could constitute a default under such hedging arrangements.

If we are unable to comply with the restrictions and covenants in our debt agreements or the Indenture governing the Notes, there could be a default under the terms of these agreements or the Indenture, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the restrictions and covenants in the Indenture, or our current or future debt and other agreements, there could be a default under the terms of the Indenture or these debt agreements. In the event of a default, the holders of the debt could terminate their commitments to lend to us, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Indenture, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of debt, including the Notes, or result in a default under our other debt agreements, including the Indenture. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

Our operations are restricted by the terms of the Notes, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase our credit risk.

The Indenture governing the Notes includes a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our Restricted Subsidiaries, to:

- incur additional debt;
- pay dividends or distributions on our capital stock, repurchase our capital stock, pay existing indebtedness, make or repay intercompany loans or advances or sell or transfer property or assets;
- make investments or other specified restricted payments;
- sell capital stock;
- guarantee indebtedness;
- enter into transactions with affiliates;
- create liens on our assets to secure debt;
- sell assets;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends;
- transfer assets or make intercompany loans; and
- merge or consolidate with another company.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

We are able to incur substantial debt and make substantial minority interest investments under the Indenture governing the Notes.

Under the Indenture governing the Notes, our Company may incur debt without limitation if, after giving effect to the incurrence of such debt, the Fixed Charge Coverage Ratio (as defined in "Description of Notes" in this offering memorandum) would be not less than 3.0 to 1.0 and our Restricted Subsidiaries may incur debt without limitation if, after giving effect to the incurrence of such debt, the Fixed Charge Coverage Ratio would be not less than 3.0 to 1.0 and the Offshore Liquid Assets to Offshore Debt Ratio (as defined in "Description of Notes" of this offering memorandum) would not be less than 1.0 to 1.0. Even if we cannot satisfy this Fixed Charge Coverage Ratio or Offshore Liquid Assets to Offshore Debt Ratio, we and our Restricted Subsidiaries can still incur certain types of debt, including debt to finance purchase price or development cost for real or personal property of up to 10% of our total assets. Most of these Restricted Subsidiaries will not guarantee the Notes and debt incurred by them would be structurally senior to the Notes.

In addition, our Company and our Restricted Subsidiaries may make investments in the form of minority interest investment or make loans or provide guarantees or extensions of credit in an associated company or a third party, in each case without limitation, if, at the time of, and after giving effect to, the making of such investments or loans or guarantees or extensions of credit, the Fixed Charge Coverage Ratio would be not less than 3.0 to 1.0 and the Offshore Liquid Assets to Offshore Debt Ratio would not be less than 1.0 to 1.0. Even if we cannot satisfy this Fixed Charge Coverage Ratio or Offshore Liquid Assets to Offshore Debt Ratio, our Company and our Restricted Subsidiaries can make such minority interest investments of up to 10% of our total assets or provide loans or guarantees or extension of credit to third parties or associated company of up to 10% of our total assets.

We are able to incur a significant amount of debt, make significant amounts of minority interest investments and provide significant amounts of guarantees to third parties under the terms of the Notes, any of which may affect our ability to satisfy our obligations under the Notes.

The insolvency laws of Hong Kong and other local insolvency laws may differ from U.S. bankruptcy law or those of another jurisdiction with which holders of the Notes are familiar.

Because we and some of the Subsidiary Guarantors are incorporated, and the JV Subsidiary Guarantors (if any) may be incorporated, under the laws of Hong Kong, an insolvency proceeding relating to us or any such Subsidiary Guarantor or JV Subsidiary Guarantor (if any), even if brought in the United States, would likely involve Hong Kong insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law. In addition, the Issuer and JV Subsidiary Guarantors (if any) are incorporated or may be incorporated in the British Virgin Island ("BVI") or the Cayman Islands and the insolvency laws of the BVI and the Cayman Islands may also differ from the laws of the United States or other jurisdictions with which the holders of the Notes are familiar.

We conduct substantially all of our business operations through PRC-incorporated subsidiaries in China. As equity holders in our PRC subsidiaries, we are necessarily subject to the bankruptcy and insolvency laws of China in a bankruptcy or insolvency proceeding involving any of such PRC subsidiaries. Any JV Subsidiary Guarantors which become equity holders of our PRC subsidiaries would also be subject to such laws. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of the United States and other jurisdictions with which the holders of the Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in our Notes.

We may not be able to repurchase the Notes and the 2011 Notes upon a Change of Control Triggering Event.

Upon a Change of Control Triggering Event (as defined in the section headed “Description of the Notes — Definitions” in this offering memorandum), the Issuer must make an offer to purchase all outstanding Notes. Similary, the Parent Guarantor must make an offer to purchase all outstanding 2011 Notes upon a change of control triggering event under the terms of the 2011 Notes. Pursuant to this offer, we must offer to purchase the tendered Notes and 2011 Notes as 101% of their principal amount, plus accrued interest and unpaid interest, if any, up to, but not including, the date of purchase. The source of funds for any such purchase would be our available cash or third-party financing. We, however, may not have enough available funds at the time of the occurrence of any change of control triggering event to make purchases of tendered outstanding Notes and 2011 Notes. Our failure to make the offer to purchase or purchase tendered Notes and 2011 Notes would constitute an Event of Default (as defined in the section headed “Description of the Notes — Definitions” in this offering memorandum) under the Notes and on event of default under the 2011 Notes. Such event of default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and repay the debt.

In addition, the definition of Change of Control Triggering Event for purposes of the Indenture does not necessarily afford protection for the holders of the Notes in the event of some highly-leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings and the holders of the Notes. The definition of Change of Control Triggering Event for purposes of the Indenture also includes a phrase relating to the sale of “all or substantially all” of our assets. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition under applicable law. Accordingly, the Issuer’s obligation to make an offer to purchase the Notes, and the ability of a holder of Notes to require the Issuer to purchase its Notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

Interest payable by us to our foreign investors and gain on the sale of our Notes may become subject to withholding taxes under PRC tax laws.

Under the PRC EIT Law issued by National People's Congress and implementing regulations issued by the State Council, PRC income tax at the rate of 10% (or lower treaty rate, if any) is withheld from interest paid to investors that are "non-resident enterprises" and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income is not effectively connected with the establishment or place of business, to the extent such interest is derived from sources within the PRC. Any gain realized on the transfer of the Notes by such investors is subject to a 10% (or lower treaty rate, if any) PRC income tax if such gain is regarded as income of a "non-resident enterprise" derived from sources within the PRC. We currently do not intend to withhold PRC taxes from interest payments. However, there is uncertainty as to whether we will be treated as a PRC "resident enterprise" for the purpose of the EIT Law. If we are treated as a PRC "resident enterprise," the interest we pay in respect of the Notes, and the gain any investor may realize from the transfer of the Notes, may be treated as income derived from sources within the PRC and may be subject to PRC tax (including withholding tax in the case of interest). If we are required under the EIT Law to withhold PRC income tax from interest payments made to our foreign shareholders who are "non-resident enterprises," we will be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of our Notes, the value of your investment in our Notes may be materially and adversely affected. It is unclear whether, if we are considered a PRC "resident enterprise," holders of our Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

We may be able to redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest in the event we are required to pay additional amounts because we are treated as a PRC "resident enterprise."

In the event we are treated as a PRC "resident enterprise" under the EIT Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. In the event we are required to pay additional amounts as a result of certain changes in specified tax law or certain other circumstances, including any change or interpretation that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC "resident enterprise," we may redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

We may be unable to obtain and remit foreign exchange.

Our ability to satisfy our obligations under the Parent Guarantee depends heavily upon the ability of our subsidiaries in the PRC to obtain and remit sufficient foreign currency to pay dividends to us and to repay shareholder loans. Our PRC subsidiaries must present certain documents to the SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC (including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with the SAFE). Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% (or 7% if the interest is paid to a Hong Kong resident enterprise) withholding tax on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on our existing shareholder loans, which may affect our ability to satisfy our obligations under the Parent Guarantee.

The Notes will initially be held in book entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the global notes will trade in book-entry form only, and Notes in definitive registered form, or definitive registered notes, will be issued in exchange for book entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to the paying agent which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, if you own a book entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes.

An active trading market for the Notes may not develop, and there are restrictions on re-sales of the Notes.

The Notes are a new issue of securities for which there is currently no trading market. Although we have applied for the listing of the Notes on the SGX-ST, there can be no assurance that we will obtain or maintain such a listing or that a liquid trading market will develop on the exchange. We have been advised that the Initial Purchasers intend to make a market in the Notes are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to an exemption from registration under the Securities Act and, as a result, purchasers of the Notes will only be able to resell their Notes in transactions that are not subject to or are exempt from registration under the Securities Act. See “Transfer Restrictions” in this offering memorandum. In addition, each Initial Purchaser (or its affiliates) may purchase Notes for proprietary purposes and not with a view to distribution. Such purchases may involve a substantial portion of the Notes. We cannot predict whether an active trading market for the Notes will develop or be sustained. If an active market for the Notes fails to develop or be sustained, the trading price of such Notes could be materially adversely affected. If an active trading market were to develop, the Notes could trade at prices that may be lower than the initial offering price. Whether or not the Notes could trade at lower prices depends on many factors, including:

- prevailing interest rates and the markets for similar securities;
- general economic conditions; and
- our financial condition, historical financial performance and future prospects.

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

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and proposals for new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in price for comparable companies could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. We cannot assure you that these developments will not occur in the future.

The ratings assigned to the Notes may be lowered or withdrawn in the future.

The Notes have been provisionally assigned ratings of “BB+” by Standard & Poor’s Ratings Services and “B1” by Moody’s Investors Service. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. No assurances can be given that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform bondholders of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

Certain transactions that constitute "connected transactions" under the listing rules of the Hong Kong Stock Exchange will not be subject to the "Limitation on Transactions with Shareholders and Affiliates" covenant.

Our shares are listed on the Hong Kong Stock Exchange and we are required to comply with its Listing Rules, which provide, among other things, that any transaction between a listed company or any of its subsidiaries, on the one hand, and a "connected person" of such listed company, on the other hand, is a "connected transaction" that, if the value of such transaction exceeds the applicable de minimis thresholds, will require the prior approval of the independent shareholders of such listed company. The definition of "connected person" to a listed company includes, among others, any 10% or more shareholder of (i) such listed company or (ii) any subsidiary of such listed company. The concept of "connected person" also captures "associates," which include, among others, (a) any subsidiary of such "connected person," (b) any holding company of such "connected person" and any subsidiary of such holding company, and (c) any company in which such entity or entities mentioned in (a) and (b) above taken together has/have the power to exercise control, directly or indirectly, of 30% or more of the voting power of such company.

The "Limitation on Transactions with Shareholders and Affiliates" covenant in the Notes only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and (x) any holder (or any Affiliate of such holder) of 10% or more of the shares of the Company or (y) any Affiliate of the Company, on the other hand. As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they are subject to the independent shareholders' requirement under the Listing Rules. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officers' certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions.

Certain facts and statistics are derived from publications not independently verified by us, the Initial Purchasers or our respective advisors.

Facts and statistics in this offering memorandum relating to China's economy and the industries that we are engaged in are derived from third-party sources. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Initial Purchasers or our or their respective advisors and, therefore, we or the Initial Purchasers make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

There may be less publicly available information about us than is available in certain other jurisdictions.

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, our financial statements are prepared and presented in accordance with HKFRS, which differ in certain significant respects from U.S. GAAP.

We will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to companies in certain other countries.

We will be subject to reporting obligations in respect of the Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different than those imposed by securities exchanges in other countries or regions such as the United States or Hong Kong. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

Risks Relating to the Collateral

The pledge of certain Collateral may in certain circumstances be voidable.

The collateral to be pledged to secure the Notes consists initially of capital stock of the Subsidiary Guarantors. The pledge of this Collateral may be voidable as a preference under insolvency or fraudulent transfer or similar laws of the Hong Kong at any time within six months of the perfection of the pledge or, under some circumstances, within a longer period. In addition, the pledge of certain Collateral may be voided based on the analysis set forth under the caption "— The Parent Guarantee, Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Parent Guarantee, Subsidiary Guarantees or the JV Subsidiary Guarantees." If the pledges of the Collateral were to be voided for any reason, holders of the Notes would have only an unsecured claim against us.

The Intercreditor Agreement may impact the ability of the Company and the Subsidiary Guarantors to pay amounts due under the Notes and the Subsidiary Guarantees and the Intercreditor Agreement may limit the rights of holders of the Notes to the Collateral.

The Collateral Agent (as defined under "Description of the Notes — Definitions") is required to take action to enforce the Collateral in accordance with the instructions of the holders of the Notes, the holders of the 2011 Notes and holders (or representatives, trustee or agents) of other Permitted Pari Passu Secured Indebtedness (as defined under "Description of the Notes — Definitions"), given under and in accordance with the Intercreditor Agreement. Any enforcement action taken by the Collateral Agent will adversely affect the Company's entitlement to receive distributions from the Collateral, which will, in turn, have an adverse impact on the Company's ability to fulfill its payment obligations under the Parent Guarantee. Further, the Issuer's ability to pay under the Notes and the Subsidiary Guarantors' ability to pay under the Subsidiary Guarantees will be adversely affected. The ability of holders of the Notes to enforce the Collateral is restricted under the Intercreditor Agreement, as only the Collateral Agent is permitted to take enforcement actions. If an event of default occurs under the Notes, the holders of the Notes holding 25% of the outstanding amount of the Notes and holders, creditors or representatives of the 2011 Notes and other Permitted Pari Passu Secured Indebtedness may decide whether to take any enforcement action and may thereafter, through their respective trustee, representative or agent, in accordance with the Intercreditor Agreement, instruct the Collateral Agent to take enforcement action against the Collateral. By virtue of the instructions given to the Collateral Agent described above, actions may be taken in respect of the Collateral that may be adverse to holders of the Notes. In such event, the only remedy available to holders of the Notes would be to sue for payment under the Notes, the Parent Guarantee and the Subsidiary Guarantees.

The Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Intercreditor Agreement. Under certain circumstances, the Collateral Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the holders of the Notes. The Collateral Agent will not be under any obligation to exercise any rights or powers conferred under the Intercreditor Agreement or any of the Security Documents for the benefit of the holders of the Notes or the 2011 Notes unless such holders have offered to the Collateral Agent indemnity and/or security satisfactory to the Collateral against any loss, liability or expense.

In addition, part of the Collateral has already been granted in favor of the security trustee for the 2011 Notes. Although such part of the Collateral will also be granted in favor of the Collateral Agent to secure the Notes, the Parent Guarantee and the Subsidiary Guarantees of the applicable Subsidiary Guarantor Pledgors on the issue date of the Notes, and the Company, the Subsidiary Guarantor Pledgors, the trustee and the security trustee for the 2011 Notes, the Trustee and the Collateral Agent will enter into, and agree under, the Intercreditor Agreement to be entered into on the issue date of the Notes that the Collateral will be shared on a pari passu basis, under Hong Kong and BVI laws, the security interests held by the security trustee for the 2011 Notes do have legal priority over such part of the Collateral, varied only by contractual arrangements under the Intercreditor Agreement. If the Hong Kong courts or the BVI courts do not recognize the Intercreditor Agreement or if the Intercreditor Agreement has become invalid or void, the security interests held by the Collateral Agent (for the benefit of the holders of the Notes) over the Collateral will rank behind the security interests held by the security trustee for the 2011 Notes (for the benefit of the holders of the 2011 Notes) over the Collateral to the extent that such part of the Collateral has been granted in favor of the security trustee for the 2011 Notes. The foregoing does not apply to any new Collateral that will be created over the capital stock of future Subsidiary Guarantors.

The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the Notes and other permitted pari passu secured indebtedness.

The Collateral will consist only of the capital stock of the Subsidiary Guarantors. The security interest in respect of certain Collateral may be released upon the disposition of such Collateral and any proceeds from such disposition may be applied, prior to repaying any amounts due under the Notes, to repay other debt or to make investments in properties and assets that will not be charged as additional Collateral.

The value of the Collateral in the event of a liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. No independent appraisals of any of the Collateral have been prepared by or on behalf of us in connection with this offering of the Notes. Accordingly, we cannot assure you that the proceeds of any sale of the Collateral following an acceleration of the Notes would be sufficient to satisfy, or would not be substantially less than, amounts due and payable on the Notes. By their nature, some or all of the Collateral, in particular, the capital stock of the existing or any future Subsidiary Guarantor, may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation.

The ability of the Collateral Agent, on behalf of the holders of the Notes, the holders of the 2011 Notes and the holders of other Permitted Pari Passu Secured Indebtedness, to foreclose on the Collateral upon the occurrence of an Event of Default or otherwise, will be subject in certain instances to perfection and priority issues. Although procedures will be undertaken to support the validity and enforceability of the security interests, we cannot assure you that the Trustee or holders of the Notes will be able to enforce the security interest.

The Collateral will be shared on a *pari passu* basis by the holders of the Notes and the 2011 Notes and may be shared on a *pari passu* basis with holders of other indebtedness ranking *pari passu* with the Notes that we may issue in the future. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of such secured indebtedness. The value of the Collateral securing the Notes, the Parent Guarantee and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the obligations of the Issuer, the Parent Guarantor and each of the Subsidiary Guarantor Pledgors under the Notes, the Parent Guarantee and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the Notes, the Parent Guarantee and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Notes or other *pari passu* indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture.

The pledge of certain Collateral may be released under certain circumstances.

In the event the conditions applicable to the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee are satisfied, we are permitted to release the pledge of the shares granted by such Subsidiary Guarantor, as well as the pledge of the shares granted by the subsidiaries of such Subsidiary Guarantor. We are only required to deliver a replacement share pledge for the shares that we continue to hold in such JV Subsidiary Guarantor (but not the subsidiaries of such JV Subsidiary Guarantor) following the sale of the equity interests in such Subsidiary Guarantor. As a result, in the event we sell minority equity interests in our Subsidiary Guarantors or otherwise create JV Subsidiary Guarantors in accordance with the terms of the Indenture, the Collateral will be reduced in value and scope, and holders of the Notes would be subject to increased risks.

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the Initial Purchasers' discounts and commissions and other estimated expenses payable in connection with the offering, will be approximately US$393 million.

We intend to use the net proceeds of this offering as follows:

- refinancing our existing indebtedness; and

- the remainder for working capital and general corporate purposes.

Pending the use of the net proceeds of this offering for the purposes described above, we intend to invest the net proceeds, to the extent permitted by relevant PRC laws and regulations, in short-term deposits with banks or in government bonds.

CAPITALIZATION

The following table sets forth on an actual basis of our consolidated cash and bank balances and capitalization as of June 30, 2012 and as adjusted to give effect to the Notes now being issued (after deducting underwriting discounts and commissions and estimated expenses) and the use of proceeds as described under "Use of Proceeds."

	As of June 30, 2012			
	Actual		As adjusted	
	RMB	US$	RMB	US$
	(in thousands)			
Cash and bank balances[1]	10,937,300	1,721,596	13,434,029	2,114,596
Interest-bearing bank and other borrowings				
Bank loans	35,512,276	5,589,844	35,512,276	5,589,844
Enterprise bonds and corporate bonds	10,919,358	1,718,772	10,919,358	1,718,772
Medium-term notes	2,571,442	404,760	2,571,442	404,760
Senior notes	1,873,511	294,902	1,873,511	294,902
Senior notes to be issued	—	—	2,496,729	393,000
Other borrowings, secured	252,996	39,823	252,996	39,823
Other borrowings, unsecured	1,122,791	176,734	1,122,791	176,734
Portion classified as short-term debt	22,058,841	3,472,193	22,058,841	3,472,193
Long-term portion	30,193,533	4,752,642	32,690,262	5,145,642
	52,252,374	8,224,835	54,749,103	8,617,835
Equity				
Issued capital	621,497	97,827	621,497	97,827
Reserves	31,949,452	5,029,034	31,949,452	5,029,034
Proposed final dividend	—	—	—	—
Non-controlling interests	19,042,708	2,997,436	19,042,708	2,997,436
Total equity	51,613,657	8,124,297	51,613,657	8,124,297
Total capitalization[2]	81,807,190	12,876,939	84,303,919	13,269,939

Notes:

1. Cash and bank balances, as adjusted, include the net cash proceeds of the Notes offered hereby, after deducting underwriting discounts and other estimated expenses related to the offering of the Notes.

2. Total capitalization includes total long-term debt plus total equity.

We incur indebtedness from time to time to fund our operations in the ordinary course of business. See "Description of Other Material Indebtedness-Recent Development" for a description of certain indebtedness incurred subsequent to June 30, 2012.

Except as otherwise disclosed in this offering memorandum, there has been no material change in our indebtedness and capitalization since June 30, 2012.

Our financial statements are published in Renminbi. This offering memorandum contains translations of H.K. dollar amounts and Renminbi amounts to U.S. dollars at specific rates solely for the convenience of the reader. Unless otherwise noted, all translations from H.K. dollars to U.S. dollars in this offering memorandum were made at the rate of HK$7.7572 to US$1.00, the noon buying rate for U.S. dollars in The City of New York for cable transfers in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on June 29, 2012, and translations of Renminbi amounts into U.S. dollars were made at RMB6.3530 to US$1.00, the noon buying rate for U.S. dollars in The City of New York for cable transfers in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on June 29, 2012. You should not assume that Renminbi or Hong Kong dollar amounts could actually be converted into U.S. dollars at these rates or at all.

Hong Kong Dollar Exchange Rates

The Hong Kong dollar is freely convertible into the US dollar. Since 1983, the Hong Kong dollar has been linked to the US dollar at the rate of HK$7.80 to US$1.00. Under existing Hong Kong law, (i) there are no foreign exchange controls or other laws, decrees or regulations that affect the remittance of dividend payments to US residents and (ii) there are no limitations on the rights of non-residents or foreign owners to hold our Shares. The Basic Law of Hong Kong (the "Basic Law"), which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the Hong Kong dollar against the US dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK$7.80 to US$1.00. The Hong Kong government has indicated its intention to maintain the link at that rate. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the US dollar. However, we cannot assure you that the Hong Kong government will maintain the link at HK$7.80 to US$1.00 or at all.

The following table sets forth, for each of the periods indicated, certain information concerning the exchange rates between H.K. dollars and U.S. dollars. For periods prior to January 1, 2009, the exchange rates reflect the noon buying rates as reported by the Federal Reserve Bank of New York. For periods after January 1, 2009, the exchange rates reflect the exchange rates as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System of the United States.

	Exchange Rates of HKD per US$1			
Period	**Period end**	**Average(1)**	**High**	**Low**
2007	7.7984	7.8008	7.8289	7.7497
2008	7.7499	7.7814	7.8159	7.7497
2009	7.7536	7.7513	7.7618	7.7495
2010	7.7810	7.7692	7.8040	7.7501
2011	7.7663	7.7793	7.8087	7.7634
2012	7.7507	7.7556	7.7699	7.7493
July	7.7538	7.7561	7.7586	7.7538
August	7.7560	7.7562	7.7574	7.7543
September	7.7540	7.7540	7.7569	7.7510
October	7.7494	7.7515	7.7549	7.7494
November	7.7501	7.7505	7.7518	7.7493
December	7.7507	7.7501	7.7518	7.7493
2013				
January (through January 18, 2013)	7.7526	7.7515	7.7526	7.7503

Note:

(1) Determined by averaging the rates on the last available business day of each month during the relevant period, except for the average rate of January 2013, which is determined by averaging the daily rates during that period.

Renminbi Exchange Rates

PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi in the market with reference to a basket of currencies during the prior day. PBOC also takes into account other factors such as the general conditions existing in the international foreign exchange markets. Although payments of current account items may be made in foreign exchange currencies without government approvals, conversion of Renminbi into foreign currency for most capital account items requires the approval of SAFE. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of Renminbi to that of the U.S. dollar, 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. This change in policy has resulted in a significant appreciation of the Renminbi against the U.S. dollar.

The PRC government has since made further adjustments to the exchange rate system. The PBOC authorized the China Foreign Exchange Trading Center, effective since January 4, 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day. On May 18, 2007, the PBOC announced that the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar was to be expanded from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. 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 June 19, 2010, the PBOC announced its intention to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate. According to the announcement, the exchange rate floating bands will remain the same as previously announced but the PBOC will place more emphasis to reflecting the market supply and demand with reference to a basket of currencies. The PRC government may in the future make further adjustments to the exchange system.

Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of the Renminbi into foreign currency for current account items, conversion of Renminbi into foreign currency for capital items, such as foreign direct investment, loans or security, requires the approval of the SAFE and other relevant authorities.

The following table sets forth, for each of the periods indicated, certain information concerning the exchange rates between Renminbi and U.S. dollars. For periods prior to January 1, 2009, the exchange rates reflect the noon buying rates as reported by the Federal Reserve Bank of New York. For periods after January 1, 2009, the exchange rates reflect the exchange rates as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System of the United States.

	Exchange Rates of RMB per US$1			
Period	**Period end**	**Average(1)**	**High**	**Low**
2007	7.2946	7.5806	7.8127	7.2946
2008	6.8225	6.9193	7.2946	6.7800
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7603	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.2990	6.3879	6.2221
July	6.3610	6.3717	6.3879	6.3487
August	6.3484	6.3593	6.3738	6.3484
September	6.2848	6.3200	6.3489	6.2848
October	6.2372	6.2627	6.2877	6.2372
November	6.2265	6.2338	6.2454	6.2221
December	6.2301	6.2328	6.2502	6.2251
2013				
January (through January 18, 2013)	6.2152	6.2221	6.2303	6.2134

Note:

(1) Determined by averaging the rates on the last available business day of each month during the relevant period, except for the average rate of January 2013, which is determined by averaging the daily rates during that period.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our financial and other data. The selected financial data as of and for the year ended December 31, 2009, 2010 and 2011 set forth below have been derived from our consolidated financial statements for the years ended December 31, 2009, 2010 and 2011, which have been audited by Ernst & Young, independent auditors, and are included elsewhere in this offering memorandum. The selected financial data as of and for the six months ended June 30, 2011 and 2012 have been derived from our unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2012, which have been reviewed by Ernst & Young, independent auditors, in accordance with Hong Kong Standards on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants and are included elsewhere in this offering memorandum.

Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principle in other jurisdictions. The selected financial data below should be read in conjunction with the section headed "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

Consolidated Income Statement

	Year ended December 31,			Six months ended June 30,		
	2009	2010	2011	2011	2012	2012
	RMB (audited)	RMB (audited)	RMB (audited)	RMB (unaudited)	RMB (unaudited)	US$ (unaudited)
	(in thousands, except per share data)					
Revenue	34,855,818	44,643,702	56,816,215	25,568,805	25,730,746	4,050,173
Cost of sales	(29,161,430)	(35,277,157)	(46,249,903)	(20,756,749)	(20,922,297)	(3,293,294)
Gross profit	5,694,388	9,366,545	10,566,312	4,812,056	4,808,449	756,878
Other income and gains	6,492,385	4,304,874	4,111,783	3,701,720	1,752,869	275,912
Operating expenses						
Selling and distribution costs	(1,175,543)	(1,470,694)	(2,122,999)	(972,426)	(1,084,912)	(170,772)
Administrative expenses	(1,751,807)	(2,075,864)	(2,871,202)	(1,324,692)	(1,594,095)	(250,920)
Other expenses	(951,951)	(825,750)	(1,989,955)	(532,207)	(330,720)	(52,057)
Finance costs	(1,108,335)	(1,572,100)	(2,381,748)	(1,082,691)	(1,395,686)	(219,689)
Share of profits and losses of:						
Jointly-controlled entities	13,825	(23,156)	32,076	33,587	13,761	2,166
Associates	962,563	949,437	1,538,827	951,912	445,413	70,111
Profit before tax	8,175,525	8,653,292	6,883,094	5,587,259	2,615,079	411,629
Tax	(1,357,154)	(2,506,590)	(1,818,370)	(924,892)	(320,274)	(50,413)
Profit for the year/period	6,818,371	6,146,702	5,064,724	4,662,367	2,294,805	361,216
Attributable to:						
Owners of the parent	4,646,679	4,227,092	3,403,605	3,399,129	1,550,129	244,000
Non-controlling interests	2,171,692	1,919,610	1,661,119	1,263,238	744,676	117,216
	6,818,371	6,146,702	5,064,724	4,662,367	2,294,805	361,216
Dividends	927,270	928,936	817,340	—	—	—
Other Financial Data (unaudited)						
EBITDA[(1)]	11,204,877	12,014,501	11,460,534	7,727,906	4,805,186	756,365

(1) EBITDA for any year or period is defined as profit for the year after adding back gross interest expense (representing finance costs, less bank charges and other financial costs), taxes, and depreciation and amortization for the year. Our profit for the year/period includes share of profits and losses of associates and jointly-controlled entities and certain other non-cash items such as gain on bargain purchase, gain on deemed disposal of interests in associates, gain on fair value adjustment of investment properties, and gain on fair value adjustment of equity investments at fair value through profit or loss. These items have not been excluded for purpose of calculating EBITDA. EBITDA is not a calculation based on HKFRS. The amounts included in the EBITDA calculation, however, are derived from amounts included in the consolidated financial statements. EBITDA should not be relied upon as a measure to determine our operating cash flow or ability to service debt and meet capital expenditure requirements. EBITDA should not be considered by an investor as an alternative to net profit or operating profit, or as indicator of operating performance or other consolidated operations or cash flow data prepared in accordance with HKFRS, or as an alternative to cash flow as a measure of liquidity. The computations of EBITDA herein may differ from similarly titled computations of other companies. We believe that investors should consider, among other things, revenue and operating expenses and the amount by which EBITDA exceeds capital expenditures, among other financial factors. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our Group's profit for the year/period under HKFRS to its definition of EBITDA.

Consolidated Statement of Financial Position

	As of December 31,			As of June 30,	
	2009	2010	2011	2012	2012
	RMB	RMB	RMB	RMB	US$
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
			(in thousands)		
Non-current assets					
Property, plant and equipment	17,767,235	20,553,341	21,513,247	22,807,732	3,590,073
Investment properties	2,057,400	2,551,167	3,026,000	3,696,000	581,772
Prepaid land lease payments	1,162,655	1,278,066	1,405,937	1,447,698	227,876
Exploration and evaluation assets	420,689	437,762	456,722	468,679	73,773
Mining rights	733,586	717,680	421,589	375,070	59,038
Intangible assets	34,486	240,978	1,248,872	1,241,485	195,417
Goodwill	126,929	376,875	1,659,425	1,659,425	261,203
Investments in jointly-controlled entities	755,823	1,070,429	1,409,737	2,171,239	341,766
Investments in associates	9,621,368	15,238,649	17,275,611	17,400,538	2,738,948
Held-to-maturity investments	79,220	14,312	—	—	—
Available-for-sale investments	2,943,458	7,327,045	8,437,265	8,896,031	1,400,288
Properties under development	5,089,455	6,931,439	6,885,559	7,740,640	1,218,423
Due from related companies	191,905	413,793	448,642	493,280	77,645
Loans receivable	220,000	1,493,432	2,234,432	2,234,432	351,713
Prepayments	616,313	756,748	676,313	1,203,328	189,411
Deferred tax assets	793,985	1,005,809	1,521,131	1,622,925	255,459
Non-current assets held for sale	—	148,049	—	—	—
Total non-current assets	42,614,507	60,555,574	68,620,482	73,458,502	11,562,805
Current assets					
Cash and bank balances	15,947,571	21,334,977	16,777,753	10,937,300	1,721,596
Equity investments at fair value through profit or loss	4,922,253	6,478,648	7,406,727	8,636,661	1,359,462
Trade and notes receivable	4,768,991	5,496,535	6,506,112	5,869,657	923,919
Prepayments, deposits and other receivables	3,293,096	3,990,536	3,853,964	5,266,451	828,971
Inventories	5,583,671	6,901,609	7,119,548	7,265,470	1,143,628
Completed properties for sale	1,698,292	2,014,437	2,583,146	2,720,353	428,200
Properties under development	6,868,166	9,856,198	22,428,345	24,786,047	3,901,471
Loan receivables	—	220,000	132,250	139,430	21,947
Due from related companies	908,592	1,526,292	1,856,159	2,586,821	407,181
Non-current assets/assets of a disposal group classified as held for sale	1,548,894	—	253,132	—	—
Total current assets	45,539,526	57,819,232	68,917,136	68,208,190	10,736,375

	As of December 31,			As of June 30,	
	2009	2010	2011	2012	2012
	RMB	RMB	RMB	RMB	US$
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
			(in thousands)		
Current liabilities					
Interest bearing bank and other borrowings	16,792,363	22,026,769	23,532,459	22,058,841	3,472,193
Loans from a related company	—	26,678	167,830	65,000	10,231
Trade and notes payable	6,861,967	8,617,385	11,330,982	12,478,453	1,964,183
Accrued liabilities and other payables	10,531,066	12,860,400	13,035,226	14,252,173	2,243,377
Tax payable	1,468,607	2,531,045	2,737,186	1,947,216	306,503
Finance lease payables	—	40,116	43,966	43,966	6,921
Derivative financial instruments	—	84,566	9,228	275	43
Due to the holding company	878,749	1,092,250	1,431,144	2,177,299	342,720
Due to related parties	345,423	954,385	1,914,420	2,299,647	361,978
	36,878,175	48,233,594	54,202,441	55,322,870	8,708,149
Liabilities directly associated with the assets classified as held for sale	997,393	—	57,048	—	—
Total current liabilities	37,875,568	48,233,594	54,259,489	55,322,870	8,708,149
Net current assets	7,663,958	9,585,638	14,657,647	12,885,320	2,028,226
Total assets less current liabilities	50,278,465	70,141,212	83,278,129	86,343,822	13,591,031
Non-current liabilities					
Interest bearing bank and other borrowings	11,913,006	21,795,074	30,357,179	30,193,533	4,752,642
Loans from related companies	106,618	86,887	—	87,265	13,736
Finance lease payables	—	164,178	119,998	100,235	15,778
Deferred income	82,669	144,876	213,060	210,441	33,125
Due to related companies	—	—	824,137	610,567	96,105
Other long-term payables	561,921	474,466	334,864	310,440	48,865
Deferred tax liabilities	1,241,973	2,476,645	2,942,737	3,217,684	506,483
Total non-current liabilities	13,906,187	25,142,126	34,791,975	34,730,165	5,466,734
Net assets	36,372,278	44,999,086	48,486,154	51,613,657	8,124,297
Equity					
Equity attributable to owners of the parent					
Issued capital	621,497	621,497	621,497	621,497	97,827
Reserves	22,935,553	28,322,703	30,391,347	31,949,452	5,029,034
Proposed final dividends	927,270	928,936	817,340	—	—
	24,484,320	29,873,136	31,830,184	32,570,949	5,126,861
Non-controlling interest	11,887,958	15,125,950	16,655,970	19,042,708	2,997,436
Total equity	36,372,278	44,999,086	48,486,154	51,613,657	8,124,297

Segment Information

Revenue[(1)]

	Year ended December 31,						Six months ended June 30,				
	2009		2010		2011		2011		2012		
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)										
Pharmaceuticals and healthcare	3,775,859	10.8%	4,459,332	10.0%	6,432,589	11.3%	3,041,974	11.9%	3,464,107	545,271	13.5%
Property	5,184,804	14.9%	8,846,689	19.8%	9,742,702	17.1%	2,260,319	8.8%	3,432,251	540,257	13.3%
Steel	24,611,399	70.6%	29,652,180	66.4%	38,224,060	67.3%	19,013,642	74.4%	17,637,009	2,776,170	68.5%
Mining	1,967,953	5.6%	3,180,171	7.1%	3,898,746	6.9%	2,038,943	8.0%	1,732,581	272,719	6.7%
Retail, services, finance and other investments[(2)]	—	0.0%	—	0.0%	—	0.0%	—	0.0%	—	—	0.0%
Insurance[(2)]	—	0.0%	—	0.0%	—	0.0%	—	0.0%	—	—	0.0%
Asset Management[(2)]	—	0.0%	—	0.0%	56,156	0.1%	23,152	0.1%	61,099	9,617	0.2%
Eliminations[(3)]	(684,197)	(1.9%)	(1,494,670)	(3.3%)	(1,538,038)	(2.7%)	(809,225)	(3.2%)	(596,301)	(93,861)	(2.2%)
Total	34,855,818	100.0%	44,643,702	100.0%	56,816,215	100.0%	25,568,805	100.0%	25,730,746	4,050,173	100.0%

(1) Revenue comprises sales of goods and rendering of services only to external customers, except for (i) our mining segment which also includes intersegment sales to our steel segment of RMB684.2 million in 2009, RMB1,494.7 million in 2010, RMB1,529.8 million in 2011 and RMB592.4 million in the six months ended June 30, 2012 and (ii) our property segment which also includes intersegment rendering of services to our other business segments of RMB8.2 million in 2011 and RMB3.9 million in the six months ended June 30, 2012.

(2) We recorded zero revenue in this segment because we have no subsidiaries that generated revenue in this segment.

(3) Intersegment sales are excluded from total revenue.

Gross Profit

	Year ended December 31,						Six months ended June 30,				
	2009		2010		2011		2011		2012		
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)										
Pharmaceuticals and healthcare	1,204,923	21.2%	1,520,531	16.2%	2,441,443	23.1%	1,016,599	21.1%	1,529,277	240,717	31.8%
Property	1,529,043	26.9%	3,312,377	35.4%	3,729,545	35.3%	993,180	20.6%	1,065,404	167,701	22.2%
Steel	1,915,375	33.6%	2,264,606	24.2%	1,558,098	14.7%	1,276,812	26.5%	926,853	145,892	19.3%
Mining	1,076,293	18.9%	2,138,843	22.8%	2,663,989	25.2%	1,467,031	30.5%	1,138,752	179,246	23.7%
Retail, services, finance and other investments[(1)]	—	0.0%	—	0.0%	—	0.0%	—	0.0%	—	—	0.0%
Insurance[(1)]	—	0.0%	—	0.0%	—	0.0%	—	0.0%	—	—	0.0%
Asset Management	—	0.0%	—	0.0%	56,156	0.5%	23,152	0.5%	61,098	9,617	1.3%
Eliminations[(2)]	(31,246)	(0.6%)	130,188	1.4%	117,081	1.2%	35,282	0.8%	87,065	13,705	1.7%
Total	5,694,388	100.0%	9,366,545	100.0%	10,566,312	100.0%	4,812,056	100.0%	4,808,449	756,878	100.0%

(1) We recorded zero gross profit in this segment because we have no subsidiaries that generated revenue or incurred cost of sales in this segment.

(2) Gross profit derived from our intersegment transactions is excluded from total gross profit.

EBITDA[(1)]

The following table sets forth our EBITDA for the years ended December 31, 2009, 2010 and 2011.

	Year ended December 31,					
	2009		2010		2011	
	RMB	%	RMB	%	RMB	%
Pharmaceuticals and healthcare	3,468,573	31.0%	1,284,134	10.7%	2,246,431	19.6%
Property	1,159,262	10.3%	3,964,012	33.0%	3,313,650	28.9%
Steel	3,676,867	32.8%	2,991,650	24.9%	2,592,372	22.6%
Mining	823,367	7.3%	2,108,483	17.5%	2,557,500	22.3%
Retail, services, finance and other investments	2,325,831	20.8%	1,934,434	16.1%	982,789	8.6%
Insurance	—	0.0%	—	—%	—	0.0%
Asset Management	—	0.0%	(22,948)	(0.2%)	(41,304)	(0.4%)
Unallocated expenses[(2)]	(112,850)	(1.0%)	(174,758)	(1.5%)	(316,227)	(2.8%)
Eliminations[(3)]	(136,173)	(1.2%)	(70,506)	(0.5%)	125,322	(1.2%)
Total	11,204,877	100.0%	12,014,501	100.0%	11,460,533	100%

Our EBITDA for the six months ended June 30, 2011 and 2012 was RMB7,727,906 million and RMB4,805,186 million (US$756,365 million), respectively.

(1) EBITDA for any year or period is defined as profit for the year after adding back gross interest expense (representing finance costs, less bank charges and other financial costs), taxes, and depreciation and amortization for the year or period. Our profit for the year/period includes share of profits and losses of associates and jointly-controlled entities and certain other non-cash items, such as gain on bargain purchase, gain on deemed disposal of interests in associates, gain on fair value adjustment of investment properties, and gain on fair value adjustment of equity investments at fair value through profit or loss. These items have not been excluded for the purpose of calculating EBITDA. EBITDA is not a calculation based on HKFRS. The amounts included in the EBITDA calculation, however, are derived from amounts included in the consolidated financial statements.

EBITDA should not be relied upon as a measure to determine our operating cash flow and historical ability to service debt and meet capital expenditure requirements. EBITDA should not be considered by an investor as an alternative to net profit or operating profit, or as indicator of operating performance or other consolidated operations or cash flow data prepared in accordance with HKFRS, or as an alternative to cash flow as a measure of liquidity. The computations of EBITDA herein may differ from similarly titled computations of other companies. We believe that investors should consider, among other things, revenue and operating expenses and the amount by which EBITDA exceeds capital expenditures, among other financial factors. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our Group's profit for the year under HKFRS to its definition of EBITDA.

(2) Unallocated expenses primarily represent certain administration expenses of our Company and Fosun Group which cannot be allocated on a reasonable basis to any particular segment.

(3) EBITDA derived from our intersegment transactions is excluded from total EBITDA.

Profit/(loss) for the year

	Year ended December 31,						Six months ended June 30,		
	2009		2010		2011		2012		
	RMB	%	RMB	%	RMB	%	RMB	US$	%
Pharmaceuticals and healthcare	2,495,941	36.6%	766,060	12.5%	1,385,417	27.4%	857,770	135,018	37.4%
Property	608,855	8.9%	1,914,399	31.3%	1,832,763	36.2%	688,674	108,401	30%
Steel	1,525,521	22.4%	681,671	11.1%	40,583	0.8%	(190,679)	(30,014)	(8.3%)
Mining	359,570	5.3%	1,496,661	24.3%	1,786,950	35.3%	765,330	120,467	33.4%
Retail, services, finance and other investments	2,072,143	30.4%	1,536,918	25%	253,450	5.0%	425,567	66,987	18.5%
Insurance	—	0.0%	—	0.0%	—	0.0%	—	—	0.0%
Asset Management	—	0.0%	(22,948)	(0.4%)	(41,088)	(0.8%)	(24,349)	(3,833)	(1.1%)
Unallocated expenses	(112,850)	(1.7%)	(174,758)	(2.8%)	(316,227)	(6.2%)	(196,315)	(30,901)	(8.6%)
Eliminations[(1)]	(130,809)	(1.9%)	(51,301)	(0.8%)	122,876	2.3%	(31,193)	(4,910)	(1.3%)
Total	6,818,371	100.0%	6,146,702	100.0%	5,064,724	100.0%	2,294,805	361,215	100.0%

(1) Profit for the year derived from our intersegment transactions is excluded from total profit for the year.

THE ISSUER

General

The Issuer of the notes, Sparkle Assets, was incorporated on January 2, 2013 as a private company with limited liability under the laws of the BVI. Its registered office is located at the office of Tricor Services (BVI) Limited, P.O. Box 3340, Road Town, Tortola, the BVI.

Business Activity

The Issuer has no business operations. It was solely established for the purpose of issuing the Notes. See "Description of the Notes – Limitation on the Issuer's Activities" of this offering memorandum for the restrictions on the activities of the Issuer.

Capitalization

The Issuer is authorised to issue a maximum of 50,000 with or without par value shares of a single class. Out of the authorized share capital, 1 share has been issued and paid up upon incorporation of the Issuer.

As of the date of this offering memorandum, the Issuer has no borrowings or indebtedness in the nature of borrowings, term loans, liabilities under acceptance or acceptance credits, mortgages, charges or guarantees or other contingent liabilities, except as otherwise described in this offering memorandum.

The following discussion should be read in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011 and the unaudited interim condensed consolidated financial statements as of and for the six months ended June 30, 2012 included elsewhere in this offering memorandum. The consolidated financial statements have been prepared in accordance with HKFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in the sections headed "Forward-Looking Statements" and "Risk Factors" in this offering memorandum.

Basis of Presentation

We are a large holding company with a diversified portfolio of companies in multiple business lines. Currently, our core businesses include (i) insurance, (ii) pharmaceuticals and healthcare, (iii) property, (iv) steel, (v)mining, (vi) retail, services, finance and other investments and (vii) asset management. The financial information included in this offering memorandum has been prepared based on the audited consolidated financial statements, unaudited interim condensed consolidated financial statements and, where appropriate, management accounts of the companies now comprising our Group. The information has been prepared under the historical cost convention, except for investment properties, derivative financial instruments and certain equity investments, which have been measured at fair value. Non-current assets or disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Basis of Consolidation from January 1, 2010

The financial statements of our subsidiaries are prepared for the same reporting period as our Company, using consistent accounting policies.

The results of subsidiaries are consolidated from the date of acquisition, being the date on which our Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If our Group loses control over a subsidiary, we de-recognize (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognize (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. Our Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of Consolidation prior to January 1, 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation.

Acquisitions of non-controlling interests (formerly known as minority interests), prior to January 1, 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognized in goodwill.

Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to January 1, 2010 were not reallocated between non-controlling interest and the parent shareholders.

Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at January 1, 2010 has not been restated.

Overview of Our Operations

We are a large holding company with a diversified portfolio of companies in different industries. We focus on identifying and capturing investment opportunities that benefit from China's growth momentum. Currently, our core businesses consist of (i) insurance, (ii) pharmaceuticals and healthcare, (iii) property, (iv) steel, (v) mining, (vi) retail, services, finance and other investments and (vii) asset management.

Our consolidated revenue was RMB56,816.2 million in 2011, compared with RMB44,643.7 million in 2010 and RMB34,855.8 million in 2009. Our consolidated profit for the year was RMB5,064.7 million in 2011, compared with RMB6,146.7 million in 2010 and RMB6,818.4 million in 2009. Our consolidated total assets were RMB141,666.7 million as of June 30, 2012, compared with RMB137,537.6 million as of December 31, 2011, RMB118,374.8 million as of December 31, 2010 and RMB88,154.0 million as of December 31, 2009. Our consolidated revenue was RMB25,730.7 million for the six months ended June 30, 2012, compared with RMB25,568.8 million for the six months ended June 30, 2011. Our consolidated profit was RMB2,294.8 million for the six months ended June 30, 2012, compared with RMB4,662.4 million for the six months ended June 30, 2011.

Operating Segments

Management monitors the results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Prior to and for the year ended December 31, 2010, we reported our financial results in five operating segments: pharmaceuticals and healthcare, property, steel, mining and others. For the year ended December 31, 2011, as the management changes the structure of its internal organization to match the business development strategy in a manner that causes the composition of its reportable segment to change, the “others” segment was divided by the management into insurance segment, asset management segment and retail, services, finance and other investments segment. As a result, we currently report our financial results in seven operating segments. The following is a short description of these segments:

- Insurance. Our insurance segment principally relates to provision of property insurance and casualty insurance through our investee, Yong’An P&C Insurance, provision of life insurance, health insurance through Pramerica Fosun Life Insurance, our jointly-controlled entity, and provision of reinsurance through Peak Reinsurance.

- Pharmaceuticals and Healthcare. The pharmaceuticals and healthcare segment principally relates to our research and development, manufacture and sale of pharmaceutical products and our wholesale and retail distribution of pharmaceutical products. The segment reflects the consolidated results of Fosun Pharma, as well as Fosun Pharma’s share of profits and losses of associates engaged in the pharmaceuticals and healthcare business, including Sinopharm.

- Property. The property segment principally relates to our development and sale of properties in China. The segment reflects the consolidated results of Forte, Resource Property and other companies in this segment.

- Steel. The steel segment principally relates to our manufacture and sale of steel products. The segment reflects the consolidated results of Nanjing Iron & Steel, as well as our share of profits and losses of Jianlong Group.

- Mining. The mining segment principally relates to our mining and ore processing of various metals. The segment reflects the consolidated results of Hainan Mining and Jin’an Mining, among others, as well as our share of profits or losses of Huaxia Mining. After the acquisition by Jianlong of 80% equity interest in Huaxia Mining in September 2012, share of profits and losses of Huaxia Mining is accounted for under our steel segment.

- Retail, Services, Finance and Other Investments. The retail, services, finance and other investments segment principally relates to our management of investments in the retail, finance, services, and other industries, the operations of our Company and Fosun Group, and the operations of two other major subsidiaries, Industrial Investment and Industrial Development. This segment also accounts for, among others, the investment gains on the disposal or deemed disposal of interests in portfolio companies and fair value adjustment of equity investments through profit or loss.

- Asset Management. The asset management segment principally relates to our provision of asset management services to both domestic and international large institutional and individual clients.

Due to the change of reportable segments in 2011, the financial data for all seven segments are available for the year ended December 31, 2011 and for the six months ended June 30, 2012. The financial data for all seven segments are also available for the year ended December

31, 2010 and for the six months ended June 30, 2011 for comparison purposes. On the other hand, the financial data for the year ended December 31, 2009 are presented in five segments. Therefore, we describe our results of operations for the years ended December 31, 2009 and 2010 in this section using the five segments in effect as of December 31, 2010. We describe our results of operations for the years ended December 31, 2010 and December 31, 2011 and for the six months ended June 30, 2011 and 2012 in this section using the seven segments in effect as of December 31, 2011.

For the three years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2011 and 2012, since we had no subsidiaries in insurance, and retail, services, finance and other investments segments that were consolidated into the Group's financial statements, we recorded zero revenue, zero cost of sales, zero gross profit, zero operating expenses and zero finance costs in these segments during such periods. For the same reason, we recorded zero revenue, zero cost of sales, zero gross profit, zero operating expenses and zero finance costs in the asset management segment for the two years ended December 31, 2009 and 2010. See "-– Results of Operations -– Selected Segmental Information." For purposes of this section, we only describe our results of operations during the relevant reporting period in the segments in which we had revenue.

Expenses primarily associated with the functions that our Company and Fosun Group perform for our other portfolio companies are classified as unallocated expenses. Such expenses are presented as a separate line item and are not reflected in the results of any operating segment. Our unallocated expenses were RMB316.2 million in 2011 compared with RMB174.8 million in 2010 and RMB112.9 million in 2009, and RMB196.3 million for the six months ended June 30, 2012, compared with RMB150.5 million for the six months ended June 30, 2011.

Total assets in the (i) insurance, (ii) pharmaceuticals and healthcare, (iii) property, (iv) steel, (v) mining, (vi) retail, services, finance and other investments and (vii) asset management segments as of June 30, 2012 were RMB608.1 million, RMB23,184.5 million, RMB51,662.3 million, RMB34,849.2 million, RMB9,598.0 million, RMB29,246.1 million and RMB14,330.5 million, respectively. Such data reflects the eliminations of all intrasegment transactions and balances but not the eliminations of intersegment balances. Our consolidated total assets of RMB137,537.6 million as of December 31, 2011 and RMB141,666.7 million as of June 30, 2012, respectively do reflect the eliminations of intersegment balances, which were RMB17,592.9 million and RMB21,812.0 million as of the respective date.

Portfolio Companies

Our portfolio companies consist of four categories: subsidiaries, jointly-controlled entities, associates and investee companies.

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received or receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Jointly-controlled Entities

A jointly-controlled entity is a company subject to joint control, resulting in none of the participating parties has unilateral control over its economic activities. Our investments in jointly-controlled entities are stated in the consolidated statement of financial position at our share of net assets under the equity method of accounting, less any impairment losses. Our share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to our equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealized gains and losses resulting from transactions between us and our jointly-controlled entities are eliminated to the extent of our investments in the jointly-controlled entities, except where unrealized losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the our investments in jointly-controlled entities.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which we have a long-term interest of generally not less than 20.0% of the equity voting rights and over which we are in a position to exercise significant influence. Our investments in associates are stated in the consolidated statement of financial position at our share of net assets under the equity method of accounting, less any impairment losses. Our share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealized gains and losses resulting from transactions between us and our associates are eliminated to the extent of our investments in the associates, except where unrealized losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of our investments in associates and is not individually tested for impairment.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

Investees

Investee companies are companies in which we generally have an interest of less than 20.0% of the equity voting rights and over which we do not have significant influence. Our investments in such companies may be classified as available-for-sale investments or equity investments at fair value through profit or loss, depending on our intention.

For the particulars of the principal companies comprising our Group and our associates and jointly-controlled entities in our operating segments as of June 30, 2012, refer to the section headed "Group Structure — Our Major Subsidiaries, Jointly-Controlled Entities and Associates" in this offering memorandum.

Factors Affecting Our Results of Operations and Financial Condition

Dependence on China's Development

Most of our subsidiaries' revenue is generated by sales to customers in China, and most of our assets are located in China. Our financial condition and results of operations are affected by social, political, economic and legal conditions in China. Our business strategy is intertwined with China's urbanization and industrialization process, which has been a powerful force driving the growth in China's economy.

Our operations are affected by the economic reform measures implemented by the PRC Government. Although the PRC Government has adopted a market-oriented approach towards economic reform, the PRC Government may change its economic policies from time to time in response to the country's economic development. For example, since mid-2004, the PRC Government has adjusted some of its macroeconomic policies in order to curb excessive investment in selected industries in order to restrict excessive growth in specific sectors of the economy, such as the steel, cement and electrolytic aluminum industries. In addition, the PRC Government has implemented restrictions or taken measures to limit excessive growth in respect of particular segments of the Chinese economy, such as the restrictions on property purchases in certain cities in China, including Shanghai, at the start of 2011. Also, although the PRC regulatory authorities, including the CIRC, have significantly expanded the assets classes in which PRC insurance companies are permitted to invest in recent years, the asset classes remain limited, as compared to those available to many international insurance companies. Further, our investment businesses focus on identifying and capturing investment opportunities that benefit from China's growth momentum. Such measures may alter the supply and demand in the relevant industries, thereby affecting our results of operations.

Changes in Market Conditions

The results of operations of certain of our segments are affected by changes in market and conditions. Our insurance segment is influenced by the insurance penetration rate which is significantly affected by the PRC economic conditions, household wealth, the reform of the social welfare system and demographic changes. If there is an substantially adverse change to the PRC economic conditions, our insurance business may be adversely affected.

Our property segment, for instance, is cyclical in nature and supply and demand in the property industry are influenced by factors such as general economic conditions and interest rates. Generally, the property market in China is significantly affected by the country's social, political, economic and legal developments and demand for residential properties varies from time to time. Transaction volumes and selling prices of our target market segments have fluctuated in the past. If there are adverse changes in employment levels, consumer confidence and urbanization rates, or government policies and regulatory measures, the Chinese property market may suffer a significant downturn, and our property business may be adversely affected. For example, the recent global financial crisis, couple with the effect of the tightening measures adopted by the PRC Government in the last few years have slowed down the growth of the property markets in the PRC, causing fluctuations, and in some periods, declines in sales volume and selling prices of real properties in many cities in China. Moreover, the time required for property development is significant, and it can take many months or possibly years after we have begun to incur development expenses on a new project before it may commence pre-sale of units in that project. For example, our gross profit margin in the property segment typically fluctuates with changes in market prices and land acquisition prices.

Our steel and mining businesses are also highly capital-intensive and are cyclical in nature. Demand for steel products and for the raw materials used in steel production, including iron ore, is linked to growth in the economy, purchases by steel producers and traditional bulk steel end users and their customers, and activity levels in basic manufacturing, construction, shipbuilding and other related industries. The recent global economic turmoil severely impacted the steel and mining industries, with demand for steel and, consequently, the raw materials used in steel productions, falling significantly as a consequence. Steel manufacturers saw inventories soaring and scrambled to cut production, with consequent reductions in demand for iron ore and other raw materials. On the supply side, the steel industry is characterized by overcapacity as a result of elevated prices in the past having encouraged domestic steel producers to expand their production capacities. If demand for certain steel products does not increase at a corresponding rate, there will be market pressure on the selling prices for these steel products and the raw materials used in their production. Even if demand for such steel products increases, there will be pressure on the profit margins of these products if the market prices of raw materials, in particular the price of iron ore, increase at higher rates than the market prices of the finished products.

Financial Markets and Business Conditions

We establish, acquire and dispose of our equity interests in portfolio companies from time to time in accordance with our business objectives. One of our core business strengths is a proven track record in achieving significant investment returns. Going forward we seek to have more of our subsidiaries, associates and investee companies go public to yield high returns for our further development, while increasing the liquidity of our assets. Such acquisitions and dispositions are affected by conditions in the financial markets and economic conditions in China, Hong Kong, the rest of Asia and, to a lesser extent, elsewhere in the world and have had or may have a significant impact on our results of operations and financial condition. Although the diversity of our operations and product lines have allowed us to generate attractive returns in different business climates, business conditions characterized by low or declining interest rates and strong equity markets generally provide a more positive environment for us to generate attractive returns on existing investments. We may benefit, however, from periods of market volatility and disruption if we are able to use our large capital base to make timely investments at attractive prices and on favorable terms.

Our asset management business is susceptible to the conditions of financial markets and general economy. The performance of both domestic and international markets have significant influence on the mix, market value and level of our AUM. For example, since the financial crisis of 2008, the performance of a large number of asset management companies have been significantly adversely affected.

Beginning in the second half of 2007, global financial markets has experienced significant disruptions and the United States, Europe and many other economies experienced a prolonged economic downturn, resulting in heightened credit risk, reduced valuation of investments and decreased economic activity. Concerns over the availability and cost of credit, the mortgage market, a declining real estate market, inflation, energy costs and geopolitical issues contributed to increased volatility and diminished expectations for the economy and the financial markets.

While financial markets and business conditions have shown signs of improvement, that trend may not continue and the extent of the current economic improvement is unknown. Equity values still remain generally below the values achieved in 2007 and there currently is less debt and equity capital available in the market relative to the levels available in the past. Even if growth continues, it may be at a slow rate for an extended period of time and other economic conditions, such as the residential and commercial real estate environment and employment rates, may continue to be weak. In addition, financial markets may continue to experience significant disruptions from time to time.

We seek to identify expansion opportunities in industries complementary to our core businesses and in other high-growth markets. Our growth strategy is to unlock the full value of our Group by timely capturing and realizing opportunities made available by China's economic development. We pursue an opportunity if we consider the target to have the ability to strengthen our market positions in industries in which we operate or to enable us to expand into industries with significant investment return potential. We dispose of a portfolio interest if the relevant business no longer falls within the focus of our core businesses or our target areas for strategic growth, or the disposal can realize satisfactory return on our investment. In pursuing these opportunities, at any given time we may hold a significant amount of financial instruments whose value is inherently subject to market fluctuations and general economic conditions.

Scale of Operations

Our revenue and profitability depend on the scale of our business operations, which has increased significantly in recent years. Operational scale affects our operating results in several ways. A larger scale of operations allows us to spread our fixed costs and labor costs over a higher number of units produced, thereby decreasing our cost of sales per unit and increasing our profit margins. At the same time, a larger scale of operations with the same capacity utilization rate enables us to increase our production volume. Capacity utilization rates are affected by many factors, including production facility efficiency, product flow management, customer demand, product mix and raw material availability. In addition, a larger scale of operations also enables us to purchase raw materials in bulk at more favorable prices and gives us more bargaining power when negotiating with suppliers and contractors.

Product Mix

Our operating results are also affected by our product mix. In each of our business segments, we aim to optimize our product mix to achieve higher revenue and improved gross profit margins. We evaluate the product mix of each of our business segments on an ongoing basis and focus on producing products that we believe are enjoying growing demand in China. Our Group also evaluates which industries in the PRC are likely to experience future growth in order to consider the overall mix of our businesses.

Within our pharmaceuticals and healthcare segment, we aim to optimize our product mix in respect of the pharmaceutical products we make and also in respect of the business we engage in. Because profit margins of proprietary pharmaceutical products are typically higher than those of generic products, we devote substantial resources to the research and development of proprietary products. Successful development and release of one or more proprietary products could raise the profitability and international profile of our pharmaceuticals and healthcare business. In addition, although we do not believe that price controls have a material impact on the overall profitability of our pharmaceuticals and healthcare segment, proprietary products have the advantage of not being subject to the retail price ceilings imposed by the PRC Government on certain generic pharmaceutical products of ours. See “Regulation — Laws Applicable to our Business — Pharmaceuticals and Healthcare Business — Price Controls” for additional information on the PRC Government’s price control policies. Product mix within the pharmaceuticals and healthcare segment also refers to the businesses which we engage in. In recent years, we have concentrated more on growing our pharmaceuticals manufacturing business than developing our distribution business.

Operating results of our property business are affected by changes in local property markets. In addition to our further development in the Shanghai property market, we have expanded our operations to cover other urban centers, and had expanded into Beijing, Tianjin, Nanjing, Chongqing, Chengdu, Xi’an, Wuhan, Changchun, Wuxi, Hangzhou, Taiyuan, Changsha, Ningbo, Harbin, Dalian, Datong, Nantong and Shaya as of June 30, 2012. At the same time, we focus on developing projects in different locations to cater to different needs and preferences of middle-market consumers.

In our steel business, because gross profit margins on medium and thick gauge steel plates are typically higher than other steel products, our steel segment gives greater emphasis to these products. Similarly, we increased production of steel plates for oil and natural gas pipelines as their gross profit margins are also generally higher than other steel products. We continually monitor the changes in market demand and seek to optimize the product mix at Nanjing Iron & Steel to maximize our profitability. Product mix is of lesser importance to our mining segment.

Research and Development Capability and Technology Development

Profitability and growth prospects in our pharmaceuticals and healthcare business are affected by our research and development efforts. Research and development costs of our pharmaceuticals and healthcare business have increased steadily in recent years as we seek to improve our technology know-how through on-going research and development. Research and development efforts may also result in technological improvements to our pharmaceutical manufacturing facilities and lower production costs, which would enhance our profitability. We have devoted substantial research and development efforts to steel production technologies, process flow management and manufacturing equipment. Such improvements may result in higher efficiency rates and lower production costs, which would enhance the profitability of our steel business.

Availability and Cost of Raw Materials

Our profitability is affected by our ability to procure principal raw materials at commercially reasonable prices and to secure a stable supply of such materials. The prices of most of the raw materials we purchase in our businesses are subject to changes in supply and demand in the domestic and international markets and have varied significantly from period to period. Generally, increases in production capacities and demand for products result in increases in demand for, and therefore market prices of, the raw materials we consume. For example, the performance of our property segment is affected by the cost of construction materials such as steel and cement. Any rise in the cost of construction materials may result in additional costs to us and may lead to future increases in construction contract costs. Construction material costs have experienced periods of fluctuation in recent years. In addition, our access to land parcels at commercially reasonable prices is affected by the PRC Government's macroeconomic and property sector-specific policies as well as supply and demand.

Similarly, steel industry is subject to the price fluctuation of raw materials, such as iron ore and coking coal. In order to secure a stable supply of raw materials, we maintain long-term supply contracts with several major iron ore and coking coal suppliers and have made significant efforts to expand our mining business in order to integrate vertically our sources of principal raw materials, including by strategically investing in several suppliers.

In our pharmaceuticals and healthcare segment, we generally have large inventories of the raw materials used for several of our major products and are therefore, to a certain extent, not affected by short-term changes in the prices of those raw materials. In addition, the significant market share that several of our pharmaceutical products enjoy affords us a degree of bargaining power in respect of purchases of raw materials. Raw materials are of lesser importance to our mining segment. Across our business segments, we are affected by the cost of labor in the PRC, which has steadily increased in the past few years and is expected to continue to increase.

Competition

As China continues to liberalize its economic policies, including in respect of tariff reduction and access to its markets, we expect to face more intense competition in each of the major industries in which we operate.

- In the insurance industry, we expect to compete with established companies that have nationwide presense and target customers and offer products similar to ours.

- In the pharmaceuticals and healthcare industry, we expect to continue to compete with domestic and international pharmaceutical companies that target market segments similar to ours, especially those that offer products and services similar to ours.

- In the property industry, we expect additional competition from a larger number of Hong Kong and other overseas property developers, as well as new entrants and existing developers from other parts of China.

- In the steel and mining industries, we expect more competition from domestic steel producers and mining companies as well as international steel producers and mining groups. In particular, in respect of iron ore, one of the main raw materials to make steel, we expect additional competition as a result of the increased production capacities of domestic producers, strategic investments in other domestic steel producers and mining companies by foreign competitors, the establishment of new production facilities in China by foreign competitors and the additional import of steel products into China, especially high-end products from countries such as Japan, Korea and Russia. As domestic production capacities increase, the steel industry and mining industry in China may become increasingly competitive, which may depress prices for our steel products.

If competition becomes more intense, we will experience greater pressure on our revenue growth and profitability.

Taxes

Under PRC law, all of our income generated within or outside China is subject to enterprise income tax at the rate of 25%, but some of our portfolio companies currently enjoy preferential rates between 12.5% and 15%. In addition to enterprise income tax, we also pay other taxes in connection with some of our business activities. Under HK law, all taxable income arising in Hong Kong is subject to a profit tax of 16.5%.

Some of our portfolio companies also receive tax benefits and government grants from local governments in connection with their business operations. For example, Nanjing Steel United is entitled to income tax deductions in conjunction with certain of its business activities. Forte receives local government grants in recognition of the contributions made by its property development projects to the economic development in local communities. Fosun Pharma receives government grants in connection with its investment in new pharmaceutical production technologies.

Principal Components of Our Income Statement

Revenue

Revenue reflects principally sales generated by our subsidiaries in their core businesses. For our insurance segment, revenue mainly derives from underwritten premium. For the pharmaceuticals and healthcare segment, revenue mainly arises from sales of pharmaceutical products manufactured by Fosun Pharma and sales of pharmaceutical products through Fosun Pharma's retail and wholesale distribution networks. For the property segment, revenue mainly arises from sales of our properties. We may not recognize as revenue any proceeds from the sale of properties until their completion and delivery to purchasers and proceeds from the pre-sale of properties are recorded in its balance sheet as advances from customers within accrued liabilities and other payables. For the steel segment, revenue mainly arises from sales of steel products manufactured by Nanjing Iron & Steel. For the mining segment, revenue mainly arises from sales of iron ore and other metals extracted by Hainan Mining and Jin'an Mining. For the asset management segment, revenue mainly arises from the asset management fees paid by our institutional and individual clients and the carried interest that we may obtain.

Cost of Sales

Cost of sales reflects principally costs incurred directly by our subsidiaries in their core business activities. For the pharmaceuticals and healthcare segment, cost of sales comprises principally raw material costs, depreciation associated with production equipment and technology, manufacturing overhead costs and direct labor costs and fuel costs (with respect to the sale of pharmaceutical products manufactured by Fosun Pharma) or cost of products sold (with respect to the wholesale or retail distribution of pharmaceutical products). For the property segment, cost of sales comprises principally land acquisition costs and construction costs. For the steel segment, cost of sales comprises principally raw material costs, depreciation associated with production equipment, manufacturing overhead costs, direct labor costs, and fuel and utilities costs. For the mining segment, cost of sales comprises principally amortizing of mining rights, depreciation associated with production equipment, overhead costs, direct labor costs and fuel and utilities costs.

Other Income and Gains

Other income reflects principally interest income, revenues generated by our subsidiaries outside of their core business activities, gain on bargain purchase from our acquisition of interests in subsidiaries, government grants, as well as dividend income and exchange gains. Interest income is recognized on an accrual basis, taking into account the amount of principal outstanding and the effective interest rate applicable. Dividend income is recognized when our right to receive payment has been established. Other income also reflects government grants received by our Group. Such grants are in the sole discretion of the relevant PRC government authorities and are subject to change from period to period.

Gains reflect principally gain on disposal of subsidiaries and associates, gain on deemed disposal of interests in associates, gain on disposal of items of property, plant and equipment, gain on disposal of available-for-sale investments, gain on fair value adjustment of investment properties and gain on fair value adjustment of equity investments at fair value through profit or loss.

Operating Expenses

Operating expenses consist of three major components: selling and distribution costs, administrative expenses, and other expenses.

- Selling and distribution costs comprise principally salaries, traveling expenses and commissions for sales and marketing personnel; advertising and promotional expenditures; and customer support costs.

- Administrative expenses comprise principally salaries of executive, administrative, finance and human resources personnel; fees for professional services; and rental costs.

- Other expenses comprise principally provisions for impairment of assets; research and development costs; losses on disposal of property, plant and equipment, losses on fair value adjustment of equity investments at fair value through profit or loss; amortization of intangible assets; and loss on fair value change on derivative financial instruments.

The remaining portion of operating expenses consist of certain unallocated expenses that are not directly attributable to any of our operating segments.

Finance Costs

Finance costs comprise principally interest expenses less interest capitalized and, to a lesser extent, bank charges and other finance costs.

Share of Profits and Losses of Jointly-Controlled Entities

Share of profits and losses of jointly-controlled entities comprise our proportionate share of the profits and losses of jointly-controlled entities under the equity method of accounting, less any impairment losses.

Share of Profits and Losses of Associates

Share of profits and losses of associates comprise our proportionate share of the profits and losses of associates under the equity method of accounting.

Non-controlling Interests

Non-controlling interests comprise the interests of non-controlling shareholders in the profit or loss of our subsidiaries.

Results of Operations

Selected Consolidated Financial Information

The following table sets forth our consolidated income statement for our results of operations, expressed as percentages of revenue, for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012. Such financial information should be read in conjunction with our audited consolidated financial statements and unaudited condensed consolidated financial statements for the periods presented below.

	Year ended December 31,			Six months ended June 30,		
	2009	2010	2011	2011	2012	2012
	RMB	RMB	RMB	RMB	RMB	US$
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)	(unaudited)
	(in thousands, except per share data)					
Revenue	34,855,818	44,643,702	56,816,215	25,568,805	25,730,746	4,050,173
Cost of sales	(29,161,430)	(35,277,157)	(46,249,903)	(20,756,749)	(20,922,297)	(3,293,294)
Gross profit	5,694,388	9,366,545	10,566,312	4,812,056	4,808,449	756,878
Other income and gains	6,492,385	4,304,874	4,111,783	3,701,720	1,752,869	275,912
Operating expenses						
Selling and distribution costs	(1,175,543)	(1,470,694)	(2,122,999)	(972,426)	(1,084,912)	(170,772)
Administrative expenses	(1,751,807)	(2,075,864)	(2,871,202)	(1,324,692)	(1,594,095)	(250,920)
Other expenses	(951,951)	(825,750)	(1,989,955)	(532,207)	(330,720)	(52,057)
Finance costs	(1,108,335)	(1,572,100)	(2,381,748)	(1,082,691)	(1,395,686)	(219,689)
Share of profits and losses of:						
Jointly-controlled entities	13,825	(23,156)	32,076	33,587	13,761	2,166
Associates	962,563	949,437	1,538,827	951,912	445,413	70,111
Profit before tax	8,175,525	8,653,292	6,883,094	5,587,259	2,615,079	411,629
Tax	(1,357,154)	(2,506,590)	(1,818,370)	(924,892)	(320,274)	(50,413)
Profit for the year	6,818,371	6,146,702	5,064,724	4,662,367	2,294,805	361,216
Attributable to:						
Owners of the parent	4,646,679	4,227,092	3,403,605	3,399,129	1,550,129	244,000
Non-controlling interests	2,171,692	1,919,610	1,661,119	1,263,238	744,676	117,216
	6,818,371	6,146,702	5,064,724	4,662,367	2,294,805	361,216
Dividends	927,270	928,936	817,340	—	—	—

Selected Segmental Information

The following tables set forth, for the years and periods indicated, our selected consolidated financial information by operating segment.

Revenue[(1)]

	Year ended December 31,						Six months ended June 30,				
	2009		2010		2011		2011		2012		
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)										
Pharmaceuticals and healthcare	3,775,859	10.8%	4,459,332	10.0%	6,432,589	11.3%	3,041,974	11.9%	3,464,107	545,271	13.5%
Property	5,184,804	14.9%	8,846,689	19.8%	9,742,702	17.1%	2,260,319	8.8%	3,432,251	540,257	13.3%
Steel	24,611,399	70.6%	29,652,180	66.4%	38,224,060	67.3%	19,013,642	74.4%	17,637,009	2,776,170	68.5%
Mining	1,967,953	5.6%	3,180,171	7.1%	3,898,746	6.9%	2,038,943	8.0%	1,732,581	272,719	6.7%
Retail, services, finance and other investments[(2)(3)]	—	0.0%	—	0.0%	—	0.0%	—	0.0%	—	—	0.0%
Insurance[(2)(3)]	—	0.0%	—	0.0%	—	0.0%	—	0.0%	—	—	0.0%
Asset Management[(2)(3)]	—	0.0%	—	0.0%	56,156	0.1%	23,152	0.1%	61,099	9,617	0.2%
Eliminations[(4)]	(684,197)	(1.9%)	(1,494,670)	(3.3%)	(1,538,038)	(2.7%)	(809,225)	(3.2%)	(596,301)	(93,861)	(2.2%)
Total	34,855,818	100.0%	44,643,702	100.0%	56,816,215	100.0%	25,568,805	100.0%	25,730,746	4,050,173	100.0%

(1) Revenue comprises sales of goods and rendering of services to external customers only, except for (i) our mining segment which also includes intersegment sales to our steel segment of RMB684.2 million in 2009, RMB1,494.7 million in 2010, RMB1,529.8 million in 2011 and RMB592.4 million in the six months ended June 30, 2011 and RMB592.4 million in the six months ended June 30, 2012; and (ii) our property segment which also includes intersegment rendering of services to our other business segments of zero in 2009, zero in 2010, RMB8.2 million in 2011, zero in the six months ended June 30, 2011 and RMB3.9 million in the six months ended June 30, 2012.

(2) We recorded zero revenue in this segment because we have no subsidiaries that generated revenue in this segment for the relevant period.

(3) Due to the change of reportable segments in 2011, the financial data for all seven segments are available for the year ended December 31, 2011 and for the six months ended June 30, 2012. The financial data for all seven segments are also available for the year ended December 31, 2010 and for the six months ended June 30, 2011 for comparison purposes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Operating Segments". For the period to period comparison, "others" in our audited consolidated financial statements as of and for the period ended December 31, 2009 is equivalent to "retail, services, finance and other investments"; and "others" in our audited financial statements as of and for the period ended December 31, 2010 consists "retail, services, finance and other investments," "insurance" and "asset management."

(4) Intersegment sales are excluded from total revenue.

Gross Profit

	Year ended December 31,						Six months ended June 30,				
	2009		2010		2011		2011		2012		
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)										
Pharmaceuticals and healthcare	1,204,923	21.2%	1,520,531	16.2%	2,441,443	23.1%	1,016,599	21.1%	1,529,277	240,717	31.8%
Property	1,529,043	26.9%	3,312,377	35.4%	3,729,545	35.3%	993,180	20.6%	1,065,404	167,701	22.2%
Steel	1,915,375	33.6%	2,264,606	24.2%	1,558,098	14.7%	1,276,812	26.5%	926,853	145,892	19.3%
Mining	1,076,293	18.9%	2,138,843	22.8%	2,663,989	25.2%	1,467,031	30.5%	1,138,752	179,246	23.7%
Retail, services, finance and other investments(1)(2)	—	0.0%	—	0.0%	—	0.0%	—	0.0%	—	—	0.0%
Insurance(1)(2)	—	0.0%	—	0.0%	—	0.0%	—	0.0%	—	—	0.0%
Asset Management(1)(2)	—	0.0%	—	0.0%	56,156	0.5%	23,152	0.5%	61,098	9,617	1.3%
Eliminations(3)	(31,246)	(0.6%)	130,188	1.4%	117,081	1.2%	35,282	0.8%	87,065	13,705	1.7%
Total	5,694,388	100.0%	9,366,545	100.0%	10,566,312	100.0%	4,812,056	100.0%	4,808,449	756,878	100.0%

(1) For the period to period comparison, "others" in our audited consolidated financial statements as of and for the period ended December 31, 2009 is equivalent to "retail, services, finance and other investments"; and "others" in our audited financial statements as of and for the period ended December 31, 2010 consists "retail, services, finance and other investments," "insurance" and "asset management."

(2) We recorded zero gross profit in this segment because we have no subsidiaries that generated revenue or incurred cost of sales in this segment for the relevant period.

(3) Gross profit derived from our intersegment transactions is hereby excluded from total gross profit.

Profit/(loss) for the year/period

	Year ended December 31,						Six months ended June 30,				
	2009		2010		2011		2011		2012		
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)										
Pharmaceuticals and healthcare	2,495,941	36.6%	766,060	12.5%	1,385,417	27.4%	966,768	20.7%	857,770	135,018	37.4%
Property	608,855	8.9%	1,914,399	31.1%	1,832,763	36.2%	485,244	10.4%	688,674	108,401	30.0%
Steel	1,525,521	22.4%	681,671	11.1%	40,583	0.8%	448,262	9.6%	(190,679)	(30,014)	(8.3%)
Mining	359,570	5.3%	1,496,661	24.3%	1,786,950	35.3%	1,060,671	22.7%	765,330	120,467	33.4%
Retail, services, finance and other investments(1)	2,072,143	30.4%	1,536,918	25.0%	253,450	5.0%	1,806,189	38.7%	425,567	66,987	18.5%
Insurance(1)	—	0.0%	—	0.0%	—	0.0%	—	0.0%	—	—	0.0%
Asset Management(1)	—	0.0%	(22,948)	(0.4%)	(41,088)	(0.8%)	7,124	0.2%	(24,349)	(3,833)	(1.1%)
Unallocated expenses	(112,850)	(1.7%)	(174,758)	(2.8%)	(316,227)	(6.2%)	(150,505)	(3.2%)	(196,315)	(30,901)	(8.6%)
Eliminations(2)	(130,809)	(1.9%)	(51,301)	(0.8%)	122,876	2.3%	38,614	0.9%	(31,193)	(4,910)	(1.3%)
Total	6,818,371	100.0%	6,146,702	100.0%	5,064,724	100.0%	4,662,367	100.0%	2,294,805	361,215	100.0%

(1) For the period to period comparison, "others" in our audited consolidated financial statements as of and for the period ended December 31, 2009 is equivalent to "retail, services, finance and other investments"; and "others" in our audited financial statements as of and for the period ended December 31, 2010 consists "retail, services, finance and other investments," "insurance" and "asset management."

(2) Profit for the year/period derived from our intersegment transactions is hereby excluded from total profit for the year/period.

Six Months Ended June 30, 2012 Compared with the Six Months Ended June 30, 2011

Revenue. Revenue increased by 0.6% to RMB25,730.7 million (US$4,050.2 million) in the six months ended June 30, 2012 from RMB25,568.8 million in the same period in 2011. The increase was mainly attributable to increases in revenue of the pharmaceuticals and healthcare segment, as well as the property segment. We recorded zero revenue under our insurance segment and retail, services, finance and other investments segment for the six months ended June 30, 2012 and zero revenue under these two segments for the six months ended June 30, 2011.

- Pharmaceuticals and healthcare segment — Revenue in the pharmaceuticals and healthcare segment increased by 13.9% to RMB3,464.1 million (US$545.3 million) in the six months ended June 30, 2012 from RMB3,042.0 million in the same period in 2011. The increase in revenue was mainly due to increase in sales of products manufactured by Fosun Pharma as well as increase revenue from distribution of diagnostic products and medical devices.

- Property segment — Revenue in the property segment increased by 51.8% to RMB3,432.3 million (US$540.3 million) in the six months ended June 30, 2012 from RMB2,260.3 million in the same period in 2011. The increase was mainly due to the increase in the GFA booked by Forte in the six months ended June 30, 2012 as compared with the same period in 2011.

- Steel segment — Revenue in the steel segment decreased by 7.2% to RMB17,637.0 million (US$2,776.2 million) in the six months ended June 30, 2012 from RMB19,013.6 million in the same period in 2011. The decrease was primarily due to decrease in the prices of steel products.

- Mining segment — Revenue in the mining segment in the six months ended June 30, 2012 decreased by 15.0% to RMB1,732.6 million (US$272.7 million), including intersegment sales of RMB592.4 million, from RMB2,038.9 million, including intersegment sales of RMB809.2 million, in the same period in 2011. Revenue in the mining segment from inter-segment sales decreased by 26.8% to RMB592.4 million in the six months ended June 30, 2012 from RMB809.2 million in the same period in 2011. The decrease of revenue was mainly due to decrease in selling price of iron ore.

- Asset management segment — Revenue in the asset management segment increased by 163.4% to RMB61.1 million (US$9.6 million) in the six months ended June 30, 2012 from RMB23.2 million in the same period in 2011. This increase was primarily due to additional management fee income in line with the asset management business scale expansion.

Cost of sales. Cost of sales increased by 0.8% to RMB20,922.3 million (US$3,293.3 million) in the six months ended June 30, 2012 from RMB20,756.7 million in the same period in 2011. We recorded zero cost of sales under our insurance segment and retail, services, finance and other investments segment for the six months ended June 30, 2012 and zero cost of sales under these two segments for the six months ended June 30, 2011.

- Pharmaceuticals and healthcare segment — Cost of sales in the pharmaceuticals and healthcare segment decreased by 4.5% to RMB1,934.8 million (US$304.5 million) in the six months ended June 30, 2012 from RMB2,025.4 million in the same period in 2011. Such decrease was primarily due to the change of product mix in Fosun Pharma's pharmaceutical manufacturing business.

- Property segment — Cost of sales in the property segment increased by 86.8% to RMB2,366.8 million (US$372.5 million) in the six months ended June 30, 2012 from RMB1,267.1 million in the same period in 2011. Such increase was in line with the growth of GFA booked.

- Steel segment — Cost of sales in the steel segment decreased by 5.8% to RMB16,710.1 million (US$2,630.3 million) in the six months ended June 30, 2012 from RMB17,736.8 million in the same period in 2011. Such decrease was primarily due to decrease in sales volume as well as decreases in prices of raw materials, including iron ore, in the six months ended June 30, 2012 as compared with the same period in 2011.

- Mining segment — Cost of sales in the mining segment increased by 3.8% to RMB593.8 million (US$93.5 million) in the six months ended June 30, 2012 from RMB571.9 million in the same period in 2011. Such increase was mainly due to the increase in sales volume.

Gross Profit. As a result of the foregoing, gross profit slightly decreased by 0.1% to RMB4,808.4 million (US$756.9 million) in the six months ended June 30, 2012 from RMB4,812.1 million in the same period in 2011. We recorded zero gross profit under our insurance segment and retail, services, finance and other investments segment for the six months ended June 30, 2012 and zero gross profit under these two segments for the six months ended June 30, 2011.

- Pharmaceuticals and healthcare segment — Gross profit in the pharmaceuticals and healthcare segment increased by 50.4% to RMB1,529.3 million (US$240.7 million) in the six months ended June 30, 2012 from RMB1,106.6 million in the same period in 2011. Gross profit margin increased to 44.1% from 33.4%, primarily due to change in product mix with the addition of new products with higher gross profit margin.

- Property segment — Gross profit in the property segment increased by 7.3% to RMB1,065.4 million (US$167.7 million) in the six months ended June 30, 2012 from RMB993.2 million in the same period in 2011. The gross profit margin decreased to 31.0% in the six months ended June 30, 2012 from 43.9% in the same period in 2011 mainly due to change in property sales mix which included more delivery of projects with lower gross profit margin.

- Steel segment — Gross profit in the steel segment decreased by 27.4% to RMB926.9 million (US$145.9 million) in the six months ended June 30, 2012 from RMB1,276.8 million in the same period in 2011. Gross profit margin decreased to 5.3% in the six months ended June 30, 2012 from 6.7% in the same period in 2011 because the extent of decrease in the average selling price of steel products far exceeded that of decrease in average price of upsteam raw materials.

- Mining segment — Gross profit in the mining segment decreased by 22.4% to RMB1,138.8 million (US$179.2 million) in the six months ended June 30, 2012 from RMB1,467.0 million in the same period in 2011. Gross profit margin decreased to 65.7% in the six months ended June 30, 2012 from 72.0% in the same period in 2011 because the average selling prices of our iron ore products decreased.

- Asset management segment — Gross profit in the asset management was equal to the revenue as we recorded zero cost of sales in this segment because we had no subsidiaries that incurred cost of sales in this segment.

Other Income and Gains. Other income and gains decreased to RMB1,752.9 million (US$275.9 million) in the six months ended June 30, 2012 from RMB3,701.7 million in the same period in 2011. The decrease was mainly attributable to the decrease in gain on fair value adjustment of equity investments at fair value through profit or loss, as well as gain on deemed disposal of interest in associates, offset in part by increases in gain on disposal of an associate, gain on disposal of a subsidiary, and dividends from equity investments at fair value through profit or loss.

- Gain on fair value adjustment of equity investments at fair value through profit or loss — Gain on fair value adjustment of equity investments at fair value through profit or loss decreased to RMB501.9 million in the six months ended June 30, 2012 from RMB1,872.4 million in the same period in 2011. Our investments held for trading are recognized at their fair value through profit or loss. The decrease was therefore mainly attributable to decreases in the amount of adjustment to the market value of these investments. The fair value adjustment was mainly from the investment in Focus Media shares which contributed to a lower gain in the six months ended June 30, 2012 than in the same period in 2011.

- Gain on deemed disposal of associates — Gain on deemed disposal of interest in associates decreased to zero in the six months ended June 30, 2012 from RMB888.5 million in the same period in 2011. In May 2011, one of Fosun Pharma's associates Sinopharm, completed its placement of H shares. The gains on deemed disposal of Sinopharm amounted to RMB672.7 million. In March 2011, one of our associates, Shenzhen Jasic Technology Co., Ltd., completed its initial public offering and the shares of Shenzhen Jasic Technology Co., Ltd. were listed on the Shenzhen Stock Exchange. The gain on the deemed disposal of Shenzhen Jasic Technology Co., Ltd. was RMB158.4 million.

- Gain on disposal of an associate — In March 2012, Fosun Pharma further reduced its equity interest in Zhejiang Crystal-Optech Co., Ltd. ("Zhejiang Crystal") to 5.03% by disposal of its 2.96% equity interest in and lost its significant influence on the board of directors as well as the operating and financial policies of Zhejiang Crystal. As a result of such disposal, Fosun Pharma has accounted for Zhejiang Crystal as an available-for-sale investment since 1 April 2012. The disposal gain was RMB232.7 million.

- Gain on disposal of a subsidiary — Gain on disposal of a subsidiary increased to RMB85.0 million in the six months ended June 30, 2012 from RMB5.5 million in the same period in 2011. In March 2012, Industrial Investment disposed of its entire 70% equity interest in Hongshan Mining（新疆托里縣紅山礦業有限公司）and recognized a gain of RMB85.0 million.

- Dividends from equity investments at fair value through profit or loss — The dividends received from equity investments at fair value through profit or loss increased to RMB208.5 million in the six months ended June 30, 2012 from RMB34.7 million in the same period in 2011. The dividends received from equity investments at fair value through profit or loss in the six months ended June 30, 2012 was mainly from the investment in Minsheng Bank which was purchased from the open market in June 2011.

Operating Expenses. Operating expenses increased by 6.4% to RMB3,009.7 million (US$473.7 million) in the six months ended June 30, 2012 from RMB2,829.3 million in the same period in 2011. The increase was mainly attributable to increases in the operating expenses in the pharmaceuticals and healthcare segment, as well as the asset management segment. We recorded zero operating expenses under our insurance segment and retail, services, finance and other investments segment for the six months ended June 30, 2012 and zero operating expenses under these two segments for the six months ended June 30, 2011.

- Pharmaceuticals and healthcare segment — Operating expenses in the pharmaceuticals and healthcare segment increased by 18.2% to RMB1,253.4 million (US$197.3 million) in the six months ended June 30, 2012 from RMB1,060.6 million in the same period in 2011. As a percentage of revenue, operating expenses in this segment increased to 36.2% in the six months ended June 30, 2012 from 34.9% in the same period in 2011.

  - Selling and distribution costs — Selling and distribution costs increased by 33.2% to RMB716.6 million (US$112.8 million) in the six months ended June 30, 2012 from RMB538.1 million in the same period in 2011. Such increase was in line with the growth in revenue.

  - Administrative expenses. Administrative expenses increased by 34.3% to RMB419.1 million (US$66.0 million) in the six months ended June 30, 2012 from RMB312.1 million in the same period in 2011. Such increase was primarily due to increases in staff costs and the amortization expenses of certain intangible assets.

- Other expenses — Other expenses decreased by 44.1% to RMB117.7 million (US$18.5 million) in the six months ended June 30, 2012 from RMB210.5 million in the same period in 2011. Such decrease was primarily due to the impairment of non-current assets held-for-sale in the amount of RMB74.0 million in the same period in 2011.

- Property segment — Operating expenses in the property segment increased by 2.0% to RMB414.7 million (US$65.3 million) in the six months ended June 30, 2012 from RMB406.5 million in the same period in 2011. As a percentage of revenue, operating expenses in this segment decreased to 12.1% in the six months ended June 30, 2012 from 18.0% in the same period in 2011.

  - Selling and distribution costs — Selling and distribution costs decreased by 31.9% to RMB133.3 million (US$21.0 million) in the six months ended June 30, 2012 from RMB195.7 million in the same period in 2011. Such decrease was primarily due to cut-down of selling expenses as a result of the decline in China real estate market.

  - Administrative expenses — Administrative expenses increased by 30.7% to RMB272.4 million (US$42.9 million) in the six months ended June 30, 2012 from RMB208.4 million in the same period in 2011. Such increase was primarily due to increase in professional and consulting fees in connection with business expansion.

  - Other expenses — Other expenses increased by 270.8% to RMB8.9 million (US$1.4 million) in the six months ended June 30, 2012 from RMB2.4 million in the same period in 2011.

- Steel segment — Operating expenses in the steel segment decreased by 2.6% to RMB673.2 million (US$106.0 million) in the six months ended June 30, 2012 from RMB691.2 million in the same period in 2011. As a percentage of revenue, operating expenses in this segment increased slightly to 3.8% in the six months ended June 30, 2012 from 3.6% in the same period in 2011.

  - Selling and distribution costs — Selling and distribution costs decreased by 3.7% to RMB183.0 million (US$28.8 million) in the six months ended June 30, 2012 from RMB190.0 million in the same period in 2011.

  - Administrative expenses — Administrative expenses decreased by 3.7% to RMB364.1 million (US$57.3 million) in the six months ended June 30, 2012 from RMB377.9 million in the same period in 2011.

  - Other expenses — Other expenses increased by 2.3% to RMB126.1 million (US$19.8 million) in the six months ended June 30, 2012 from RMB123.3 million in the same period in 2011.

- Mining segment — Operating expenses in the mining segment decreased by 2.9% to RMB252.3 million (US$39.7 million) in the six months ended June 30, 2012 from RMB259.8 million in the same period in 2011. As a percentage of revenue, operating expenses in this segment increased to 14.6% in the six months ended June 30, 2012 from 12.7% in the same period in 2011.

  - Selling and distribution costs — Selling and distribution costs decreased, by 12.1%, to RMB42.2 million (US$6.6 million) in the six months ended June 30, 2012 from RMB48.0 million in the same period in 2011. Such decrease was in line with decrease in revenue.

  - Administrative expenses — Administrative expenses increased by 7.0% to RMB176.7 million (US$27.8 million) in the six months ended June 30, 2012 from RMB165.2 million in the same period in 2011. Such increase was primarily due to increase in headcounts.

  - Other expenses — Other expenses decreased by 28.1% to RMB33.5 million (US$5.3 million) in the six months ended June 30, 2012 from RMB46.6 million in the same period in 2011. Such decrease was due to our cut-down of miscellaneous expenses.

- Retail, services, finance and other investments segment – Operating expenses in this segment decreased by 38.9% to RMB142.5 million (US$22.4 million) in the six months ended June 30, 2012 from RMB233.4 million in the same period in 2011, primarily as a result of decrease in administrative expenses.

- Asset management segment — Operating expenses in this segment increased by 152.5% to RMB100.0 million (US$15.7 million) in the six months ended June 30, 2012 from RMB39.6 million in the same period in 2011, primarily as a result of asset management business expansion.

Finance Costs. Finance costs increased by 28.9% to RMB1,395.7 million (US$219.7 million) in the six months ended June 30, 2012 from RMB1,082.7 million in the same period in 2011. The increase was mainly attributable to increases in both average interest rates and the outstanding amount of borrowings of subsidiaries in all segments, other than insurance segments. We recorded zero finance costs under our insurance segment and asset management segment for the six months ended June 30, 2012 and zero finance costs under these two segments for the six months ended June 30, 2011.

- Pharmaceuticals and healthcare segment — Finance costs in the pharmaceuticals and healthcare segment increased by 34.7% to RMB198.1 million (US$31.2 million) in the six months ended June 30, 2012 from RMB147.1 million in the same period in 2011.

- Property segment — Finance costs in the property segment increased by 24.8% to RMB182.1 million (US$28.7 million) in the six months ended June 30, 2012 from RMB145.9 million in the same period in 2011.

- Steel segment — Finance costs in the steel segment increased by 22.6% to RMB610.6 million (US$96.1 million) in the six months ended June 30, 2012 from RMB497.9 million in the same period in 2011.

- Mining segment — Finance costs in the mining segment increased by 83.1% to RMB28.2 million (US$4.4 million) in the six months ended June 30, 2012 from RMB15.4 million in the same period in 2011.

- Retail, services, finance and other investments segment — Finance costs in this segment increased by 27.1% to RMB378.1 million (US$59.5 million) in the six months ended June 30, 2012 from RMB297.5 million in the same period in 2011.

Share of Profits and Losses of Jointly-Controlled Entities. Share of profits of jointly-controlled entities decreased to RMB13.8 million (US$2.2 million) in the six months ended June 30, 2012 from RMB33.6 million in the same period in 2011. The share of profit of jointly-controlled entities in both years was primarily contributed by the property, pharmaceuticals and healthcare and steel segments. The operating results of share of profits of jointly-controlled entities tend to fluctuate according to the delivery schedules of property projects and investment in steel and pharmaceuticals and healthcare segments. We did not have significant jointly-controlled entities in the insurance, pharmaceuticals and healthcare, mining and retail, services, finance and other investments segments in 2012 or 2011.

Share of Profits and Losses of Associates. Share of profits of associates decreased to RMB445.4 million (US$70.1 million) in the six months ended June 30, 2012 from RMB951.9 million in the same period in 2011. The decrease was mainly attributable to the decrease in share of profits of associates in the pharmaceuticals and healthcare, property, steel, mining and retail, services, finance and other investment segments.

- Pharmaceuticals and healthcare segment — Share of profits of associates in the pharmaceuticals and healthcare segment decreased by 12.1% to RMB378.7 million (US$59.6 million) in the six months ended June 30, 2012 from RMB430.7 million in the same period in 2011. Such decrease was mainly attributable to the privatization of Tongjitang China Medicines Company.

- Property segment — Share of profits of associates in the property segment was RMB110.2 million (US$17.3 million) in the six months ended June 30, 2012, as compared to share of losses of associates of RMB224.2 million in the same period in 2011. Such decrease was mainly because the results of operations of our associates fluctuate according to the delivery schedule of their property projects.

- Steel segment — Share of profits of associates in the steel segment decreased by 201.2% to loss of RMB122.9 million (loss: US$19.3 million) in the six months ended June 30, 2012 from RMB121.4 million in the same period in 2011. This decrease was primarily attributable to the deterioration in the operating results of Jianlong Group, our major associate in the steel segment in the six months ended June 30, 2012.

- Mining segment — Share of losses of associates in the mining segment was RMB2.4 million (US$0.4 million) in the six months ended June 30, 2012, as compared to share of profits of associates in the mining segment of RMB77.0 million in the same period in 2011.

- Retail, services, finance and other investments segment — Share of profits of associates in this segment decreased by 17.0% to RMB81.8 million (US$12.9 million) in the six months ended June 30, 2012 from RMB98.6 million in the same period in 2011. Such decrease was mainly attributable to decrease in profit realized by Yuyuan in the six months ended June 30, 2012.

Tax. Tax decreased by 65.4% to RMB320.3 million (US$50.4 million) in the six months ended June 30, 2012 from RMB924.9 million in the same period in 2011. We recorded zero tax under our insurance segment and asset management segment for the six months ended June 30, 2012 and zero tax under these two segments for the six months ended June 30, 2011.

- Pharmaceuticals and healthcare segment — Tax for the pharmaceuticals and healthcare segment decreased to RMB129.5 million (US$20.4 million) in the six months ended June 30, 2012 from RMB255.7 million in the same period in 2011. Such decrease was mainly attributable to decrease in profit before tax as well as the offset of our profit by the accumulated loss from the prior year.

- Property segment — Tax for the property segment decreased by 100.7% to tax credit of RMB2.0 million (tax credit of US$0.3 million) in the six months ended June 30, 2012 from tax provision of RMB296.9 million in the same period in 2011. Such decrease was mainly attributable to reversal of previous LAT provision.

- Steel segment — Tax for the steel segment decreased by 196.3% to tax credit of RMB41.6 million (tax credit of US$6.6 million) in the six months ended June 30, 2012 from tax provision of RMB43.2 million in the same period in 2011. Such decrease was primarily due to decrease in profit before tax.

- Mining segment — Tax for the mining segment decreased by 18.9% to RMB219.8 million (US$34.6 million) in the six months ended June 30, 2012 from RMB271.0 million in the same period in 2011. Such decrease was mainly attributable to decrease in profit before tax.

- Retail, services, finance and other investments segment — Tax for this segment decreased by 33.8% to RMB32.5 million (US$5.1 million) in the six months ended June 30, 2012 from RMB49.1 million in the same period in 2011. Such decrease was mainly attributable to decrease in profit before tax.

Profit for the period. As a result of the foregoing, profit for the period decreased by 50.8% to RMB2,294.8 million (US$361.2 million) in the six months ended June 30, 2012 from RMB4,662.4 million in the same period in 2011. We recorded zero profit for the period under our insurance segment for the six months ended June 30, 2012 and zero profit for the period under the same segment for the six months ended June 30, 2011.

- Pharmaceuticals and healthcare segment — Profit for the period in the pharmaceuticals and healthcare segment decreased by 11.3% to RMB857.8 million (US$135.0 million) in the six months ended June 30, 2012 from RMB966.8 million in the same period in 2011.

- Property segment — Profit for the period in the property segment increase by 41.9% to RMB688.7 million (US$108.4 million) in the six months ended June 30, 2012 from RMB485.2 million in the same period in 2011.

- Steel segment — Loss for the period in the steel segment was RMB190.7 million (US$30.0 million) in the six months ended June 30, 2012 compared with profit for the period of RMB448.3 million in the same period in 2011.

- Mining segment — Profit for the period in the mining segment decreased by 27.8% to RMB765.3 million (US$120.5 million) in the six months ended June 30, 2012 from RMB1,060.7 million in the same period in 2011.

- Retail, services, finance and other investments segment — Profit for the period in this segment decreased by 76.4% to RMB425.6 million (US$67.0 million) in the six months ended June 30, 2012 from RMB1,806.2 million in the same period in 2011.

- Asset management segment — Loss for the period in the asset management segment was RMB24.3 million (US$3.8 million) in the six months ended June 30, 2012 compared with profit for the period of RMB7.1 million in the same period in 2011.

Non-controlling interests. Non-controlling interests decreased by 41.0% to RMB744.7 million (US$117.2 million) in the six months ended June 30, 2012 from RMB1,263.2 million in the same period in 2011.

- Pharmaceuticals and healthcare segment — Non-controlling interests in the pharmaceuticals and healthcare segment decreased by 6.0% to RMB520.1 million (US$81.9 million) in the six months ended June 30, 2012 from RMB553.1 million in the same period in 2011. The decrease reflected a decrease in profit for the six months ended June 30, 2012.

- Property segment — Non-controlling interests in the property segment decreased by 77.7% to RMB27.2 million (US$4.3 million) in the six months ended June 30, 2012 from RMB122.1 million in the same period in 2011. Such decrease was mainly due to the decrease of interests of Forte held by individual shareholders. The non-controlling interests in Forte decreased to 1.0% as at 31 December 2011 due to the completion of delisting of H Shares of Forte from the Hong Kong Stock Exchange on 13 May 2011.

- Steel segment — Non-controlling interests in the steel segment decreased by 107.2% to loss of RMB12.7 million (loss of US$2.0 million) in the six months ended June 30, 2012 from RMB176.4 million in the same period in 2011. The decrease reflected a decrease in profit for the six months ended June 30, 2012.

- Mining segment — Non-controlling interests in the mining segment decreased by 38.0% to RMB264.3 million (US$41.6 million) in the six months ended June 30, 2012 from RMB426.0 million in the same period in 2011. The decrease reflected a decrease in profit for the six months ended June 30, 2012.

- Retail, services, finance and other investments segment — Non-controlling interests in this segment shared losses in both years, or, specifically, of RMB9.6 million (US$1.5 million) in the six months ended June 30, 2012 and RMB9.7 million in the same period in 2011.

- Asset management segment — Non-controlling interests in the asset management segment shared a loss of RMB15.8 million (US$2.5 million) in the six months ended June 30, 2012 as compared to a gain of RMB3.7 million in the same period in 2011.

Year Ended December 31, 2011 Compared with Year Ended December 31, 2010

Revenue. Revenue increased by 27.3% to RMB56,816.2 million in 2011 from RMB44,643.7 million in 2010. The increase was mainly attributable to increase in revenue of each of our property, mining and steel segments. We recorded zero revenue under our insurance segment and retail, services, finance and other investments segment for the year ended December 31, 2011 and zero revenue under these two segments for the year ended December 31, 2010.

- Pharmaceuticals and healthcare segment — Revenue in the pharmaceuticals and healthcare segment increased by 44.3% to RMB6,432.6 million in 2011 from RMB4,459.3 million in 2010. The increase in revenue was mainly due to our increased sales of pharmaceutical products manufactured by Fosun Pharma as well as an increase of revenue from distribution of diagnostic products and medical devices.

- Property segment — Revenue in the property segment increased by 10.1% to RMB9,742.7 million in 2011 from RMB8,846.7 million in 2010. The increase was mainly due to the increase in the GFA booked by Forte in 2011 as compared with 2010.

- Steel segment — Revenue in the steel segment increased by 28.9% to RMB38,224.1 million in 2011 from RMB29,652.2 million in 2010. The increase was primarily due to an increase in the prices of steel products as well as the sales volume.

- Mining segment — Revenue in the mining segment in 2011 increased by 22.6% to RMB3,898.7 million, including intersegment sales of RMB1,529.8 million, from RMB3,180.2 million, including intersegment sales of RMB1,494.7 million, in 2010. The increase of revenue was mainly due to the sustaining high price of iron ore as well as increased sales volume attributable to our flexible sales strategy.

- Asset management segment — Revenue in the asset management segment increased by 100% to RMB56.2 million in 2011 from RMB0 million in 2010. We commenced our asset management business in 2011 and the revenue in this segment reflects the management fees we received from our clients.

Cost of sales. Cost of sales increased by 31.1% to RMB46,249.9 million in 2011 from RMB35,277.2 million in 2010. The increase was mainly attributable to increases in cost of sales in most of our business segments. We recorded zero cost of sales under our insurance segment and retail, services, finance and other investments segment for the year ended December 31, 2011 and zero cost of sales under these two segments for the year ended December 31, 2010.

- Pharmaceuticals and healthcare segment — Cost of sales in the pharmaceuticals and healthcare segment increased by 35.8% to RMB3,991.1 million in 2011 from RMB2,938.8 million in 2010. Such increase was primarily due to the increase in sales volume in Fosun Pharma's pharmaceutical manufacturing business.

- Property segment — Cost of sales in the property segment increased by 8.7% to RMB6,013.2 million in 2011 from RMB5,534.3 million in 2010. Such increase was attributable to the increase in GFA booked by Forte in 2011 as compared to 2010.

- Steel segment — Cost of sales in the steel segment increased by 33.9% to RMB36,666.0 million in 2011 from RMB27,387.6 million in 2010. Such increase was primarily due to the increase in prices of raw materials, including iron ore, in 2011 as compared with 2010.

- Mining segment — Cost of sales in the mining segment increased by 18.6% to RMB1,234.8 million in 2011 from RMB1,041.3 million in 2010. Such increase was mainly due to the increase in labor costs in 2011 as compared with 2010.

- Asset management segment — We did not incur any cost of sales in our asset management segment in either 2010 and 2011.

Gross Profit. As a result of the foregoing, gross profit increased by 12.8% to RMB10,566.3 million in 2011 from RMB9,366.5 million in 2010. We recorded zero gross profit under our insurance segment and retail, services, finance and other investments segment for the year ended December 31, 2011 and zero gross profit under these two segments for the year ended December 31, 2010.

- Pharmaceuticals and healthcare segment — Gross profit in the pharmaceuticals and healthcare segment increased by 60.6% to RMB2,441.4 million in 2011 from RMB1,520.5 million in 2010. Gross profit margin increased to 38.0% from 34.1%, primarily as a result of (i) an increase in the contribution from our major products with higher margin, and (ii) improved gross profit margin of our major products as a result of technological improvements and increased production scale.

- Property segment — Gross profit in the property segment increased by 12.6% to RMB3,729.5 million in 2011 from RMB3,312.4 million in 2010. The property segment's gross profit margin slightly increased to 38.3% in 2011 from 37.4% in 2010.

- Steel segment — Gross profit in the steel segment decreased by 31.2% to RMB1,558.1 million in 2011 from RMB2,264.6 million in 2010. Gross profit margin decreased to 4.1% in 2011 from 7.6% in 2010 mainly due to decrease of the average selling prices of our steel products since September 2011 and the decrease in the average selling prices of our steel products exceeded the decrease in the average purchase prices of the raw materials used in our steel products.

- Mining segment — Gross profit in the mining segment increased by 24.5% to RMB2,664.0 million in 2011 from RMB2,138.8 million in 2010. Gross profit margin slightly increased to 68.3% in 2011 from 67.3% in 2010.

- Asset management segment — Gross profit in the asset management increased by 100% to RMB56.2 million in 2011 from RMB0.0 million in 2010. Gross profit margin increased to 100% in 2011 from 0.0% in 2010 because our asset management business did not incur any cost of sales since its commencement of operations in 2011.

Other Income and Gains. Other income and gains decreased to RMB4,111.8 million in 2011 from RMB4,304.9 million in 2010. The decrease was mainly attributable to the decrease in gain on disposal of subsidiaries, gain on fair value adjustment of equity investments at fair value through profit or loss, gain on disposal of equity investments at fair value through profit or loss, gain on fair value adjustment of investment properties, as well as gain on disposal of partial interests in associates, offset in part by increases in gain on deemed disposal of partial interests in associates, gain on disposal of available-for-sale investments, dividends from available-for-sale investments and equity investments at fair value through profit or loss and interest income.

- Gain on disposal of subsidiaries — Gain on disposal of subsidiaries decreased to RMB59.3 million in 2011 from RMB964.2 million in 2010. In 2011, Forte disposed its 49% equity interest in Chengdu Honghui Property Development Co., Ltd. (成都鴻匯置業有限公司) and recognized a gain of RMB49.6 million. In 2010, such gain was much higher due to the gains recognized by Forte through the disposal of its 100% equity interest in Shanghai Yizhou Investment Management Co., Ltd. and its 50% equity interest in Shiner Way Limited.

- Gain on fair value adjustment of equity investments at fair value through profit or loss — Gain on fair value adjustment of equity investments at fair value through profit or loss decreased to zero in 2011 from RMB912.9 million in 2010. Our investments held for trading are recognized at their fair value through profit or loss. The decrease was therefore attributable to a loss in the amount of adjustment to the market value of these investments, reflected in other expenses.

- Gain on disposal of equity investments at fair value through profit or loss — Gain on disposal of equity investments at fair value through profit or loss decreased to RMB578.6 million in 2011 from RMB917.6 million in 2010. In 2011, we disposed of 59,877,000 shares in American International Insurance and 6,516,310 ADSs in Focus Media and recognized gains of RMB193.1 million and RMB367.0 million, respectively.

- Gain on fair value adjustment of investment properties — Gain on fair value adjustment of investment properties decreased to RMB97.5 million in 2011 from RMB264.6 million in 2010, due primarily to the decreased fair value adjustment of our investment properties in Beijing and Hangzhou.

- Gain on disposal of partial interests in associates — Gain on disposal of partial interests in associates decreased to RMB34.7 million in 2011 from RMB194.7 million in 2010. In 2011, Fosun Pharma further disposed its partial equity interest in Zhejiang Crystal-optech Co., Ltd. and recognized a gain of approximately RMB29.3 million. In 2010, such gain was primarily results of disposal of entire equity interest in Nanjing Laoshan Pharmaceutical Company and 3.9% of equity interest in Zhejiang Crystal-optech Co., Ltd. by Fosun Pharma.

- Gain on deemed disposal of partial interests in associates — Gain on deemed disposal of partial interests in associates increased to RMB910.9 million in 2011 from RMB97.8 million in 2010. In May 2011, Sinopharm, our major associate in the pharmaceuticals and healthcare segment, completed its placement of 138,056,825 H shares and our indirect equity interest in Sinopharm through Fosun Pharma was diluted from 34.00% to 32.05%. The gain on deemed disposal of Sinopharm was RMB672.7 million. In addition, in March 2011, one of our associates, Shenzhen Jasic Technology Co., Ltd., completed its initial public offering and the shares of Shenzhen Jasic Technology Co., Ltd. were listed on Shenzhen Stock Exchange. The gain on the deemed disposal of Shenzhen Jasic Technology Co., Ltd. was RMB158.4 million.

- Gain on disposal of available-for-sale investments — Gain on disposal of available for sale investments increased to RMB843.6 million in 2011 from RMB95.9 million in 2010. In 2011, Fosun Industrial Investment disposed its entire equity interest in Xi'an Shaangu Power Co., Ltd. (西安陝鼓動力股份有限公司) and recognized a gain of RMB650.8 million. In addition, Fosun Pharma disposed its equity interests in several available-for-sale investments and recognized gains of RMB192.8 million in aggregate. In 2010, such gain was primarily from disposal of its entire equity interest in Guotai Junan Securities by Nanjing Steel United.

- Interest income — Interest income increased by 56% to RMB380.6 million in 2011 from RMB244.5 million in 2010. The increase was mainly attributable to both the increase in average bank balances and interest rates in 2010 as compared to 2010.

Operating Expenses. Operating expenses increased by 59.7% to RMB6,984.2 million in 2011 from RMB4,372.3 million in 2010. We recorded zero operating expenses under our insurance segment and retail, services, finance and other investments segment for the year ended December 31, 2011 and zero operating expenses under these two segments for the year ended December 31, 2010.

- Pharmaceuticals and healthcare segment — Operating expenses in the pharmaceuticals and healthcare segment increased by 48.7% to RMB2,309.7 million in 2011 from RMB1,552.8 million in 2010. As a percentage of revenue, operating expenses in this segment increased to 35.9% in 2011 from 34.8% in 2010.

    - Selling and distribution costs — Selling and distribution costs increased by 51.6% to RMB1,210.0 million in 2011 from RMB798.3 million in 2010. Such increase was primarily due to Fosun Pharma's strategy to streamline its distribution system by restructuring the selling channels of its manufacturing business.

    - Administrative expenses. Administrative expenses increased by 62.3% to RMB696.7 million in 2011 from RMB429.3 million in 2010. Such increase was mainly attributable to increases in expenses associated with new investments and increased staff costs in 2011.

    - Other expenses — Other expenses increased by 24.0% to RMB403.1 million in 2011 from RMB325.2 million in 2010. Such increase was primarily due to a provision for the impairment of non-current assets classified as held for sale in the amount of RMB148.0 million and an increase in research and development costs in 2011.

- Property segment — Operating expenses in the property segment increased by 37.9% to RMB1,104.5 million in 2011 from RMB801.2 million in 2010. As a percentage of revenue, operating expenses in this segment increased to 11.3% in 2011 from 9.1% in 2010.

    - Selling and distribution costs — Selling and distribution costs increased by 34.1% to RMB452.0 million in 2011 from RMB337.1 million in 2010. Such increase was primarily due to increases in advertising expenses, staff costs and sales commission.

    - Administrative expenses — Administrative expenses increased by 32.8% to RMB507.0 million in 2011 from RMB381.7 million in 2010. Such increase was primarily due to increases in staff costs and expenses associated with new property projects in 2011.

    - Other expenses — Other expenses increased by 76.6% to RMB145.5 million in 2011 from RMB82.4 million in 2010. Such increase was primarily due to a provision for the impairment of a property held for sale located in Shanghai.

- Steel segment — Operating expenses in the steel segment increased by 23.6% to RMB1,540.0 million in 2011 from RMB1,246.4 million in 2010. As a percentage of revenue, operating expenses in this segment slightly decreased to 4.0% in 2011 from 4.2% in 2010.

  - Selling and distribution costs — Selling and distribution costs increased by 38.4% to RMB362.3 million in 2011 from RMB261.8 million in 2010. Such increase was primarily due to an increase in sales volume in 2011, resulting in higher transportation fees and staff costs.

  - Administrative expenses — Administrative expenses increased by 6.4% to RMB712.8 million in 2011 from RMB670.1 million in 2010, primarily due to increased staff costs and maintenance costs.

  - Other expenses — Other expenses increased by 47.8% to RMB464.9 million in 2011 from RMB314.5 million in 2010. Such increase was primarily due to provision of impairment for inventories amounted to RMB188.0 million in 2011.

- Mining segment — Operating expenses in the mining segment increased by 28.9% to RMB598.0 million in 2011 from RMB463.9 million in 2010. As a percentage of revenue, operating expenses in this segment slightly increased to 15.3% in 2011 from 14.6% in 2010.

  - Selling and distribution costs — Selling and distribution costs increased, by 29.9%, to RMB95.6 million in 2011 from RMB73.6 million in 2010. Such increase was primarily due to increase in transportation fees.

  - Administrative expenses — Administrative expenses increased by 29.1% to RMB403.2 million in 2011 from RMB312.4 million in 2010. Such increase was primarily due to the increase in staff costs in 2011 as compared with 2010.

  - Other expenses — Other expenses increased by 27.2% to RMB99.1 million in 2011 from RMB77.9 million in 2010 which was primarily due to provision for impairment of inventories.

- Asset management segment — Operating expenses in this segment increased by 100% to RMB145.9 million in 2011 from zero in 2010, because we commenced our asset management services in 2011.

Finance Costs. Finance costs increased by 51.5% to RMB2,381.7 million in 2011 from RMB1,572.1 million in 2010. The increase was mainly attributable to increases in both interest rates and outstanding amount of our bank borrowings in the pharmaceuticals and healthcare, property, steel and retail, services, finance and other investments segments. We recorded zero finance costs under our insurance segment and asset management segment for the year ended December 31, 2011 and zero finance costs under these two segments for the year ended December 31, 2010.

- Pharmaceuticals and healthcare segment — Finance costs in the pharmaceuticals and healthcare segment increased by 93.0% to RMB314.0 million in 2011 from RMB162.7 million in 2010.

- Property segment — Finance costs in the property segment increased by 7.1% to RMB333.0 million in 2011 from RMB310.9 million in 2010.

- Steel segment — Finance costs in the steel segment increased by 34.3% to RMB1,041.8 million in 2011 from RMB775.5 million in 2010.

- Mining segment — Finance costs in the mining segment increased by 9.1% to RMB35.8 million in 2011 from the RMB32.8 million in 2010.

- Retail, services, finance and other investments segment — Finance costs in this segment increased by 135.2% to RMB682.6 million in 2011 from RMB290.2 million in 2010.

Share of Profits and Losses of Jointly-Controlled Entities. Share of profits and losses of jointly-controlled entities represented a profit of RMB32.1 million in 2011 compared to a loss of RMB23.2 million in 2010. The share of profit of jointly-controlled entities in 2011 was primarily contributed by the steel segment from its normal course of business, while in 2010 the share of loss of jointly-controlled entities was primarily contributed by the property segment.

Share of Profits and Losses of Associates. Share of profits of associates increased to RMB1,538.8 million in 2011 from RMB949.4 million in 2010. The increase was mainly attributable to the increase in share of profits of associates in the steel, property, pharmaceuticals and healthcare, mining and retail, services, finance and other investments segments.

- Insurance segment — We realized zero share of profits or losses under our insurance segment.

- Pharmaceuticals and healthcare segment — Share of profits of associates in the pharmaceuticals and healthcare segment increased by 30.8% to RMB723.8 million in 2011 from RMB553.4 million in 2010. Such increase was mainly attributable to increases in the operating profit of Sinopharm, the major associate of Fosun Pharma, as well as the gain recognized due to the privatization of Tongjitang.

- Property segment — Share of profits of associates in the property segment increased to RMB275.6 million in 2011 from RMB94.5 million in 2010. Such increase was mainly contributed by Shanghai Qiaobei Property Co., Ltd., due to the sale of completed properties in 2011.

- Steel segment — Share of profits of associates in the steel segment increased by 69.7% to RMB159.7 million in 2011 from RMB94.1 million in 2010 which was primarily due to improved operating results of Jianlong Group, the major associate in the steel segment.

- Mining segment — Share of profits of associates in the mining segment increased by 54.5% to RMB116.8 million in 2011 from RMB75.6 million in 2010. Such increase was mainly attributable to improved operating results of Huaxia Mining, our major associate in the mining segment.

- Retail, services, finance and other investments segment — Share of profits of associates in this segment increased by 99.2% to RMB262.8 million in 2011 from RMB131.9 million in 2010. Such increase was mainly attributable to improved operating results of Yuyuan. In addition, one of our associate, recognized a gain on disposal of available-for-sale investment named Zhejiang Aishida Electric Co., Ltd., and we shared the gain based on our percentage of equity interest in this associate.

- Asset management segment — We realized zero share of profits or losses under our asset management segment.

Tax. Tax decreased by 27.5% to RMB1,818.4 million in 2011 from RMB2,506.6 million in 2010. We recorded zero tax under our insurance segment and asset management segment for the year ended December 31, 2011 and zero tax under these two segments for the year ended December 31, 2010.

- Pharmaceuticals and healthcare segment — Tax for the pharmaceuticals and healthcare segment increased to RMB341.8 million in 2011 from RMB201.6 million in 2010. Such increase was mainly attributable to the increase in taxable profits of our pharmaceuticals and healthcare segment.

- Property segment — Tax for the property segment decreased by 29.7% to RMB1,212.3 million in 2011 from RMB1,724.0 million in 2010. Such decrease was mainly attributable to (i) an decrease in land appreciation tax accrued on GFA booked mainly as a result of a decrease in gross profit margin; and (ii) a decrease in taxable profits in 2011 as compared with 2010.

- Steel segment — Tax for the steel segment decreased by 283.3% to a tax credit of RMB211.0 million in 2011 from a tax provision of RMB115.1 million in 2010. Such decrease was primarily due to decrease of taxable profits in 2011 as compared with 2010, as well as tax refund enjoyed in 2011,.

- Mining segment — Tax for the mining segment increased by 31.4% to RMB460.0 million in 2011 from RMB350.2 million in 2010. Such increase was mainly attributable to increase of tax rate of Hainan Mining from 22% in 2010 to 24% in 2011.

- Retail, services, finance and other investments segment — Tax for this segment decreased by 89.2% to RMB14.5 million in 2011 from RMB134.8 million in 2010. Such decrease was mainly attributable to decrease of taxable profits in 2011 as compared to 2010.

Profit for the Year. As a result of the foregoing, profit for the year decreased by 17.6% to RMB5,064.7 million in 2011 from RMB6,146.7 million in 2010. We recorded zero profit of the year under our insurance segment for the year ended December 31, 2011 and zero profit of the year under the same segment for the year ended December 31, 2010.

- Pharmaceuticals and healthcare segment — Profit for the year in the pharmaceuticals and healthcare segment increased by 80.8% to RMB1,385.4 million in 2011 from RMB766.1 million in 2010.

- Property segment — Profit for the year in the property segment decreased by 4.3% to RMB1,832.8 million in 2011 from RMB1,914.4 million in 2010.

- Steel segment — Profit for the year in the steel segment decreased by 94.0% to RMB40.6 million in 2011 from RMB681.7 million in 2010.

- Mining segment — Profit for the year in the mining segment increased by 19.4% to RMB1,787.0 million in 2011 from RMB1,496.7 million in 2010.

- Retail, services, finance and other investments segment — Profit for the year in this segment decreased by 83.5% to RMB253.5 million in 2011 from RMB1,536.9 million in 2010.

- Asset management segment — Loss for the year in the asset management segment decreased by 79.5% to RMB41.1 million in 2011 from RMB22.9 million in 2010.

Non-controlling interests. Non-controlling interests decreased by 13.5% to RMB1,661.1 million in 2011 from RMB1,919.6 million in 2010.

- Pharmaceuticals and healthcare segment – Non-controlling interests in the pharmaceuticals and healthcare segment increased by 78.0% to RMB825.1 million in 2011 from RMB463.5 million in 2010. The increase reflected a increase in profit for the year the 2011.

- Property segment — Non-controlling interests in the property segment decreased by 66.8% to RMB213.5 million in 2011 from RMB642.6 million in 2010. The decrease was mainly due to the decrease of interests of Forte held by individual shareholders. The non-controlling interests in Forte decreased to 1.0% as at 31 December 2011 due to the completion of delisting of H Shares of Forte from the Hong Kong Stock Exchange on 13 May 2011.

- Steel segment — Non-controlling interests in the steel segment decreased by 97.7% to RMB6.3 million in 2011 from RMB271.7 million in 2010. The decrease reflected a decrease in profit for the year the 2011.

- Mining segment — Non-controlling interests in the mining segment increased by 18.2% to RMB667.1 million in 2011 from RMB564.6 million in 2010. The increase reflected an increase in profit for the year the 2011.

- Retail, services, finance and other investments segment — Non-controlling interests in this segment shared losses in both years, or, specifically, of RMB1.3 million in 2011 and RMB2.9 million in 2010.

- Asset management segment — Non-controlling interests in the asset management segment shared losses in both years, or, speccifically, of RMB47.6 million in 2011 and RMB20.0 million in 2010.

Year Ended December 31, 2010 Compared with Year Ended December 31, 2009

Revenue. Revenue increased by 28.1% to RMB44,643.7 million in 2010 from RMB34,855.8 million in 2009. The increase was mainly attributable to increases in the revenue of all the business segments in 2010 as compared with 2009.

- Pharmaceuticals and healthcare segment — Revenue in the pharmaceuticals and healthcare segment increased by 18.1% to RMB4,459.3 million in 2010 from RMB3,775.9 million in 2009. The increase in revenue was mainly due to increased sales in Fosun Pharma's pharmaceutical manufacturing business.

- Property segment — Revenue in the property segment increased by 70.6% to RMB8,846.7 million in 2010 from RMB5,184.8 million in 2009. The increase was mainly due to the significant increase in GFA booked by Forte in 2010 as compared with 2009.

- Steel segment — Revenue in the steel segment increased by 20.5% to RMB29,652.2 million in 2010 from RMB24,611.4 million in 2009. The increase was primarily due to an increase in the prices of steel products in 2010 as compared with 2009, driven by increases in the costs of raw materials, including iron ore.

- Mining segment — Revenue in the mining segment in 2010 increased by 61.6% to RMB3,180.2 million, including intersegment sales of RMB1,494.7 million, from RMB1,968.0 million, including of intersegment sales of RMB684.2 million, in 2009. The increase of revenue was mainly due to an increase in the market selling prices of iron ore products in 2010 as compared with 2009.

- Retail, services, finance and other investments segment — We recorded zero revenue in this segment because we had no subsidiaries that generated revenue in this segment.

Cost of sales. Cost of sales increased by 21.0% to RMB35,277.2 million in 2010 from RMB29,161.4 million in 2009. The increase was mainly attributable to increases in cost of sales in all our business segments.

- Pharmaceuticals and healthcare segment — Cost of sales in the pharmaceuticals and healthcare segment increased by 14.3% to RMB2,938.8 million in 2010 from RMB2,570.9 million in 2009. Such increase was primarily due to the increase in sales volume in Fosun Pharma's pharmaceutical manufacturing business.

- Property segment — Cost of sales in the property segment increased by 51.4% to RMB5,534.3 million in 2010 from RMB3,655.8 million in 2009. Such increase was attributable to the increase in GFA booked by Forte in 2010 as compared to 2009.

- Steel segment — Cost of sales in the steel segment increased by 20.7% to RMB27,387.6 million in 2010 from RMB22,696.0 million in 2009. Such increase was primarily due to the increase in prices of raw materials, including iron ore, in 2010 as compared with 2009.

- Mining segment — Cost of sales in the mining segment increased by 16.8% to RMB1,041.3 million in 2010 from RMB891.7 million in 2009. Such increase was mainly due to the increase in labor costs in 2010 as compared with 2009.

- Retail, services, finance and other investments segment — We recorded zero cost of sales in this segment because we had no subsidiaries that incurred cost of sales in this segment.

Gross Profit. As a result of the foregoing, gross profit increased by 64.5% to RMB9,366.5 million in 2010 from RMB5,694.4 million in 2009.

- Pharmaceuticals and healthcare segment — Gross profit in the pharmaceuticals and healthcare segment increased by 26.2% to RMB1,520.5 million in 2010 from RMB1,204.9 million in 2009. Gross profit margin increased to 34.1% from 31.9%, primarily as a result of the changes in product mix in 2010, namely a higher proportion of revenues being derived from pharmaceuticals manufacturing, which generally has a higher profit margin, than pharmaceuticals distribution, as compared to 2009.

- Property segment — Gross profit in the property segment increased by 116.6% to RMB3,312.4 million in 2010 from RMB1,529.0 million in 2009. The property segment's gross profit margin increased to 37.4% in 2010 from 29.5% in 2009. Gross profit margin increased mainly because (i) a significant proportion of GFA booked during the year comprised low-density residential properties in the first tier cities, and the average selling price was higher than the local average; and (ii) the GFA booked during the year was mainly pre-sold in 2009 and 2010 when the market price was relatively high compared to prior years.

- Steel segment — Gross profit in the steel segment increased by 18.2% to RMB2,264.6 million in 2010 from RMB1,915.4 million in 2009. Gross profit margin decreased slightly to 7.6% in 2010 from 7.8% in 2009 because the average selling prices for both our steel products and the raw materials used in our steel production increased in 2010 compared to 2009 but the increase in the former was lower than the increase in the latter.

- Mining segment — Gross profit in the mining segment increased by 98.7% to RMB2,138.8 million in 2010 from RMB1,076.3 million in 2009. Gross profit margin increased to 67.3% in 2010 from 54.7% in 2009 because the average selling prices of our iron ore products increased substantially.

- Retail, services, finance and other investments segment — We recorded zero gross profit in this segment for the reasons stated above under "Revenue" and "Cost of Sales" for 2010.

Other Income and Gains. Other income and gains decreased to RMB4,304.9 million in 2010 from RMB6,492.4 million in 2009. The decrease was mainly attributable to the decrease in gain on deemed disposal of interest in associates, gain on fair value adjustment of equity investments at fair value through profit or loss, as well as gain on disposal of associates, offset in part by increases in gain on disposal of interests in subsidiaries, gain on disposal of equity investments at fair value through profit or loss, gain in fair value adjustment of investment properties and interest income.

- Gain on deemed disposal of associates — Gain on deemed disposal of interest in associates decreased to RMB97.8 million in 2010 from RMB2,605.6 million in 2009. In May 2010, one of Fosun Pharma's associates, Hunan Hansen, completed its initial public offering and the shares of Hunan Hansen were listed on the Shenzhen Stock Exchange. The gain on the deemed disposal of Hunan Hansen was RMB82.5 million. In 2009, gain on deemed disposal of associates was much higher as a result of the initial public offering on the Hong Kong Stock Exchange by Sinopharm, our major associate in the pharmaceuticals and healthcare segment.

- Gain on fair value adjustment of equity investments at fair value through profit or loss — Gain on fair value adjustment of equity investments at fair value through profit or loss decreased to RMB912.9 million in 2010 from RMB2,015.0 million in 2009. Our investments held for trading are recognized at their fair value through profit or loss. The decrease was therefore mainly attributable to decreases in the amount of adjustment to the market value of these investments. The fair value adjustment to our Focus Media shares contributed a lower gain in 2010 than in 2009.

- Gain on disposal of associates — Gain on disposal of associates decreased to RMB194.7 million in 2010 from RMB640.1 million in 2009. In 2010, Fosun Pharma disposed of its entire equity interest in Nanjing Laoshan Pharmaceutical Company and recognized a gain of RMB19.9 million. Also in 2010, Fosun Pharma disposed of its equity interest in Zheijiang Crystal-optech Co., Ltd. and recognized a gain of approximately RMB155.5 million. In 2009, such gain was primarily a result of the disposal of a 20% equity interest in Ningbo Iron & Steel Co., Ltd. ("Ningbo Steel") by Nanjing Steel United.

- Gain on disposal of subsidiaries — Gain on disposal of subsidiaries increased to RMB964.2 million in 2010 from RMB0.5 million in 2009. In May 2010, Forte disposed of its entire 75% equity interest in Tianjin Puhe Development Co., Ltd. through the disposal of its 100% equity interest in Shanghai Yizhou Investment Management Co., Ltd. and recognized a gain of RMB828.1 million. Also, in June 2010, Forte disposed of its 50% equity interest in Shiner Way Limited and recognized a gain of RMB136.0 million.

- Gain on disposal of equity investments at fair value through profit or loss — Gain on disposal of equity investments at fair value through profit or loss increased to RMB917.6 million in 2010 from RMB42.4 million in 2009. In September 2010, we disposed of 9,523,810 ADSs in Focus Media for a total consideration of US$200.0 million and recognized a gain of RMB830.2 million, after giving an effect to a cost of RMB521.3 million.

- Gain on fair value adjustment of investment properties — Gain on fair value adjustment of investment properties increased to RMB264.6 million in 2010 from RMB85.2 million in 2009, due primarily to the increased fair value of our investment properties in Beijing and Hangzhou.

Operating Expenses. Operating expenses increased by 12.2% to RMB4,353.7 million in 2010 from RMB3,879.3 million in 2009. The increase was attributable to increases in the operating expenses in the pharmaceuticals and healthcare, property and steel segments and unallocated expenses. Unallocated expenses increased by 54.8% to RMB174.8 million in 2010 from RMB112.9 million in 2009, primarily due to the increase in travel and staff costs for general Group management and supervision purposes that are not attributable to any one of the Group's segments.

- Pharmaceuticals and healthcare segment — Operating expenses in the pharmaceuticals and healthcare segment increased by 31.8% to RMB1,552.8 million in 2010 from RMB1,178.1 million in 2009. As a percentage of revenue, operating expenses in this segment increased to 34.8% in 2010 from 31.2% in 2009.

  - Selling and distribution costs — Selling and distribution costs increased by 25.4% to RMB798.3 million in 2010 from RMB636.5 million in 2009. Such increase was primarily due to Fosun Pharma's strategy to streamline its distribution system by restructuring the selling channels of its manufacturing business.

- Administrative expenses. Administrative expenses increased by 19.3% to RMB429.3 million in 2010 from RMB359.9 million in 2009. Such increase was mainly attributable to increases in expenses associated with exploring new investment opportunities and increased staff costs in 2010.

- Other expenses — Other expenses increased by 78.9% to RMB325.2 million in 2010 from RMB181.8 million in 2009. Such increase was primarily due to a provision for the impairment of non-current assets classified as held for sale in the amount of RMB81.3 million and an increase in research and development costs in 2010.

- Property segment — Operating expenses in the property segment increased by 43.2% to RMB801.2 million in 2010 from RMB559.4 million in 2009. As a percentage of revenue, operating expenses in this segment decreased to 9.1% in 2010 from 10.8% in 2009.

  - Selling and distribution costs — Selling and distribution costs increased by 44.1% to RMB337.1 million in 2010 from RMB234.0 million in 2009. Such increase was primarily due to increases in advertising expenses and staff costs.

  - Administrative expenses — Administrative expenses increased by 32.4% to RMB381.7 million in 2010 from RMB288.4 million in 2009. Such increase was primarily due to increases in staff costs and expenses associated with new property projects in 2010.

  - Other expenses — Other expenses increased by 122.7% to RMB82.4 million in 2010 from RMB37.0 million in 2009. Such increase was primarily due to a provision for the impairment of goodwill in certain property projects whose properties were nearly sold out in 2010.

- Steel segment — Operating expenses in the steel segment increased by 17.8% to RMB1,246.4 million in 2010 from RMB1,057.8 million in 2009. As a percentage of revenue, operating expenses in this segment decreased slightly to 4.2% in 2010 from 4.3% in 2009.

  - Selling and distribution costs — Selling and distribution costs increased by 14.3% to RMB261.8 million in 2010 from RMB229.0 million in 2009. Such increase was primarily due to the increase in sales volume in 2010, resulting in higher transportation and staff costs.

  - Administrative expenses — Administrative expenses increased by 4.4% to RMB670.1 million in 2010 from RMB642.0 million in 2009, primarily due to increased staff costs.

- Other expenses — Other expenses increased by 68.4% to RMB314.5 million in 2010 from RMB186.8 million in 2009. Such increase was primarily due to a loss of RMB84.6 million in the loss of fair value change on derivative financial instruments.

- Mining segment — Operating expenses in the mining segment decreased by 38.1% to RMB463.9 million in 2010 from RMB749.3 million in 2009. As a percentage of revenue, operating expenses in this segment decreased to 14.6% in 2010 from 38.1% in 2009.

  - Selling and distribution costs — Selling and distribution costs decreased slightly, by 3.3%, to RMB73.6 million in 2010 from RMB76.1 million in 2009. Such decrease was primarily due to the decrease in transportation fees.

  - Administrative expenses — Administrative expenses increased by 13.3% to RMB312.4 million in 2010 from RMB275.7 million in 2009. Such increase was primarily due to the increase in staff costs in 2010 as compared with 2009.

  - Other expenses — Other expenses decreased by 80.4% to RMB77.9 million in 2010 from RMB397.5 million in 2009. In 2010, we did not make any provision for impairments in the value of our mining assets, as we did in 2009, because there was no impairment indicator as of December 31, 2010.

- Retail, services, finance and other investments segment — Operating expenses in this segment decreased by 36.6% to RMB160.1 million in 2010 from RMB252.7 million in 2009, primarily as a result of a decrease in impairment loss. In 2009, there was a provision for impairment loss of RMB116.0 million for available-for-sale investments. There was no equivalent or similar provision in 2010.

Finance Costs. Finance costs increased by 41.8% to RMB1,572.1 million in 2010 from RMB1,108.3 million in 2009. The increase was mainly attributable to an increase in finance costs in the pharmaceuticals and healthcare, property, steel and retail, services, finance and other investments segments.

- Pharmaceuticals and healthcare segment — Finance costs in the pharmaceuticals and healthcare segment increased by 14.3% to RMB162.7 million in 2010 from RMB142.4 million in 2009. Such increase was primarily due to increases in interest rates and the outstanding amount of borrowings of subsidiaries in this segment. As a percentage of revenue, finance costs decreased to 3.6% in 2010 from 3.8% in 2009.

- Property segment — Finance costs in the property segment increased by 307.5% to RMB310.9 million in 2010 from RMB76.3 million in 2009. Such increase was primarily due to increases in interest rates and the outstanding amount of borrowings of subsidiaries in this segment. As a percentage of revenue, finance costs increased to 3.5% in 2010 from 1.5% in 2009.

- Steel segment — Finance costs in the steel segment increased by 10.9% to RMB775.5 million in 2010 from RMB699.1 million in 2009. Such increase was primarily due to increases in interest rates and the outstanding amount of borrowings of subsidiaries in this segment. As a percentage of revenue, finance costs decreased to 2.6% in 2010 from 2.8% in 2009.

- Mining segment — Finance costs in the mining segment decreased by 26.1% to RMB32.8 million in 2010 from RMB44.4 million in 2009. Such decrease was primarily due to the (i) the decrease in the interest costs which could not be capitalized and (ii) the decrease in the incremental interest on other long-term payables in 2010. As a percentage of revenue, finance costs decreased to 1.0% in 2010 from 2.3% in 2009.

- Retail, services, finance and other investments segment — Finance costs in this segment increased by 98.5% to RMB290.2 million in 2010 from RMB146.2 million in 2009. Such increase was primarily due to increases in interest rates and the outstanding amount of borrowings of subsidiaries in this segment.

Share of Profits and Losses of Jointly-Controlled Entities. Share of profits and losses of jointly-controlled entities represented a loss of RMB23.2 million in 2010 compared to a profit of RMB13.8 million in 2009. The share of profit of jointly-controlled entities in both years was primarily contributed by the property segment and the operating results tend to fluctuate according to the delivery schedules of their property projects. We did not have significant jointly-controlled entities in the pharmaceuticals and healthcare, steel, mining or retail, services, finance and other investments segments in 2010 or 2009.

Share of Profits and Losses of Associates. Share of profits of associates decreased slightly to RMB949.4 million in 2010 from RMB962.6 million in 2009. The decrease was mainly attributable to the decrease in share of profits of associates in the steel segment, which were partially offset by increases in share of profits and losses of associates in the pharmaceuticals and healthcare, property, mining and retail, services, finance and other investments segments.

- Pharmaceuticals and healthcare segment — Share of profits of associates in the pharmaceuticals and healthcare segment increased by 25.1% to RMB553.4 million in 2010 from RMB442.2 million in 2009. Such increase was mainly attributable to increases in the operating profit of Sinopharm, the major associate of Fosun Pharma.

- Property segment — Share of profits of associates in the property segment was RMB94.5 million in 2010, as compared to share of losses of associates of RMB5.4 million in 2009. Such increase was mainly contributed by Zendai, which became an associate of Forte in 2010.

- Steel segment — Share of profits of associates in the steel segment decreased by 78.2% to RMB94.1 million in 2010 from RMB432.6 million in 2009. In 2009, Jianlong Group, our major associate in the steel segment, disposed of its entire equity interest in Ningbo Steel and recognized a gain. There was no such gain in 2010.

- Mining segment — Share of profits of associates in the mining segment was RMB75.6 million in 2010, as compared to share of losses of associates in the mining segment of RMB16.4 million in 2009. Such increase was mainly attributable to improved operating results of Huaxia Mining, our major associate in the mining segment.

- Retail, services, finance and other investments segment — Share of profits of associates in this segment increased by 20.5% to RMB131.9 million in 2010 from RMB109.5 million in 2009. Such increase was mainly attributable to the increase in Yuyuan's operating results in 2010 as compared with 2009 as a result of the positive effect brought by the Expo 2010 Shanghai China.

Tax. Tax increased by 84.7% to RMB2,506.6 million in 2010 from RMB1,357.2 million in 2009.

- Pharmaceuticals and healthcare segment — Tax for the pharmaceuticals and healthcare segment decreased to RMB201.6 million in 2010 from RMB700.4 million in 2009. Such decrease was mainly attributable to the tax provision on the gain on deemed disposal of equity interest in Sinopharm when its shares were listed on the Hong Kong Stock Exchange in 2009. There was no equivalent gain in 2010.

- Property segment — Tax for the property segment increased by 281.5% to RMB1,724.0 million in 2010 from RMB451.9 million in 2009. Such increase was mainly attributable to (i) an increase in land appreciation tax accrued on GFA booked mainly as a result of an increase in gross profit margin and (ii) an increase in income tax primarily due to increased taxable profits in 2010 as compared with 2009. Land appreciation tax generally rises progressively in accordance with gross profit margin.

- Steel segment — Tax for the steel segment increased by 147.0% to RMB115.1 million in 2010 from RMB46.6 million in 2009. Such increase was primarily due to the increase in taxable profits of our steel segment in 2010 as compared with 2009. Moreover, in 2009 there was a taxable loss with a tax effect of RMB40.5 million on Nanjing Steel United's disposal of Ningbo Steel that lowered our tax for that year.

- Mining segment — Tax for the mining segment increased by 427.4% to RMB350.2 million in 2010 from RMB66.4 million in 2009. Such increase was mainly attributable to the increase in taxable profits of our mining segment in 2010 as compared with 2009.

- Retail, services, finance and other investments segment — Tax for this segment increased by 38.5% to RMB134.8 million in 2010 from RMB97.3 million in 2009. Such increase was mainly attributable to the increase in the accrual of income tax by our Company in 2010 as compared with 2009 as a result of gain on disposal of equity interests at fair value through profit or loss.

Profit for the Year. As a result of the foregoing, profit for the year decreased by 9.9% to RMB6,146.7 million in 2010 from RMB6,818.4 million in 2009.

- Pharmaceuticals and healthcare segment — Profit for the year in the pharmaceuticals and healthcare segment decreased by 69.3% to RMB766.1 million in 2010 from RMB2,495.9 million in 2009.

- Property segment — Profit for the year in the property segment increased by 214.4% to RMB1,914.4 million in 2010 from RMB608.9 million in 2009.

- Steel segment — Profit for the year in the steel segment decreased by 55.3% to RMB681.7 million in 2010 from RMB1,525.5 million in 2009.

- Mining segment — Profit for the year in the mining segment increased by 316.2% to RMB1,496.7 million in 2010 from RMB359.6 million in 2009.

- Retail, services, finance and other investments segment — Profit for the year in this segment decreased by 25.8% to RMB1,536.9 million in 2010 from RMB2,072.1 million in 2009.

Non-controlling interests. Non-controlling interests decreased by 11.6% to RMB1,919.6 million in 2010 from RMB2,171.7 million in 2009.

- Pharmaceuticals and healthcare segment — Non-controlling interests in the pharmaceuticals and healthcare segment decreased by 64.6% to RMB463.5 million in 2010 from RMB1,310.3 million in 2009. The decrease reflected a decrease in profit for the year 2010.

- Property segment — Non-controlling interests in the property segment increased by 128.2% to RMB642.6 million in 2010 from RMB281.6 million in 2009. The increase reflected an increase in profit for the year 2010.

- Steel segment — Non-controlling interests in the steel segment decreased by 40.6% to RMB271.7 million in 2010 from RMB457.4 million in 2009. The decrease reflected a decrease in profit for the year 2010.

- Mining segment — Non-controlling interests in the mining segment increased by 355.7% to RMB564.6 million in 2010 from RMB123.9 million in 2009. The increase reflected an increase in profit for the year 2010.

- Retail, services, finance and other investments segment — Non-controlling interests in this segment shared losses in both years, or, specifically, of RMB2.7 million in 2010 and RMB1.6 million in 2009.

Liquidity and Capital Resources

We use a variety of sources, both external and internal, to finance our operations. In addition to net cash generated from operations, we use short-term and long-term borrowings to fund capital expenditures and strategic investments. Our short-term and long-term funding sources may vary from period to period, but they have generally included a mix of equity and debt securities issued in the domestic and international capital markets and credit facilities with commercial banks.

Short-term Liquidity Requirements

Our short-term liquidity requirements include principally funding of our need for working capital and servicing our debt, including the debt of Fosun International, Fosun Group and our other subsidiaries. We have relied principally on short-term borrowings and operating cash flows for our short-term liquidity requirements. As of June 30, 2012, we had cash and cash equivalents of RMB10,937.3 million.

We believe that, taking into account our cash on hand and cash flow from our operations, we will have sufficient working capital to meet our requirements for at least the 12 months from the date of this offering memorandum.

Long-term Liquidity Requirements

Our long-term liquidity requirements include principally funding of capital expenditures, which consist of expenditures on the acquisition of property, plant and equipment and intangible assets; funding of additional equity investments in portfolio companies; and repayment of long-term debt.

We have relied principally on operating cash flows, and to the extent required, borrowings or additional capital raising activities for our long-term liquidity requirements. We expect that, going forward, we will finance our capital expenditures with a combination of the proceeds from this offering and operating cash flows and, as to the extent permitted under the Indenture, future offerings of equity or debt securities, bank borrowings at different subsidiary levels. Our need for, and the availability of, external financing is influenced by many factors, including our profitability, operating cash flows, debt levels, contractual restrictions and market conditions. Other sources of cash will include dividends, distributions and other payments from portfolio companies and proceeds from the sale of interests in portfolio companies.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2012	2012
	RMB	RMB	RMB	RMB	US$
			(in thousands)		
Net cash flows from/(used in) operating activities	5,455,772	6,124,538	(5,384,010)	140,906	22,179
Net cash flows used in investing activities	(6,292,269)	(13,318,592)	(4,050,989)	(4,706,095)	(740,767)
Net cash flows from (used by) financing activities	2,853,860	12,425,588	6,516,917	(1,839,276)	(289,513)
Net increase (decrease) in cash and cash equivalents	2,017,363	5,231,534	(2,918,082)	(6,404,465)	(1,008,101)

Cash Flows from Operating Activities

Cash inflow generated from operating activities in 2009 was RMB5,832.3 million and profit before tax was RMB8,175.5 million. Cash generated from operating activities before changes in working capital was RMB4,867.4 million. Changes in working capital balances resulted in an RMB964.9 million positive adjustment of cash flows primarily attributable to (i) a decrease of RMB715.9 million in properties under development; (ii) an increase of RMB1,960.6 million in trade and notes payables resulting from commercial credits widely used by upstream and downstream companies in the steel industry during the market downturn; and (iii) an increase of RMB3,532.3 million in accrued liabilities and other payables as more deposits were received from pre-sales of properties because of the recovery in the PRC property market. This positive adjustment was partially offset by (i) an increase of RMB2,186.4 million in properties held for sale as a result of an increase in inputs relating to property development projects; (ii) an increase of RMB2,331.4 million in trade and notes receivables resulting from commercial credits widely used by upstream and downstream companies in the steel industry during the market downturn; and (iii) an increase of RMB1,288.4 million in prepayments, deposits and other receivables primarily due to the Group's active participation in the bidding for property projects. Interest paid of RMB449.2 million contributed to cash outflow and an income tax refund of RMB72.6 million contributed to cash inflow for the year ended December 31, 2009.

Cash inflow generated from operating activities in 2010 was RMB8,124.5 million and profit before tax was RMB8,653.3 million. Cash generated from operating activities before changes in working capital was RMB7,636.5 million. Changes in working capital balances resulted in an RMB488.0 million positive adjustment of cash flows primarily attributable to (i) an increase RMB1,359.3 million in trade and notes payables of primarily resulting from an extended commercial credit facility obtained from upstream corporations in the steel segment; and (ii) an increase of RMB3,941.1 million in accrued liabilities and other payables owing to an increase in customers' prepayment in the property segment. This positive adjustment was partially offset by (i) an increase of RMB2,341.5 million in properties under development as a result of a higher number of property development projects in the property segment; (ii) an increase of RMB482.5 million in trade and notes receivables; and (iii) an increase of RMB1,084.4 million in inventories mainly due to the higher procurement costs for raw materials in the steel segment. Interest paid of RMB425.5 million and income tax paid of RMB1,574.5 million also contributed to cash outflow for the year ended December 31, 2010.

Cash flows used in our operating activities in 2011 was RMB2,999.9 million and profit before tax was RMB6,883.1 million. Cash generated from operating activities before changes in working capital was RMB7,630.9 million. Changes in working capital balances resulted in an RMB10,630.8 million negative adjustment of cash flows primarily attributable to (i) an increase of RMB2,635.3 million in trade and notes payables primarily resulting from the business expansion of both the pharmaceuticals and healthcare segment and the property segment, (ii) an increase of RMB68.2 million in deferred income primarily due to government subsidy received in the pharmaceuticals and healthcare segment, and (iii) an increase of RMB1,013.1 million in amount due to related companies in the pharmaceuticals and healthcare segment, as well as the property segment. This positive adjustment was offset mainly by (i) an increase of RMB9,319.9 million in properties under development as a result of a higher number of property development projects in the property segment; (ii) an increase of RMB1,095.7 million in trade and notes receivables in the steel and mining segments in line with their sales growth; (iii) an increase of RMB685.4 million in completed properties held for sale in the property segment due to property sales increase, and (iv) a decrease of RMB1,108.3 million in accrued liabilities and other payables in the property segment.

Cash flows generated in our operating activities for the six months ended June 30, 2012 was RMB140.9 million (US$22.2 million) and profit before tax was RMB2,615.1 million (US$411.6 million) primarily the decrease in property under development and increase in trade payable.

Cash Flows from Investing Activities

In 2009, net cash outflow from investing activities was RMB6,292.3 million, mainly comprising cash used by our Group to (i) purchase property, plant and equipment in the amount of RMB2,879.9 million; (ii) purchase equity investments at fair value through profit or loss of RMB1,826.8 million; and (iii) enter into new services and investments, including the purchase of a subsidiary in the property segment for a net outflow of cash and cash equivalents of RMB628.9 million and the purchase of associates for RMB719.9million. Cash outflow was partially offset by cash inflow resulting from (i) proceeds from the disposal of associates of RMB1,040.0 million; and (ii) dividends from associates of RMB498.4 million.

In 2010, net cash outflow from investing activities was RMB13,318.6 million, mainly comprising cash used by our Group to (i) purchase property, plant and equipment in the amount of RMB4,456.5 million; (ii) purchase available-for-sale investments of RMB2,249.3 million and equity investments at fair value through profit or loss of RMB2,614.4 million; and (iii) acquire subsidiaries, including Garden Plaza Capital SRL, via Forte, in the amount of RMB988.4 million and acquire associates in the amount of RMB 5,219.3 million. Cash outflow was partially offset by cash inflow resulting from (i) proceeds from the disposal of equity investments at fair value through profit or loss of RMB2,715.2 million; (ii) proceeds from the disposal of subsidiaries of RMB681.4 million; and (iii) proceeds from the disposal of associates of RMB845.2 million.

In 2011, net cash outflow from investing activities was RMB4,051.0 million, mainly comprising cash used by our Group to (i) purchase property, plant and equipment in the amount of RMB3,257.9 million; (ii) purchase available-for-sale investments of RMB2,672.6 million and equity investments at fair value through profit or loss of RMB4,068.2 million; and (iii) acquisition of subsidiaries, such as Aleph Biomedical Co., Ltd., of RMB1,321.6 million. Cash outflow was partially offset by cash inflow resulting from (i) proceeds from the disposal of equity investments at fair value through profit or loss of RMB2,735.5 million; (ii) proceeds from the disposal of available-for-sale investments of RMB1,944.0 million, and (iii) a decrease in pledge bank balances and time deposits with original maturity of more than three months.

For the six months ended June 30, 2012, net cash outflow from investing activities was RMB4,706.1 million (US$740.8 million), mainly comprising cash used by our Group to acquire tangible and intangible assets, equity interest in associates and jointly-controlled entities..

Cash Flows from Financing Activities

In 2009, net cash inflow from financing activities was RMB2,853.9 million, primarily comprising RMB30,678.5 million new bank and other borrowings cash inflow partially offset by (i) RMB25,960.6 million repayment of bank and other borrowings; (ii) RMB1,075.9 million interest paid; (iii) RMB811.4 million dividends paid to non-controlling shareholders of our subsidiaries; and (iv) RMB143.1 million dividends paid.

In 2010, net cash inflow from financing activities was RMB12,425.6 million, primarily comprising RMB36,613.8 million new bank and other borrowings cash inflow partially offset by (i) RMB22,803.7 million repayment of bank and other borrowings; (ii) RMB1,484.8 million interest paid; (iii) RMB502.1 million dividends paid to non-controlling shareholders of our subsidiaries; and (iv) RMB1,176.0 million dividends paid.

In 2011, net cash inflow from financing activities was RMB6,516.9 million, primarily comprising new bank and other borrowings of RMB63,051.3 million. Cash inflow was partially offset by (i) repayment of bank and other borrowings of RMB53,102.5 million; (ii) acquisition of additional interests in subsidiaries of RMB2,172.8 million; (iii) RMB2,031.2 million interest paid and (iv) dividends paid to non-controlling shareholders of subsidiaries of RMB1,065.4 million.

In the six months ended June 30, 2012, net cash outflow from financing activities was RMB1,839.3 million (US$289.5 million), primarily due to repayment of bank and other borrowings as well as interest payment.

Special Note on Our Holding Company Structure

As a holding company, our cash flow depends on dividends from our subsidiaries and affiliates and, to a lesser extent, on dividends and realized gains obtained from investments we hold directly at our Company level. Our liquidity and ability to fulfill our repayment obligation under the Parent Guarantee are dependent upon our ability to obtain a sufficient flow of funds from Fosun Group and our other portfolio companies and investments. Fosun Group derives substantially all of its earnings and cash flows from our portfolio companies and, to a lesser extent, on dividends and realized gains obtained from investments held directly at the Fosun Group level. While many of our portfolio companies have, in the past, paid cash dividends from time to time, Fosun Group's ability to pay dividends to us in future is subject to whether this pattern of paying dividends will be maintained by the portfolio companies. See "Risk Factors —

Risks Relating to Our General Operations — We depend on our investment returns and our receipt of cash dividends from our portfolio companies for our cash flow and ability to satisfy our obligations under the Notes” in this offering memorandum.

Fosun Group’s ability to pay dividends to us, as well as our other portfolio companies’ ability to pay dividends to Fosun Group, are subject to various restrictions, including legal restrictions in the PRC, the jurisdiction of incorporation of Fosun Group and our other portfolio companies, and dividend restrictions contained in certain loan documents. Under PRC law, Fosun Group is required to set aside a portion of its profit each year as contribution to certain reserve funds. These reserves are not distributable as cash dividends. See “Regulation — Laws Relating to Our Holding Company Structure — Foreign Exchange Regulations” and “Regulation — Laws Relating to Our Holding Company Structure — Dividend Distribution and Remittance” in this offering memorandum.

Capital Expenditures

The following table sets forth, for the periods indicated, our capital expenditures, which primarily consist of additions to property, plant and equipment, prepaid land lease payments, exploration and evaluation assets, mining rights and intangible assets:

	Year ended December 31,			**Six months ended June 30,**	
	2009	**2010**	**2011**	**2012**	**2012**
	RMB	**RMB**	**RMB**	**RMB**	**US$**
			(in thousands)		
Pharmaceuticals and healthcare segment	300,901	430,946	920,530	590,061	92,879
Property segment	99,605	124,706	30,684	7,710	1,214
Steel segment	2,858,838	3,873,577	1,412,097	1,076,860	169,504
Mining segment	350,740	322,674	621,419	280,071	44,085
Asset Management segment	—	2,806	8,328	—	—
Retail, services, finance and other investments segment	9,394	37,237	13,576	64,422	10,140
Total	3,619,478	4,791,946	3,006,634	2,019,124	317,822

As part of our business strategy, we plan to continue to expand our business through organic growth within our group as well as through mergers and acquisitions and strategic investments in other operating companies or assets. Cash requirements relating to potential acquisitions can vary significantly based on market opportunities.

Indebtedness, Contractual Obligations and Off-balance Sheet Arrangements

Indebtedness

As of June 30, 2012, our total consolidated debt was RMB52,404.6 million. The table below presents the amounts due by year of maturity for our total debt obligations outstanding as of June 30, 2012.

	Amount due				
	within one year or on demand	in the second year	in the third to fifth year	over five years	Total
	(RMB in millions)				
Interest bearing bank and other borrowings					
Bank loans and other borrowings	22,058.8	6,526.9	7,369.8	932.5	36,888.0
Loans from related companies	65.0	87.3	—	—	152.3
Debt securities					
Nanjing Steel United enterprise bonds	—	—	2,489.6	3,965.8	6,455.4
Forte domestic corporate bonds	—	—	1,884.5	—	1,884.5
Fosun Group corporate bonds	—	—	—	1,092.1	1,092.1
Fosun Pharma medium-term notes	—	—	4,058.8	—	4,058.8
Senior notes	—	—	1,873.5	—	1,873.5
	22,123.8	6,614.2	17,676.2	5,990.4	52,404.6

As of June 30, 2012, the Group had unutilized banking facilities of RMB41,756.8 million.

For a more detailed discussion of our material indebtedness, see "Description of Other Material Indebtedness" in this offering memorandum.

Operating Lease Arrangements and Commitments

We lease certain of our office properties, shop lots, land and plant buildings under operating lease arrangements. As of June 30, 2012, our total future minimum lease payments under non-cancellable operating leases were RMB873.1 million.

We enter into purchase contracts from time to time in order to continue our expansion through organic growth as well as mergers and acquisitions. We finance our capital commitments through a combination of cash generated from operations, equity capital, bank borrowings and issuance of debt securities. As of June 30, 2012, our Group's capital commitments contracted but not provided for were RMB9,446.9 million. Our capital commitments are mainly in respect of property development, investments and addition of plant and machinery. See note to our financial statements for the six months ended June 30, 2012 included elsewhere in this offering memorandum for additional information regarding our Group's commitments.

Contingent Liabilities

We issue guarantees from time to time for the benefit of other entities in conjunction with our business operations. These guarantees typically require payment by the guarantor only in the event of default on payment by the respective debtor. As of June 30, 2012, we had issued guarantees of RMB977.9 million to various financial institutions in connection with bank loans extended to related parties. For information on these guarantees, see "Related Party Transactions" in this offering memorandum.

We had also, as of June 30, 2012, issued guarantees of RMB2,743.5 million for the benefit of Forte's property purchasers in respect of mortgage loans provided by banks to such purchasers for their purchases of developed properties where the underlying real estate certificates can only be provided to the banks in a time-delayed manner due to administrative procedures in the PRC. The guarantees provided by the Group to such property purchasers are released when the purchasers pledge their real estate certificates as security to the banks for the mortgage loans granted by the banks. The guarantees for the benefit of Forte's property purchasers were issued in accordance with customary industry practice. The Directors consider that in case of default in payments, the net realizable value of the mortgaged properties would cover the outstanding mortgage principal together with any accrued interest and penalties and, accordingly, no provision is made in the Group's financial statements in respect of the guarantees. See "Business — Property Business — Property Development Projects — Stages of a Property Development Project — Sales and marketing" in this offering memorandum.

Total contingent liabilities of our Group as of June 30, 2012 were RMB3,844.8 million (December 31, 2011: RMB3,591.6 million). During the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, no event of default had occurred under any of the guarantees issued.

Market Risks

Foreign Currency Risk

We conduct our business primarily in Renminbi, which is also our functional and reporting currency. The majority of our revenue was collected in Renminbi. A portion of this revenue needed to be converted into foreign currencies to purchase imported raw materials. Going forward, we expect the majority of our revenue to continue to be collected in Renminbi and a portion of that revenue to be converted into foreign currencies.

Renminbi is not a fully-convertible currency. Fluctuations in exchange rates may adversely affect the value, translated or converted into United States dollars or Hong Kong dollars, of our net assets, earnings and any declared dividends. We cannot give any assurance that any future movements in the exchange rate of the Renminbi against the United States dollar or other foreign currencies will not adversely affect our results of operations and financial condition. In 2010, we entered into forward currency contracts to manage our exchange rate exposures that do not meet the criteria for hedge accounting. As of June 30, 2012, the carrying amounts of the forward currency contracts at fair value were RMB0.3 million. See "Risk Factors — Risks Relating to China — Most of our revenue is denominated in Renminbi, which is not freely convertible for capital account transactions and may be subject to exchange rate volatility" in this offering memorandum.

Interest Rate Risk

We are subject to market risks due to fluctuations in interest rates. Our net profit is affected by changes in interest rates due to the impact such changes may have on interest income and interest expense from short-term deposits and other interest-bearing financial assets and liabilities, including bank borrowings. We undertake debt obligations to support general corporate purposes, including capital expenditures and working capital needs. Our borrowings bear fixed or floating interest rates. Borrowings issued at variable rates expose us to cash flow interest rate risk while borrowings issued at fixed rates expose us to fair value interest rate risk. Any increase of benchmark lending rates published by PBOC would result in an increase in our interest costs, as a substantial portion of our bank borrowings bear floating interest rates linked to PBOC-published rates.

In addition, an increase in interest rates would adversely affect, our ability to service loans that we have guaranteed, our ability to raise and service long-term debt and to finance our operations and in the property segment, our prospective purchaser's willingness and ability to purchase our properties, any of which could adversely affect our business, financial condition and results of operations. Further, to the extent that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debt. As of June 30, 2012, we have not entered into any arrangements to hedge against our interest rate risk exposure.

Commodities Price Risk

We, through our steel segment, are exposed to fluctuations in the prices of steel products that it sells and of the raw materials it requires for the production of steel products, mainly iron ore and coke. Our Group's steel products are sold and raw materials are purchased at market prices. Therefore, fluctuations in the prices of both its steel products and raw materials have had and will continue to have a significant effect on the Group's results of operations. In our steel segment, we use commodity derivative contracts to hedge our risk exposure to the price of steel that does not meet the criteria for hedge accounting. The commodity derivative contracts our Group utilizes are standardized steel futures contracts on the Shanghai Futures Exchange. As at June 30, 2012, we have not entered into any arrangements to hedge against such risk exposure. Our pharmaceuticals and healthcare segment is also exposed to fluctuations in the prices of raw materials, but to a more limited extent given its bargaining power in respect of the raw materials it uses for the products in which it has significant or dominant market share.

Inflation

According to the National Bureau of Statistics of China, as represented by the general consumer price index, China experienced an overall inflation rate of 5.9% in 2008, an overall inflation rate of -0.7% in 2009, an overall inflation rate of 3.3% in 2010 and an overall inflation rate of 5.4% in 2011. Neither deflation or inflation has had a significant impact on our results of operations in their respective years.

Critical Accounting Policies

Critical accounting policies are those policies that require the application of management's most challenging, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Critical accounting policies involve judgments and uncertainties that are sensitive to results under different assumptions and conditions. We believe that our most critical accounting policies are those described below.

Revenue Recognition

The manner in which revenue is recognized involves estimates by management. Significant changes in management estimates may result in revenue adjustments. As a general principle, management recognizes revenue when it is probable that the economic benefits will flow to our Company and when the revenue can be measured reliably.

Sale of Goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, provided that our Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Sale of Completed Properties

Revenue from the sale of properties is recognized when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the relevant sales agreements and collectability of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

Government Grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and that all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated income statements over the expected useful life of the relevant asset by equal annual installments.

Gains or Losses on Investment

Management classifies its investment in investee companies and its investment in other entities for which it is not in a position to exercise significant influence or joint-control into one of two categories: (i) investments held for trading and (ii) investments available-for-sale. For investments held for trading, any gains or losses in their fair values are recognized as income for the period. For investments available-for-sale, any gains and losses in their fair values are recognized as a separate component of equity until the investment is disposed of or determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included as income for the period.

Income Tax

Income tax is recognized in our consolidated income statement (with respect to current tax) or in our consolidated statement of financial position (with respect to deferred tax). Because deferred tax is computed based on the temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying values for financial reporting purposes, the amount of deferred tax recorded on the statement of financial position depends on management's estimates.

Deferred Tax Assets

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized, except (i) where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and jointly-controlled entities, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized. The amount of the deferred tax asset is measured at the tax rates that are expected to apply to the period when the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred Tax Liabilities

Deferred tax liabilities are recognized for all taxable temporary differences, except (i) where the deferred tax liabilities arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (ii) in respect of taxable temporary differences associated with investments in subsidiaries, associates and jointly-controlled entities, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. The amount of the deferred tax liability is measured at the tax rates that are expected to apply to the period when the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Depreciation and Amortization

The amount of depreciation and amortization expense to be recorded on an asset is affected by a number of management's estimates, such as estimated useful life and residual value. If different judgments are used, material differences may result in the amount and timing of the depreciation or amortization charges related to the asset.

Property, Plant and Equipment

Depreciation expenses for property, plant and equipment are calculated on a straight-line basis over their estimated useful lives. The useful life for each item of property, plant and equipment is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. The assumptions used in the determination of useful lives of property, plant and equipment are reviewed periodically. Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

Mining Rights

Mining rights are amortized over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proven and probable reserves of the mines using the unit of production method.

Research and Development Costs

All research costs are charged to the consolidated income statement as incurred. Expenditure incurred on projects to develop new products is capitalized and deferred only when management can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Deferred development costs are stated at cost less any impairment losses and are amortized using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Business Combinations and Goodwill

Business Combinations from January 1, 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by our Group, liabilities assumed by our Group to the former owners of the acquiree and the equity interests issued by our Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Our Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of our Group are assigned to those units or groups of units. Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business Combinations prior to January 1, 2010

Prior to January 1, 2010, business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Book Value of Investments

Investments are initially recognized at cost, being the fair value of the consideration given, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. At the end of each reporting period, management determines the book value of such investment based on the following principles:

Investments Held for Trading

Investments held for trading are recognized at their fair value. For investments that are actively traded in financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the end of the reporting period. For investments that do not have any quoted market prices, fair value is determined by using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis.

Investments Available for Sale

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognized in the income statement in other operating expenses and removed from the available-for-sale investment valuation reserve.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated income statement in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or property under development, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. For a transfer from property under development to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the income statement.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties, deferred tax assets and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortized.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value, plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivables, quoted and unquoted financial instruments and amounts due from related companies.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the other income and gains or other expenses in the consolidated income statement. These net fair value changes do not include any dividends earned on these financial assets, which are recognized in accordance with the policies set out for revenue recognition.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation as these instruments cannot be reclassified after initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the financial income in the consolidated income statement. The loss arising from impairment is recognised in the consolidated income statement in finance costs for loans and in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance income in the consolidated income statement. The loss arising from impairment is recognized in the consolidated financial statements in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the income statement in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognized in the consolidated income statement as other income in accordance with the policies set out for revenue recognition. When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of Assets

At the end of each reporting period, management assesses the need to reflect any irreversible changes on the value of an asset. If different judgments are used, material differences may result in the amount and timing of the impairment charge. Provision for impairment of assets has been made for inventories, property, plant and equipment, intangible assets, mining rights and long-term investments.

Impairment Loss

Management writes down an asset as impairment loss if the carrying amount of an asset exceeds its recoverable amount. Impaired debts are derecognized when they are assessed as uncollectible. An impairment loss is charged to the consolidated income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

Reversal of Impairment Loss

Management makes an assessment at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated income statement in the period in which it arises.

Provision for Loans and Receivables

For financial assets classified as loans and receivables, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. 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 assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expense in the consolidated income statement.

Carrying Value of Assets

Management makes judgments about the carrying values of assets and liabilities based on historical experience and on various other assumptions it believes to be reasonable under the circumstances.

Properties Under Development

Properties under development are stated at cost which includes all development expenditures, including land costs, interest charges and other costs directly attributable to such properties. Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. Properties under development are valued at the lower of cost and net realizable value at the end of reporting period and any excess of cost over net realizable value of individual item of properties under development is accounted for as a provision. Net realizable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

Completed Properties

Completed properties for sale are recognized in the consolidated statement of financial position at the lower of cost and the net realizable value. Net realizable value is estimated by management based on the prevailing market conditions. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Any excess of cost over net realizable value of individual item of completed properties for sale is accounted for as a provision.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, cost comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets — i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale — are capitalized as part of the costs of those assets. The capitalization of such borrowing costs cease when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Non-GAAP Financial Measures

We use EBITDA to provide additional information about our operating performance. EBITDA refers to our profit for the year before the following items:

- gross interest expenses (representing finance costs, less bank charges and other financial costs);
- amortization of intangible assets;
- amortization of leasehold land and land use rights;
- amortization of mining rights;
- tax expense; and
- depreciation.

Our profit for the year includes share of profits and losses of associates and jointly-controlled entities and certain other non-cash items, such as gain on bargain purchase, gain on deemed disposal of interests in associates, gain on fair value adjustment of investment properties, and gain on fair value adjustment of equity investments at fair value through profit or loss. These items have not been excluded for the purpose of calculating EBITDA.

EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. As a measure of our operating performance, we believe that the most directly comparable HKFRS measure to EBITDA is profit for the year. We use EBITDA in addition to profit for the year because profit for the year includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as amortization of intangible assets and interest expense. These accounting items may vary between companies depending on the method of accounting adopted by a company. By minimizing differences in depreciation expenses as well as tax expenses, amortization expenses and interest expense, EBITDA provides further information about our operating performance and an additional measure for comparing its operating performance with other companies' results. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

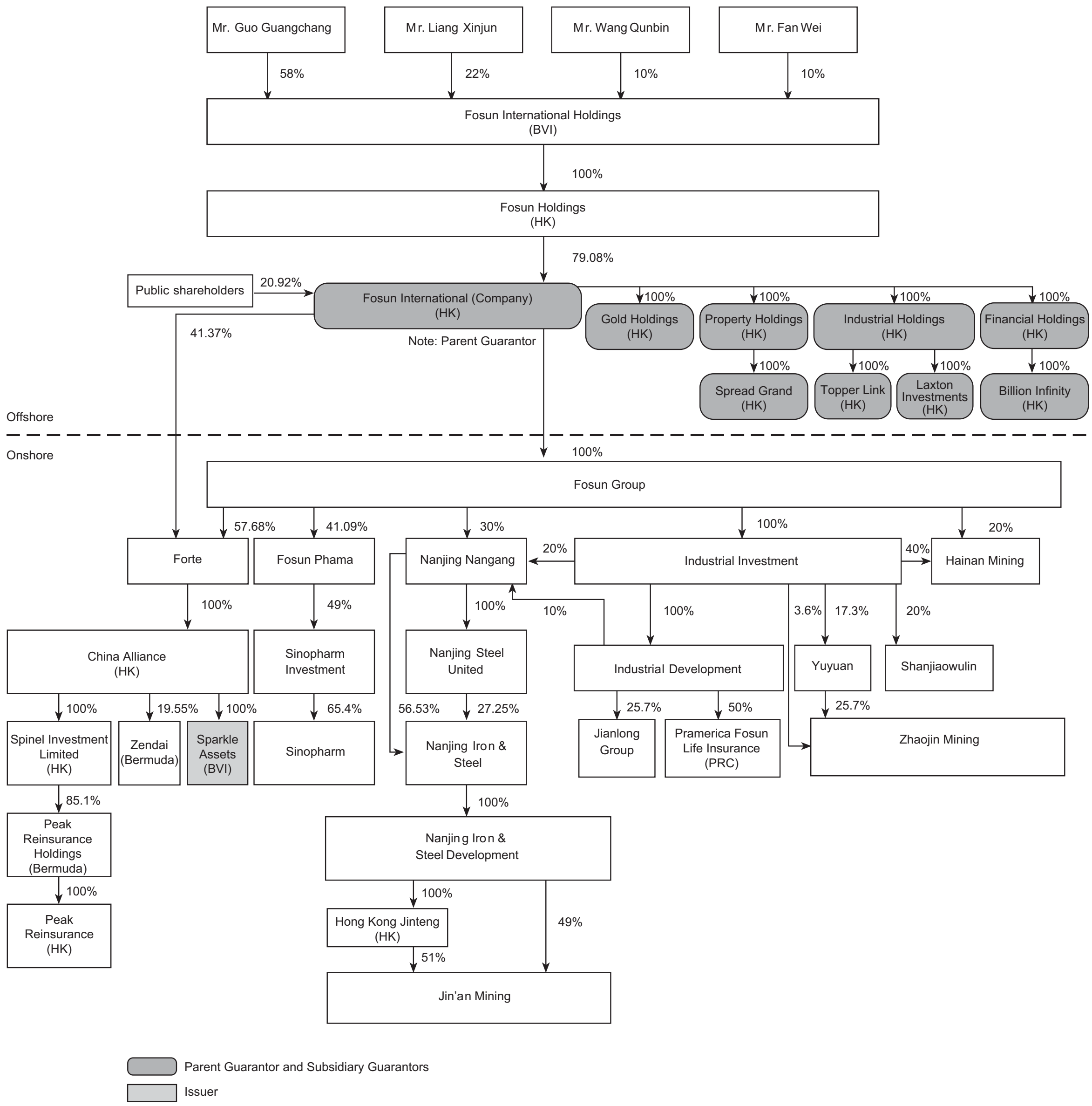
The following table reconciles our consolidated profit for the years/periods under HKFRS to our definition of EBITDA for the periods indicated:

	Year ended December 31,			Six months ended June 30,		
	2009	2010	2011	2011	2012	
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(US$)
	(In thousands)					
Profit for the year/ period	6,818,371	6,146,702	5,064,724	4,662,367	2,294,805	361,216
Adjustments						
Interest expenses	1,081,131	1,504,693	2,328,684	1,027,056	1,314,328	206,883
Amortization	141,346	122,333	160,299	71,119	88,713	13,964
Tax	1,357,154	2,506,590	1,818,370	924,892	320,274	50,413
Depreciation	1,806,875	1,734,183	2,088,457	1,042,472	787,066	123,889
EBITDA	11,204,877	12,014,501	11,460,534	7,727,906	4,805,186	756,365

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 our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definitions. You should also note that EBITDA as presented herein is calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See "Description of the Notes — Definitions" in this offering memorandum for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

Corporate Structure

The following structural chart sets forth our basic corporate structure as of December 31, 2012:

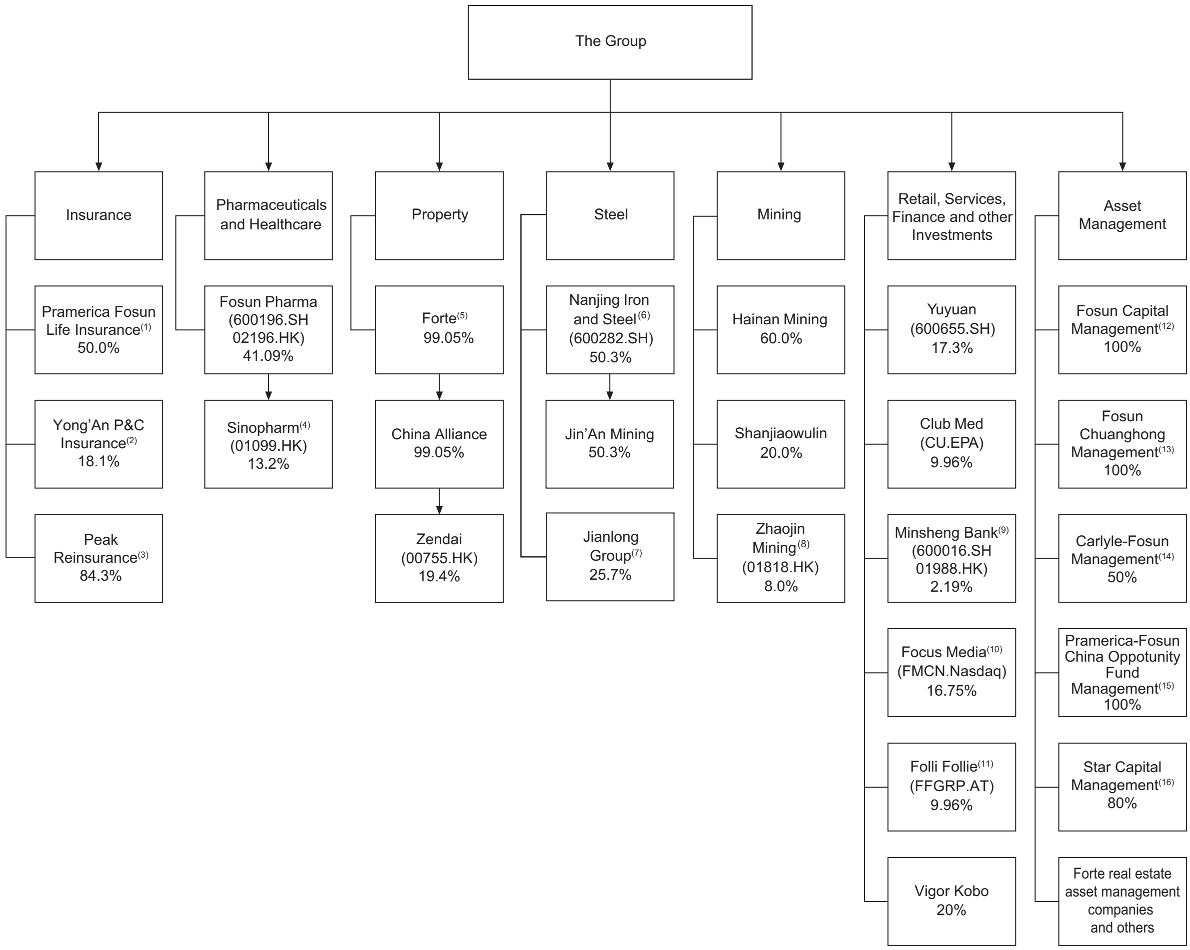


Note:

(1) The basic corporate structure depicts our major subsidiaries, jointly-controlled entities and associates, as well as the Subsidiary Guarantors.

Segment Presentation

The following structural chart sets forth the presentation of our segments (shareholding percentages represent effective equity interests as of December 31, 2012):



Notes:

(1) Pramerica Fosun Life Insurance commenced its business in October 2012.

(2) The Group holds the equity interest in Yong'an Insurance through the subsidiaries, Shanghai Fosun Industrial Technology Development Co., Ltd., Shanghai Fosun Industrial Investment Co., Ltd. and Fosun Pharma, as to 13.0%, 3.8% and 3.2%, respectively.

(3) Peak Reinsurance received its certificate of authorization in respect of reinsurance business from OCI in December 2012.

(4) On May 4, 2011, Sinopharm completed its placing of 138,056,825 H shares and our interest in the share capital of Sinopharm held by Fosun Pharma has been diluted from 34% to 32.05%.

(5) On May 19, 2011, we announced the completion of the Forte Offer. As of December 31, 2012, our effective holding of Forte reached to 99.05%.

(6) Our Group holds a 60% equity interest in Nanjing Nangang, which directly holds a 56.5% equity interest in Nanjing Iron & Steel and indirectly holds an additional 27.3% equity interest in Nanjing Iron & Steel through its wholly owned subsidiary Nanjing Steel United.

(7) On September 12, 2012, Jianlong Group completed its acquisition of 80% equity interest in Huaxia Mining and our Group currently holds a 20.6% equity interest in Huaxia Mining through Jianlong Group.

(8) Our subsidiary, Industrial Investment, holds a 3.6% equity interest in Zhaojin Mining. Our associate, Yuyuan, holds a 25.69% equity interest in Zhaojin Mining. As we hold a 17.3% equity interest in Yuyuan, our effective equity interest in Zhaojin Mining is 8.0%.

(9) The Group holds its A shares representing 1.3% of its total number of A shares and holds its H shares representing 5.69% of its total number of H shares. In addition, Pramerica-Fosun China Opportunity Fund holds its H shares representing 0.1% of its total number of shares of Minsheng Bank.

(10) It is calculated with reference to the total number of shares of Focus Media as of December 19, 2012, which proposed to acquire the outstanding shares of Focus Media.

(11) In addition, Pramerica-Fosun China Opportunity Fund held 3.89%.
(12) General partner of Fosun Capital Fund.
(13) General partner of Fosun Chuanghong Fund.
(14) General partner of Carlyle-Fosun Fund.
(15) Fosun Equity Investment Ltd., general partner of Pramerica-Fosun China Opportunity Fund.
(16) General partner of Star Capital Fund.

Our Major Subsidiaries, Jointly-Controlled Entities and Associates

As of December 31, 2012, our Company's ownership interests in its major subsidiaries, jointly-controlled entities and associates were as follows:

Name of company		Place and date of incorporation	Effective equity interest attributable to our Company	Principal activities
Fosun Group	上海復星高科技(集團)有限公司 (Shanghai Fosun High Technology (Group) Co., Ltd)	PRC November 21, 1994	100%	Investment holding
Industrial Development............	上海復星工業技術發展有限公司 (Shanghai Fosun Industrial Technology Development Co., Ltd.)	PRC August 4, 2003	100%	Investment holding
Industrial Investment	上海復星產業投資有限公司 (Shanghai Fosun Industrial Investment Co., Ltd.)	PRC November 22, 2001	100%	Investment holding
	Pharmaceuticals and healthcare segment			
Fosun Pharma	上海復星醫藥(集團)股份有限公司 (Shanghai Fosun Pharmaceutical (Group) Co., Ltd.)	PRC March 31, 1998	41.09%	Manufacture and sale of pharmaceutical products
Fosun Pharmaceutical Industrial..................	上海復星醫藥產業發展有限公司 (Shanghai Fosun Pharmaceutical Industrial Development Company Limited)	PRC November 27, 2001	41.09%	Investment holding
Fosun Pharma Investment	上海復星醫藥投資有限公司 (Shanghai Fosun Pharmacy Investment Co., Ltd.)	PRC September 1, 2000	41.09%	Investment holding
Fosun Chemical	上海復星化工醫藥創業投資有限公司 (Shanghai Fosun Chemical Pharmaceutical Investment Company Limited)	PRC December 23, 2003	39.45%	Investment holding
	Property segment			
Forte	復地(集團)股份有限公司 (Shanghai Forte Land Co., Ltd.)	PRC August 13, 1998	99.05%	Property development
Shanghai Forte Investment	上海復地投資管理有限公司 (Shanghai Forte Investment Management Co., Ltd.)	PRC July 21, 2006	99.05%	Investment holding

Name of company		Place and date of incorporation	Effective equity interest attributable to our Company	Principal activities
Zhejiang Forte	浙江復地置業發展有限公司 (Zhejiang Forte Property Development Co., Ltd.)	PRC November 20, 2006	74.3%	Property development
	Steel segment			
Nanjing Steel United	南京鋼鐵聯合有限公司 (Nanjing Iron & Steel United Co., Ltd.)	PRC March 24, 2003	60%	Manufacture and sale of iron and steel products
Nanjing Iron & Steel Development	南京南鋼產業發展有限公司 (Nanjing Nangang Iron & Steel Industry Development Co., Ltd.)	PRC September 27, 2009	50.3%	Manufacture and sale of iron and steel products
Nanjing Nangang	南京南鋼鋼鐵聯合有限公司 (Nanjing Nangang Iron & Steel United Co., Ltd.)	PRC May 20, 2009	60%	Investment holding
Nanjing Iron & Steel	南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.)	PRC March 18, 1999	50.3%	Manufacture and sale of iron and steel products
Nanjing Steel	南京鋼鐵有限公司 (Nanjing Iron & Steel Limited)	PRC June 28, 2001	50.3%	Manufacture and sale of iron and steel products
Nanjing Jinteng Steel	南京金騰鋼鐵有限公司 (Nanjing Jinteng Iron & Steel Co,. Ltd.)	PRC February 22,1993	50.3%	Manufacture and sale of iron and steel products
Hong Kong Jinteng ..	香港金騰國際有限公司 (Hong Kong Jinteng International Company Limited)	Hong Kong June 20, 2005	50.3%	International trading
Nanjing Steel Trading	南京鋼鐵集團國際經濟貿易有限公司 (Nanjing Steel Group International Trading Co., Ltd.)	PRC April 15, 1998	50.3%	International trading
	Mining segment			
Hainan Mining	海南礦業股份有限公司 (Hainan Mining Co., Ltd.)	PRC August 22, 2007	60%	Mining and ore processing
Jin'an Mining	安徽金安礦業有限責任公司 (Anhui Jin'an Mining Co., Ltd.)	PRC July 24, 2006	50.3%	Mining and ore processing
	Associates			
Sinopharm Investment	國藥產業投資有限公司 (Sinopharm Industrial Investment Co., Ltd.)	PRC May 6, 2008	20.1%	Sale of pharmaceutical products

Name of company		Place and date of incorporation	Effective equity interest attributable to our Company	Principal activities
Yuyuan	上海豫園旅遊商城股份有限公司 (Shanghai Yuyuan Tourist Mart Co, Ltd.)	PRC May 13, 1992	17.3%	Retail
Jianlong Group	天津建龍鋼鐵實業有限公司 (Tianjing Jianlong Iron & Steel Industrial Co., Ltd.)	PRC September 14, 2010	25.7%	Manufacture and sale of iron and steel products
Zendai	上海証大房地產有限公司 (Shanghai Zendai Property Limited)	Bermuda July 28, 2004	19.4%	Property investment and management
Haizhimen	上海海之門房地產投資管理有限公司 (Shanghai Haizhimen Property Investment and Management Co., Ltd.)	PRC April 26, 2010	50%	Property investment and management
Huaxia Mining	北京華夏建龍礦業科技有限公司 (Beijing Huaxia Jianlong Mining Technology Co., Ltd.)	PRC September 19, 2003	20.6%	Mining and refining of steel ores
Wuxi Forte	無錫復地房地產開發有限公司 (Wuxi Forte Real Estate Development Co., Ltd.)	PRC September 28, 2004	49.5%	Property development
Shaanxi Jianqin	陝西省建秦房地產開發有限公司 (Shaanxi Jianqin Real Estate Development Co., Ltd.)	PRC September 22, 1992	49.5%	Property development

Certain information furnished in this section is sourced from official government and other third-party publications. While we have exercised reasonable care in compiling and reproducing the information from such publications, such information has not been independently verified by the Company, the Initial Purchasers, the Trustee, the Principal Paying and Transfer Agent, the Registrar, the Collateral Agent or any of their respective directors, officers and advisers. The information sourced from official government publications may not be consistent with other information compiled within or outside the PRC. We do not make any representation as to its accuracy and investors should not unduly rely on such information contained in this section.

Overview

We are a large holding company with a portfolio focused on businesses benefiting from China's growth momentum. As a result of our rapid growth since our incorporation, we have established what we believe is a high-quality business combination which has benefited from China's economic growth, urbanization and industrialization. We have significant experience in managing different businesses in China and have successfully grown our core businesses into strong players with widely recognized brands within their respective industries. We seek to achieve sustainable and rapid growth of our investment portfolio value through the continued optimization of the existing portfolio and upgrading the management of our investee companies. Our past superior investment returns and our rich experience in improving the management of investee companies in a variety of industries in China give us what we believe to be a strong competitive advantage in continuously capturing investment opportunities. We have a strong investment platform which enables us to identify investment opportunities that we believe will benefit from China's rapid growth.

We believe our in-depth understanding of China's macroeconomic and microeconomic trends and our established operational experience in managing different business lines in China position us to capture more investment opportunities benefiting from China's growth momentum. We have extensive experience in brand promotion, enhancing management structures and building sales networks, which effectively facilitate the development of an investee company's business. In addition, as a large diversified, non-state-owned enterprise in a rapidly growing market, we have developed strong execution capabilities that allow us to respond quickly to opportunities and challenges emerging from rapid economic development. We also have a diversified financing platform which gives us access to a wide range of capital resources for our Group's sustainable development.

Currently, our core operation consists of seven business segments: (i) insurance, (ii) pharmaceuticals and healthcare, (iii) property, (iv) steel, (v) mining, (vi) retail, services, finance and other investments, and (vii) asset management. Our principal portfolio companies include Fosun Pharma, Forte, Nanjing Iron & Steel and Hainan Mining. We believe that our principal portfolio companies enjoy competitive advantages within their respective industries and significant growth potential. We invest in a number of listed and unlisted companies, such as Jianlong Group, Yuyuan, Club Med, Focus Media, Folli Follie, Minsheng Bank and Vigor Kobo. We believe our insurance and asset management business segment, although recently established, have shown great growth potential. Our insurance segment has the platform to provide a variety of insurance products, including property and casualty insurance, life insurance, health insurance, reinsurance and others. Our asset management business segments managed US dollar and RMB funds with a total committed amount of RMB16.61 billion as of June 30, 2012.

For the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012, our consolidated revenue was RMB34,855.8 million, RMB44,643.7 million, RMB56,816.2 million, RMB25,568.8 million and RMB25,730,7 million, respectively, and our profit was RMB6,818.4 million, RMB6,146.7 million, RMB5,064.7 million, RMB4,662.4 million and RMB2,294.8 million, respectively.

Our founders, Messrs. Guo Guangchang, Liang Xinjun, Wang Qunbin and Fan Wei, are members of our core management team. As of the date of this offering memorandum, they owned a 58%, 22% 10% and 10% equity interest in Fosun International Holdings, respectively, which in turn held a 79.08% equity interest indirectly in our Company through its wholly-owned subsidiary, Fosun Holdings.

Our Businesses

The following table sets forth our principal portfolio companies in each of our businesses as of December 31, 2012:

Business segment	Principal Portfolio Companies	Equity Interest[1]	Principal Products and Services
Insurance	Yong'An P&C Insurance	18.1%	Property and casualty insurance
	Pramerica Fosun Life Insurance	50%	Life insurance and health insurance
	Peak Reinsurance	84.3%	Reinsurance
Pharmaceuticals and healthcare	Fosun Pharma	41.09%[2]	Pharmaceutical manufacturing, pharmaceutical distribution and retail, healthcare services and diagnosis products and medical devices
Property	Forte	99.05%	Development and sale of residential and non-residential property and related business
	Resource Property	76.9%	Real estate sales agent, real estate consulting and related services
	Haizhimen	50%	Property development with a focus on high-end city complex project(s) in Shanghai
Steel...	Nanjing Iron & Steel	50.3%	Production and sale of medium and heavy steel plates, steel bars, wire rods, steel strips and section steel
	Jianlong Group	25.7%	Production and sale of medium wide hot and cold strips, hot-rolled coils, and bars and wire rods
Mining	Hainan Mining	60%	Iron ore mining and ancillary processing
	Jin'an Mining	50.3%	Iron ore mining and ancillary processing

Business segment	Principal Portfolio Companies	Equity Interest[(1)]	Principal Products and Services
	Shanjiaowulin	20%	Coking coal mining and ancillary processing
	Zhaojin Mining	8.0%	Gold mining and ancillary processing
Retail, services, finance and other investments..	Yuyuan	17.3%	Gold jewelry retail and wholesale, food and beverage business, and non-residential property leasing
	Focus Media	16.75%	Media advertising platforms
	Club Med	9.96%	Leisure and hospitality
	Folli Follie[(3)]	9.96%	Fashion retail shop
	Minsheng Bank[(4)]	2.19%	Commercial bank
	Vigor Kobo	20%	Bakery
	Other investments	N/A	Minority interest investments in pre-IPO or post-IPO projects
Asset management.................................	Fosun Capital Management	100%	Private equity investments
	Star Capital Management	80%	Real estate fund management
	Fosun Chuanghong Management	100%	Private equity investment
	Carlyle-Fosun Management	50%	Private equity investment
	Pramerica-Fosun China Opportunity Fund Management	100%	Private equity investment

Notes:

(1) Includes our direct or indirect and effective equity interests in these portfolio companies as of December 31, 2012.

(2) Fosun Pharma is accounted for as a subsidiary in our financial statements, in conformance with HKFRS, by virtue of our control over Fosun Pharma's board of directors and operating and financial policies.

(3) In addition, Pramerica-Fosun China Opportunity Fund held 3.89%.

(4) In addition, Pramerica-Fosun China Opportunity Fund, L.P. held 0.1% of the total number of shares of Minsheng Bank.

Insurance Business

Our insurance segment mainly includes Yong'An P&C Insurance, which is a property and casualty insurance company headquartered in Xi'An with nationwide presence, Pramerica Fosun Life Insurance, which was recently established in Shanghai in October 2012 and focuses on providing life and health insurance, and Peak Reinsurance, which recently obtained its certificate of authorization in respect of reinsurance business from the OCI in December 2012 and will focus on providing reinsurance services and investing its investment assets.

Pharmaceuticals and Healthcare Business

We operate our pharmaceuticals and healthcare business through Fosun Pharma. Fosun Pharma is a leading healthcare company in China listed on the Shanghai Stock Exchange (600196.SH) and the Hong Kong Stock Exchange (2196.HK). Fosun Pharma's business operations strategically cover multiple important segments in the healthcare value chain. Fosun Pharma is a leading domestic pharmaceutical companies in PRC by revenue from the pharmaceutical manufacturing segment in 2011. Fosun Pharma's business segments include pharmaceutical manufacturing, pharmaceutical distribution and retail, healthcare services, and diagnostic products and medical products. Its core business is the research and development, manufacturing, and sales and marketing of pharmaceutical products. The pharmaceutical manufacturing business has grown rapidly since we entered the segment in 2002. Fosun Pharma has established a leading position in the pharmaceutical distribution sector through its strategic investment in Sinopharm. According to the public release of Sinopharm, it is the largest pharmaceutical distributor in China and a leading provider of supply chain services for pharmaceutical and healthcare products in China in terms of its market share and the geographical coverage of its distribution network and operates the largest pharmaceutical distribution network in China in 2011. Fosun Pharma also participates in China's high-end healthcare service sector through its joint venture with, and strategic investment in, Chindex. Our senior management team in Fosun Pharma consists of Messrs. Chen Qiyu, Yao Fang and Qiao Zhicheng.

Property Business

We operate our property business mainly through our subsidiaries Forte and Resource Property. Currently, our property development projects are located in 19 cities, consisting of Shanghai, Beijing, Tianjin, Nanjing, Chongqing, Chengdu, Xi'an, Wuhan, Datong, Wuxi, Hangzhou, Taiyuan, Changsha, Changchun, Dalian, Harbin, Ningbo, Nantong and Sanya. We aim to gradually build up the product lines of commercial, culture, senior housing and tourism properties.

Forte holds a 19.55% equity interest in Zendai, a company listed on the Hong Kong Stock Exchange (00755.HK). On January 20, 2011, we announced the Forte Offer, pursuant to which we made a voluntary conditional offer to acquire all of Forte's issued H shares that we did not hold and, subject to such offer for H shares becoming unconditional, a voluntary conditional offer to acquire all of Forte's issued domestic shares that we did not hold. In May 2011, we successfully completed our general offer to Forte's shareholders and Forte was delisted from the Hong Kong Stock Exchange. Forte's senior management consists of Messrs. Zhang Hua, Chen Zhihua and Ye Jiansheng.

We also conduct our property business through other companies. Headquartered in Shanghai, Resource Property is a nation-wide integrated real estate service provider. Its main businesses include real estate sales and consulting.

Our Company has also directly invested in several real estate projects, including Shanghai Zhenru Project, and Dalian Project.

As of June 30, 2012, our attributable GFA of under development amounted to 4,284,471 sq.m., attributable GFA of newly commenced projects amounted to 1,165,753 sq.m., and attributable GFA of completed projects amounted to 271,720 sq.m. As of June 30, 2012, we have attributable GFA of 12,329,554 sq.m. as project reserve.

Steel Business

We operate our steel business principally through Nanjing Iron & Steel, a publicly traded company with its A shares listed on the Shanghai Stock Exchange (600282.SH). Located in East China, Nanjing Iron & Steel is an integrated steel company with a complete production process, including mining, coking, sintering, iron smelting, steel smelting and steel rolling. Its principal products include medium and heavy steel plates, steel bars, wire rods, steel strips and section steel. As of June 30, 2012, the crude steel production capacity of Nanjing Iron & Steel amounted to 8.0 million tons. Nanjing Iron & Steel is one of the few steel product producers in China with the ability to produce 9%Ni steel. Our senior management in Nanjing Iron & Steel consists of Messrs. Yang Siming, Lü Peng and Wang Jiafu.

We also own an equity interest of 25.7% in Jianlong Group, one of the largest steel producers in North and Northeast China. Its principal products include hot rolling medium wide strips, cold rolling medium wide strips, hot rolling narrow strips, cold rolling narrow strips, hot rolling coil, bars and wire rods and sectional material.

Mining Business

We operate our mining business principally through Hainan Mining. Hainan Mining owns a large open-pit, high-grade iron ore mine in China. Its core business includes mining and sales of iron ore. By investing in existing mining projects and other mining companies, Hainan Mining aims to accelerate the increase of its scale and industrial position. Through Nanjing Iron & Steel, we also hold interests in Jin'an Mining. We have also invested in other natural resources such as coking coal and gold through our investments in mining companies such as Shanjiaowulin and Zhaojin Mining, respectively. Our senior management in Hainan Mining consists of Messrs. Chen Guoping, Liu Mingdong and Feng Yilin.

Retail, Services, Finance and Other Investments

We adhere to our investment model of "combining China's growth momentum with global resources" and seek to invest in industries in China, Europe and the United States which may benefit from China's growth momentum. Our investments in sectors such as retail, services, finance and other investments mainly include investments in: (i) Yuyuan, a well-known Shanghai company listed on the Shanghai Stock Exchange (600655.SH) with main operations in the sales of gold and jewelry, (ii) Focus Media, the largest outdoor electronic media advertisement operator in China listed on NASDAQ (FMCN. NASDAQ), (iii) Club Med, a global leisure and resort group listed on the Euronext Paris since 1966 (CU. EPA), (iv) Folli Follie, a global renowned fashion retail group listed on Athens Stock Exchange (FFGRP.AT), (v) Minsheng Bank, a national large scale joint-stock commercial bank listed on both the Hong Kong Stock Exchange (01988.HK) and the Shanghai Stock Exchange (600016.SH), and (vi) Vigor Kobo, a famous bakery based in Taiwan focusing on producing pineapple cakes, an iconic Taiwanese pastry.

Asset Management

In 2011 and 2012, we advanced the third-party asset management to a great extent, and our investment capacity has achieved notable improvement benefiting from our systematic development. Our asset management business mainly serves domestic and international high-end institutional and individual clients. We act as the general partners of the funds that we manage. We currently manage (i) US dollar funds, namely, Pramerica-Fosun China Opportunity Fund and Carlyle-Fosun Fund, (ii) RMB Private Equity Fund, (iii) Star Capital Fund, and (iv) Forte Real Estate Fund Series. The US dollar funds will mainly focus on long-term overseas capital, including sovereign funds and pension funds, whereas RMB funds will focus on domestic high net worth individuals. As of June 30, 2012, the scale of our asset management business reached an committed amount of RMB16.61 billion, among which our committed self capital contribution amounted to RMB3.05 billion.

Results of Operating Segments

The following table sets forth, for the periods indicated, selected financial information of our operating segments.

Revenue(1)

	Year ended December 31,						Six months ended June 30,				
	2009		2010		2011		2011		2012		
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)										
Pharmaceuticals and healthcare	3,775,859	10.8%	4,459,332	10.0%	6,432,589	11.3%	3,041,974	11.9%	3,464,107	545,271	13.5%
Property	5,184,804	14.9%	8,846,689	19.8%	9,742,702	17.1%	2,260,319	8.8%	3,432,251	540,257	13.3%
Steel	24,611,399	70.6%	29,652,180	66.4%	38,224,060	67.3%	19,013,642	74.4%	17,637,009	2,776,170	68.5%
Mining	1,967,953	5.6%	3,180,171	7.1%	3,898,746	6.9%	2,038,943	8.0%	1,732,581	272,719	6.7%
Retail, services, finance and other investments(2)(3)	—	0.0%	—	0.0%	—	0.0%	—	0.0%	—	—	0.0%
Insurance(2)(3)	—	0.0%	—	0.0%	—	0.0%	—	0.0%	—	—	0.0%
Asset Management(2)(3)	—	0.0%	—	0.0%	56,156	0.1%	23,152	0.1%	61,099	9,617	0.2%
Eliminations(4)	(684,197)	(1.9%)	(1,494,670)	(3.3%)	(1,538,038)	(2.7%)	(809,225)	(3.2%)	(596,301)	(93,861)	(2.2%)
Total	34,855,818	100.0%	44,643,702	100.0%	56,816,215	100.0%	25,568,805	100.0%	25,730,746	4,050,173	100.0%

(1) Revenue comprises sales of goods and rendering of services only to external customers, except for (i) our mining segment which also includes intersegment sales to our steel segment of RMB684.2 million in 2009, RMB1,494.7 million in 2010, RMB1,529.8 million in 2011, RMB809.2 million in the six months ended June 30, 2011 and RMB592.4 million in the six months ended June 30, 2012 and (ii) our property segment which also includes intersegment rendering of services to our other business segments of RMB8.2 million in 2011 and RMB3.9 million in the six months ended June 30, 2012.

(2) We recorded zero revenue in this segment because we have no subsidiaries that generated revenue in this segment.

(3) Due to the change of reportable segments in 2011, the financial data for all seven segments are available for the year ended December 31, 2011 and for the six months ended June 30, 2012. The financial data for all seven segments are also available for the year ended December 31, 2010 and for the six months ended June 30, 2011 for

comparison purposes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Operating Segments". For the period to period comparison, "others" in our audited consolidated financial statements as of and for the period ended December 31, 2009 is equivalent to "retail, services, finance and other investments"; and "others" in our audited financial statements as of and for the period ended December 31, 2010 consists "retail, services, finance and other investments," "insurance" and "asset management."

(4) Intersegment sales are excluded from total revenue.

Profit/(loss) for the year/period

	Year ended December 31,						Six months ended June 30,				
	2009		2010		2011		2011		2012		
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	US$	%
Pharmaceuticals and healthcare	2,495,941	36.6%	766,060	12.5%	1,385,417	27.4%	966,768	20.7%	857,770	135,018	37.4%
Property	608,855	8.9%	1,914,399	31.1%	1,832,763	36.2%	485,244	10.4%	688,674	108,401	30.0%
Steel	1,525,521	22.4%	681,671	11.1%	40,583	0.8%	448,262	9.6%	(190,679)	(30,014)	(8.3%)
Mining	359,570	5.3%	1,496,661	24.3%	1,786,950	35.3%	1,060,671	22.7%	765,330	120,467	33.4%
Retail, services, finance and other investments	2,072,143	30.4%	1,536,918	25.0%	253,450	5.0%	1,806,189	38.7%	425,567	66,987	18.5%
Insurance	–	0.0%	–	0.0%	—	0.0%	—	0.0%	—	—	0.0%
Asset Management	–	0.0%	(22,948)	(0.4%)	(41,088)	(0.8%)	7,124	0.2%	(24,349)	(3,833)	(1.1%)
Unallocated expenses	(112,850)	(1.7%)	(174,758)	(2.8%)	(316,227)	(6.2%)	(150,505)	(3.2%)	(196,315)	(30,901)	(8.6%)
Eliminations[1]	(130,809)	(1.9%)	(51,301)	(0.8%)	122,876	2.3%	38,614	0.9%	(31,193)	(4,910)	(1.3%)
Total	6,818,371	100.0%	6,146,702	100.0%	5,064,724	100.0%	4,662,367	100%	2,294,805	361,215	100.0%

Note:

(1) Profit for the year derived from our intersegment transactions is hereby excluded from total profit for the year.

Competitive Strengths

We believe we have the following competitive strengths:

Successful business strategies and strong execution capabilities

We focus on investing in various industries that benefit from China's growth momentum. Our investments have a track record of stable and profitable growth, which we consider to be evidence of the success of our business strategies and our strong execution capabilities. We have grown rapidly by leveraging our strong capabilities in identifying market opportunities and executing appropriate investment strategies. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012, our consolidated revenue was RMB34,855.8 million, RMB44,643.7 million and RMB56,816.2 million, RMB25,568.8 million and RMB25,730,7 million, respectively.

Our core business segments currently cover (i) insurance, (ii) pharmaceuticals and healthcare, (iii) property, (iv) steel, (v) mining, (vi) retail, services, finance and other investments and (vii) asset management. We have also invested in a number of pre-IPO projects and listed companies. We strategically focus our investment on selected industries with high growth potential, such as consumption upgrade, financial services, resources and energy, and manufacturing upgrade. Since January 1, 2010, 17 of our private equity investments have successfully completed their initial public offerings.

We are an active shareholder and bring value to our investee companies, including providing strategic guidance, participating in executive recruitment and motivating management. We believe our principal portfolio companies are in leading positions within their respective market segments. Through our rapid growth in the past decade, the "Fosun" ("復星") brand has gained recognition as that of a valuable investor and business partner, and is well recognized in China. We believe this will give us an advantage in identifying and capturing investment opportunities in the market.

Proven track record in achieving significant investment returns

We have a proven track record of opportunely capturing attractive investment opportunities in a wide range of industries. We believe our industry expertise has given us an early-mover advantage in entering markets with high-growth potential at reasonable costs. Our capturing of these opportunities has resulted in significant investment returns for us. During our investment period, we may obtain dividend distributions from our investee company, and our exit from investments may bring us cash inflows. For example:

- We began our investment in Yuyuan, a publicly-traded company, in 2002, when we paid an aggregate of RMB353.7 million for a 20% interest in the company. Based on the closing price of Yuyuan's shares as of June 30, 2012, the market value of our 17.3% equity interest in Yuyuan was RMB1,954.6 million. In addition, in 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012, we received dividends from Yuyuan in the amount of RMB8.7 million, RMB11.0 million, RMB12.4 million, RMB0 million and RMB17.4 million, respectively.

- Following our investment in Jianlong Group in 2002, we capitalized on our steel production experience and established Nanjing Steel United in 2003 with an aggregate initial investment amount of RMB1,650.0 million for a 60% equity interest in Nanjing Steel United. In 2008 and 2009, we received dividends from Nanjing Steel United in the aggregate amount of RMB600.0 million. In October 2010, Nanjing Steel United's major steel-related assets were injected into Nanjing Iron & Steel, and such assets thus became part of a publicly listed company. We were able to receive dividends from Nanjing Nangang, the holding company of Nanjing Steel United, in the amount of RMB600.0 million for the year ended December 31, 2011.

- In 2003, we identified the growth potential in China's healthcare supply chain industry and therefore invested in Sinopharm. We initially invested an aggregate amount of RMB813.3 million in Sinopharm. Based on the closing price of Sinopharm's shares as of June 30, 2012, the market value of Fosun Pharma's 32.05% equity interest in Sinopharm was RMB13,433 million. In addition, in 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012, Fosun Pharma had received dividends from Sinopharm in the aggregate amount of RMB60.7 million, RMB61.0 million, RMB91.5 million, zero, and RMB91.6 million, respectively.

In recent years we have also invested in Focus Media, Club Med, Folli Follie, Minsheng Bank and Vigor Kobo with the goal of generating high cash flow from investment returns over the next few years.

Multi-channel and sustainable funding sources to raise capital

We have diversified and sustainable capital resources to support our business growth and our working capital needs. Our capital resources include liquid assets that can be sold to raise additional capital. As of June 30, 2012, our Group held equity investments at fair value through profit or loss amounting to RMB8,636.7 million, consisting of equity investments in Hong Kong with a market value of RMB1,979.6 million, in the United States with a market value of RMB4,239.3 million, in China with a market value of RMB1,734.6 million and in Europe with a market value of RMB683.2 million, representing their carrying value on our balance sheet measured at fair market value. As of June 30, 2012, our Group held listed available-for-sale investments amounting to RMB4,331.8 million, consisting of equity investments in Hong Kong with a market value of RMB973.9 million, in the United States with a market value of RMB253.8 million and in China with a market value of RMB3,104.0 million, representing their carrying value on our balance sheet measured at fair market value. As of June 30, 2012, our Group also held available-for-sale unlisted equity investments worth RMB4,564.3 million, representing their carrying value on our balance sheet stated at cost.

Moreover, our corporate structure allows us to raise capital at both the holding company and the portfolio company levels, which gives us access to multiple capital sources and increases our financial flexibility. As our Company and some of our principal portfolio companies are publicly traded on either the Shanghai Stock Exchange or the Hong Kong Stock Exchange, we have the ability to raise funds in different capital markets through equity and debt financing. For example, Fosun Pharma successfully completed an H share offering in 2012 raising net proceeds of RMB3,156.8 million.

We have strong relationships with more than 70 domestic and foreign financial institutions, from which we have obtained loan financing (including syndicated loans). These financial institutions include the big four commercial banks in China, Standard Chartered Bank (Hong Kong) Limited, China Development Bank, Citic Bank International and other banks.

We have also established strategic relationships with several financial firms such as the Carlyle Group and Prudential Financial, Inc. to raise and manage funds to invest in companies with high growth potential. In March 2010, we formed a foreign-funded equity investment partnership enterprise in China with the Carlyle Group with a combined initial investment of US$100 million. In 2011, we entered into a strategic arrangement with Prudential Financial, Inc. to establish a private equity fund, under which Prudential Financial, Inc., as a limited partner, will invest US$500 million in the fund, while we as a general partner will be responsible for making investment decisions and shall invest no less than US$100 million in the fund. We believe these strategic relationships not only help us expand our global investment capabilities and enhance our ability to raise capital from investors, but also give us access to our strategic partners' experience and resources to better capture investment opportunities in China.

We believe that we are able to finance our capital needs cost-effectively and diversify our funding sources, thereby satisfying the cash flow needs of our portfolio companies and offering financial support for our strategic and private equity investments.

Diversified investment portfolio and strong operating profit from subsidiaries

We have achieved and maintained what we believe to be a well-diversified, high-quality investment portfolio and sources of income, which help reduce our risk exposure to economy downturn and industrial fluctuation. Such investment portfolio may also provide us with access to resources to achieve synergies among various industries, which contributes to our competitive strengths in business sourcing, project execution and sales and marketing, and may also help to reduce our operation cost. For example, with our connection with Chinese domestic commercial property operations, we were able to help Folli Follie rapidly expand its retail network in China, leading to the Company's significant sales growth in the first 12 months since our investment in the Company.

The following chart sets forth our total assets and profit for the year by business segment for the years indicated:

	Year ended December 31,						Six months ended June 30,			
	2009		2010		2011		2011		2012	
Business Segment	% of total assets	% of profit for the year	% of total assets	% of profit for the year	% of total assets	% of profit for the year	% of total assets	% of profit for the year	% of total assets	% of profit for the year
Insurance	—	—	0.5	—	0.4	—	0.4	—	0.4	—
Pharmaceuticals and healthcare	12.4	36.6	14.1	12.5	16.1	27.4	14.1	20.7	16.4	37.4
Property	31.2	8.9	32.3	31.1	35.9	36.2	32.3	10.4	36.5	30.0
Steel	36.2	22.4	31.5	11.1	26.0	0.8	31.4	9.6	24.6	(8.3)
Mining	6.4	5.3	7.2	24.3	7.8	35.3	6.9	22.7	6.8	33.4
Retail, services, finance and other investments	19.2	30.4	15.9	25.0	17.6	5.0	15.0	38.7	20.6	18.5
Asset management	—	—	0.5	(0.4)	8.9	(0.8)	2.3	0.2	10.1	(1.1)
Unallocated expenses	—	(1.7)	—	(2.8)	—	(6.2)	—	(3.2)	—	(8.6)
Elimination[(1)]	(5.4)	(1.9)	(2.0)	(0.8)	(12.7)	2.3	(2.2)	0.9	(15.4)	(1.3)
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note:

(1) Assets corresponding to intersegment loans and other balances are hereby excluded from total assets, and profit for the year derived from intersegment transactions is hereby excluded from total profit for the year.

Disciplined investment approach and strict investment management procedure

We employ a disciplined investment approach and follow strict investment management procedures with a goal of achieving high returns and minimizing risk exposure. We have adopted comprehensive investment management and decision-making procedures which cover the whole cycle of selecting, evaluating, structuring, diligencing, negotiating, executing, monitoring and exiting investments.

Our investment projects are initiated by our professional investment teams located in China and globally. Our investment teams closely study government policy changes and industry trends by maintaining close relationships with industry experts, industry associations and other resources, and then applying the information garnered through these different channels to identify high-growth investment opportunities. Our investment professionals perform detailed research on each prospective investment, including review of candidates' financial statements, comparative analysis of other public and private companies and analysis of relevant industry data. In addition, our strategic cooperation with international private equity firms, such as The Carlyle Group, enhances our ability to identify investment opportunities around the world.

After initial selection and evaluation of an investment opportunity, our investment professionals prepare a detailed analysis of the investment opportunity for our investment team manager. The team manager will decide whether to give preliminary approval to continue the evaluation and due diligence process. The due diligence will typically include: on-site visits; interviews with management, employees, customers and vendors of the target portfolio company; research relating to the company's industry, human resources, markets, brand names, products and services, and competitors; exiting mechanism analysis; and background checks. After completion of the due diligence, the proposed transaction will be reviewed by our investment committee, which consists of our Executive Directors. The investment committee will typically conduct several meetings to consider an investment opportunity before approving or, alternatively, turning down that investment. Each committee member will have a one-on-one meeting with the management team of the target company and at least two committee members shall visit the target company onsite. Both at such meetings and in other discussions with the deal team, our Executive Directors will provide guidance to the deal team on strategy, process and other pertinent considerations. Every investment requires the approval of our investment committee.

Our investment may take various forms. We may acquire control of or strategically invest in a portfolio company and purchase securities of the portfolio company from the open market. Our investment professionals will continue to monitor performance and market conditions after an investment is made and will make recommendations with respect to an exit strategy. Disposition decisions are subject to careful review and approval by the investment committee.

Seasoned leadership team

We are led by a core management team consisting of our four founders and executives — Messrs. Guo Guangchang, Liang Xinjun, Wang Qunbin, and Fan Wei — and three other executives who joined us at the early stage of our development — Messrs. Ding Guoqi, Qin Xuetang and Wu Ping. The team has worked together for almost two decades and has been instrumental in achieving profitable growth and implementing operating disciplines. All members of our core management team have a wealth of experience in one or more of our core businesses and also bring drive, vision and creativity to our Company. In addition, our executives have a deep understanding of China's economy, industries, politics and culture, as well as insight into regulatory changes in China, which we believe gives us a competitive advantage in capitalizing upon market opportunities in China. Besides our core management team, we also employ specialists in different businesses and professionals to manage our portfolio companies and identify investment opportunities. For instance, many core management members of Nanjing Iron

& Steel, Forte and Fosun Pharma have more than 25 years of experience in the relevant industries. In addition, we actively seek international talent such as John Snow, the former US Treasury Secretary, who is an advisor to our board, to complement the experience of our core management team and further contribute to the growth of our business.

Strategies

Our vision is to become a premium investment group targeting investments that benefit from China's growth momentum. To achieve this goal, we have formulated the following business strategies:

Continue to optimize and grow our industrial operations

We will continue to support our existing principal portfolio companies, including Fosun Pharma, Forte, Nanjing Iron & Steel and Hainan Mining, to grow into leaders in their respective industries through organic growth as well as mergers and acquisitions. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012, we generated an aggregate revenue of RMB35,540.0 million, RMB46,138.4 million, RMB58,298.1 million, RMB26,354.9 million and RMB26,265.9 million, respectively, from our pharmaceuticals and healthcare, property, steel and mining segments. Where opportunity arises, we plan to add more light-asset businesses to our industrial business portfolio.

Leverage our China expertise to capture investment opportunities that benefit from China's momentum

Our core investment strategy is to focus on investing in industries that benefit from China's growth momentum and to keep building an integrated investment platform fully utilizing our domestic and global resources. We will continue to explore investment opportunities in the following areas:

(i) consumption upgrade;

(ii) financial service;

(iii) resources and energy, and

(iv) manufacturing upgrade.

In these key investment areas, we will target the following investment opportunities in (i) overseas-listed China-based companies with growth potential; (ii) transforming and upgrading local companies; (iii) foreign companies that may benefit from China's growth momentum; and (iv) local-market focused enterprises presenting potential to become an industry leader. We believe that our experience in China's growth momentum and our strategic cooperation with partners with global expertise can create synergies that will ultimately translate into outstanding performances.

Develop our asset management and insurance businesses as a source of long-term low-cost capital

Our ongoing asset management business includes the management of a variety of US dollar funds, RMB Private Equity Fund, Star Capital Funds and Forte Real Estate Fund Series with the total commitment amount of RMB16.61 billion as of June 30, 2012. We strive to develop our asset management business to further expand our Group's investment capacity to capture investment opportunities that benefit from China's growth momentum.

Our insurance business includes Yong'An P&C Insurance, Pramerica Fosun Life Insurance and Peak Reinsurance, which we believe will develop into an integrated business segment providing a wide variety of insurance services, including property and casualty insurance, life insurance, health insurance, reinsurance and others. We believe that in the long run, the insurance floats and the investable funds generated from our insurance business will become a source of long-term low-cost capital to finance our investment demands. We aim to proactively explore and develop our insurance business.

Enhance our ability to provide business support and management improvement to different industries

We plan to further improve the supervisory and control system at our Company through systematically enhancing our management system by adopting strategic planning, overall budgeting and annual planning, performance appraisal and incentive schemes. We will also strive to explore the revenue and cost synergies of our Group companies to enhance the profitability of our investee companies.

We plan to further develop our Group's global business network to support investee companies to expand their businesses globally. We also plan to proactively integrate and utilize global resources to expand our business portfolio companies' operations in China.

To successfully implement these strategies, we will strive to optimize our corporate governance structure and internal control mechanisms, incentive schemes and information management systems, and retain and train more talents.

Insurance Business

Overview

Our insurance segment mainly includes Yong'An P&C Insurance, in which we hold 19.93% equity interest, Pramerica Fosun Life Insurance, which recently commenced its operations in October 2012 and is jointly owned by us and Prudential Financial, Inc. with each of us holding 50% of the equity interest, and Peak Reinsurance, which is 84.3% owned by an indirect subsidiary of Forte and 14.9% owned by International Finance Corporation and recently obtained its certificate of authorization in respect of reinsurance business from the OCI in December 2012.

Yong'An P&C Insurance focuses on providing property and casualty insurance services. Pramerica Fosun Life Insurance and Peak Reinsurance, recently established, focus on providing life, health and reinsurance services, respectively.

Competitive Strengths

We believe our insurance business has the following competitive strengths:

We have a well-known international business partner with decades of track record in insurance industry. Prudential Financial, Inc., our joint owner of Pramerica Fosun Life Insurance, is a Fortune Global 500 and Fortune 500 company. Its subsidiaries, in particular, The Prudential Insurance Company of America, are among the largest life insurance companies in the U.S., and provide insurance, investment management, and other financial products and services to both retail and institutional customers throughout the U.S. and in over 30 other countries. Pramerica Fosun Life Insurance is the first joint venture investment by Prudential Financial, Inc. in China. We believe the international reputation and track record of Prudential Financial, Inc., coupled with our well-established reputation in various industries in China, will significantly enhance the brand name awareness and market credibility of Pramerica Fosun Life Insurance.

We have an experienced and insightful management team. We have an experienced and insightful management team with an extensive track record in the PRC insurance industry. Members of our senior management have an average insurance and finance industry experience of approximately 10 years. Our senior management has in-depth knowledge of insurance operations and management and through their working experience with us or in other financial institutions has gained an insightful understanding of PRC macro-economic environment and insurance industry.

Members of our senior management team also have a successful track record. For example, the Chief Executive Officer of Peak Reinsurance, Mr. Franz Josef Hahn had been the Managing Director of the Greater China at Swiss Re for 10 years. The General Manager of Pramerica Fosun Life Insurance was the vice president of AVIVA — COFCO Life Insurance Co., LTD and has years of experience in the insurance markets in the PRC and Taiwan. We believe the track record of our senior management reflects their strategic vision and ability to lead and develop our insurance business.

We have a strong professional technical team. We believe a strong technical team is key to the development of our insurance business. Pramerica Fosun Life Insurance has a strong technical team consisting of approximately 20 persons, approximately 10 persons among whom have more than eight years of relevant experience in domestic and internationally well-known insurance companies. Peak Reinsurance, has built up a technical team consisting of 18 persons.

Strategy

Our goal is to grow insurance business into an integrated business segment and an investment platform with long-term low-cost capital. To achieve these goals, we have adopted the following strategies:

Continually strengthen our insurance business operations. We recently commenced our offering of life insurance, health insurance, and reinsurance services with the establishment of Pramerica Fosun Life Insurance and Peak Reinsurance. In the near future, we will commit to building our brand name, growing our market share and improving our services to strengthen our insurance business operations.

Implement differentiated product and service strategies. We will continue to gain an in-depth understanding of the different needs of customers in various stages of their lives and meet their insurance needs by providing differentiated products and services.

Commit to product innovation. In response to the evolving market demand, we will continually promote product innovation, aiming to differentiate from our competitors.

Grow our Asia-focused reinsurance business. Our reinsurance business targets Asian customers. We aim to differentiate our services from our competitors by pricing policy and investment asset allocation.

Strengthen our risk management system. We will continue to optimize our risk management framework, mechanism and procedures and strengthen our capabilities in managing, assessing and forewarning risks.

Description of Portfolio Companies

Yong'An P&C Insurance

Yong'An P&C Insurance is a property and casualty insurance company headquartered in Xi'an with nationwide presence. Yong'An P&C Insurance is ranked 11th among all the insurance companies in China by the Primary Premium Income in 2011, according to the CIRC(1).

Yong'An P&C Insurance was established in 1996 and currently has 21 subsidiaries nationwide. Yong'An P&C Insurance offers a broad range of property and casualty insurance and reinsures a portion of the insurance policies that it underwrites. In addition, it has also invested its investment assets, the majority of which is invested in products with relatively low risk exposure, such as fixed-income products, fixed-term bank deposits and trust products.

Pramerica Fosun Life Insurance

Pramerica Fosun Life Insurance recently commenced its operations in October 2012. Jointly owned by us and Prudential Financial, Inc. with each holding 50% of its equity interest, it is the first joint venture insurance company in China established by a domestic private enterprise with a foreign investor.

Note:

(1) According to the CIRC, the amount of the Original Premium Income was reported by the insurance companies to the CIRC based upon the same criteria. See "Glossary of Terms — Technical Terms."

Pramerica Fosun Life Insurance is headquartered in Shanghai. It will focus on offering life insurance, health insurance and all other kinds of personal insurance products approved by the CIRC and related services to individual and group customers in Shanghai.

Peak Reinsurance

Peak Reinsurance obtained its certificate of authorization in respect of reinsurance business from the OCI at the end of 2012 with an issued capital of US$550 million. We currently hold 85.1% equity interest in Peak Reinsurance through an indirect subsidiary of Forte and International Finance Corporation holds the remaining 14.9% equity interest. Peak Reinsurance will focus on providing reinsurance products to Asia-based property and casualty insurance companies. In addition, Peak Reinsurance will also engage in investment of its investment assets.

Risk Management Structure

The organizations in the risk management structure of each of Pramerica Fosun Life Insurance and Peak Reinsurance include the board of directors, the risk management committee, as well as the risk management organizations and departments of each of the relevant insurance companies.

Board of Directors

The principal risk management responsibilities of the Board of Directors include but not limited to:

- determine risk management policies;

- conduct periodic review of such risk management policies; and

- establish basic mechanism for our internal control and compliance management.

Risk Management Committee

The risk management committee of each of Pramerica Fosun Life Insurance and Peak Reinsurance is composed of the Chief Executive Officer and the vice presidents of the relevant insurance company. The risk management committee has the following principal functions:

- review overall objectives, fundamental policies and operational rules for risk management, and make suggestions and recommendations to its board of directors; and

- review the setup of risk management systems as well as duties and responsibilities, and make suggestions and recommendations to its board of directors.

Risk Management Departments

The risk management department of each of Peak Reinsurance and Pramerica Fosun Life Insurance is primarily responsible for establishing and maintaining a comprehensive risk management system, strengthening internal control and compliance, promoting the development of risk management information system, and identifying and evaluating risks.

Competition

We face competition in each of our insurance business lines. We believe that the competitive factors in the insurance markets include the following:

- brand recognition and reputation of service and product providers;
- distribution network and easy access to services and service personnel;
- pricing and quality of services;
- product diversification; and
- financial strength.

Competition in the property and casualty insurance market

According to the data published by the CIRC, as of June 30, 2012, there were 39 domestic property and casualty insurance companies licensed to conduct property and casualty insurance business in the PRC. Yong'An P&C Insurance is ranked 11th among all the insurance companies in China by of its Primary Premium Income for the 11 months ended November 30, 2012, according to the CIRC(1). Yong'An P&C Insurance occupies an important position in the PRC property and casualty insurance market. The primary competitors are large scale property and casualty insurance companies operating in China. Even though it faces intensified competition, we believe Yong'An P&C Insurance has succeeded in maintaining its market share.

Competition in the life and health insurance market

According to the data published by the CIRC, as of June 30, 2012, there were 38 domestic life and health insurance companies and 25 foreign-invested life and health insurance companies licensed to conduct life and health insurance business in the PRC. We are a new entrant in the life and health insurance market. We believe our primary competitors will be the large scale life and health insurance companies operating in China. We believe that we can establish our brand name and build our market share by leveraging our competitive strengths.

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(1) According to CIRC, the Primary Premium Income was reported to the CIRC by individual insurance companies, which was calculated based upon the same criteria by insurance companies after the implementation of the Notice of the Ministry of Finance on Issuing the Provisions on the Accounting Treatment Related to Insurance Contracts《關於印發<保險合同相關會計處理規定>的通知》.

Competition in the reinsurance market

Since the reinsurance market was opened to foreign insurance companies in 2003, five foreign-invested reinsurance companies have established their presence in the China market. Our competitors include both domestic insurance companies and foreign-invested reinsurance companies with operations in China. Given our target customer groups and our products, we believe those foreign-invested reinsurance companies with established operations in Asia are our major competitors.

Legal Proceedings

Yong'An P&C Insurance, Pramerica Fosun Life Insurance and Peak Reinsurance may be involved in legal proceedings from time to time in the normal course of business under our insurance segment. We are not aware of any material legal proceedings, pending or threatened, that could have material adverse effect on our business, financial condition or results of operations.

China's Insurance Industry

China's insurance industry has experienced rapid expansion over the past decade. According to the latest industry data presented by the CIRC at the National Insurance Work Conference in January 2012, Chinese insurance companies wrote RMB1.43 trillion (US$226.4 billion) worth of premiums in 2011, a 10.4 percent increase compared with 2010's results. In the first 11 months of 2012, the total premium written was already RMB1.42 trillion, which is close to the 2011's whole year level.

Broken down by sector, in 2011, the country's property and casualty insurance sector recorded an 18.5 percent annual increase in premium income to RMB461.8 billion (US$73.1 billion), while the life insurance industry posted a 6.8 percent rise in premium income to RMB969.9 billion (US$153.5 billion). This occurred while the total assets held by insurers in China rose to a record RMB5.9 trillion (US$930 billion), compared with RMB5 trillion (US$790 billion) in 2010, with the number of insurers failing to meet solvency ratio requirements declining from seven to five. Claims payments made by insurers meanwhile amounted to RMB391 billion (US$61.9 billion) in 2011.

The slowing down of the economy appears not to be having a material impact on the overall fortunes of the non-life segment, where official data indicates that premiums (including health insurance and personal accident lines) have been rising at an annual rate of 16% through 2012.

Over the course of 2012, CIRC has specifically strengthened the rules governing sales by life companies. This will strengthen the reputation of life insurance as a conduit for organized savings over the long-term. CIRC has also liberalized the rules governing investment by insurance companies, and such rule liberalization will provide new opportunities at a time of low interest ratesand often volatile financial markets.

Pharmaceuticals and Healthcare Business

Overview of our Pharmaceuticals and Healthcare Business

We operate our pharmaceuticals and healthcare business through Fosun Pharma. Fosun Pharma is a publicly traded, leading pharmaceuticals and healthcare company in China, with its A shares listed and publicly traded on the Shanghai Stock Exchange (600196.SH) and H shares listed and publicly traded on the Hong Kong Stock Exchange (2196.HK). Fosun Pharma is a leading pharmaceutical companies in PRC by revenue from the pharmaceutical manufacturing segment in 2011. Fosun Pharma's business segments include pharmaceutical manufacturing, pharmaceutical distribution and retail, healthcare services, and diagnostic products and medical products. Its core business is the research and development, manufacturing, and sales and marketing of pharmaceutical products. The pharmaceutical manufacturing business has grown rapidly since we entered the segment in 2002. Fosun Pharma has established a leading position in the pharmaceutical distribution sector through its strategic investment in Sinopharm. According to the public release of Sinopharm, Sinopharm is the largest pharmaceutical distributor in China and a leading provider of supply chain services for pharmaceutical and healthcare products in China in terms of its market share and the geographical coverage of its distribution network and operates the largest pharmaceutical distribution network in China in 2011. Fosun Pharma also participates in China's high-end healthcare service sector through its joint venture with, and strategic investment in, Chindex.

For the year ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012, our pharmaceuticals and healthcare segment generated revenue of RMB3,775.9 million, RMB4,459.3 million, RMB6,432.6 million, RMB3,042.0 million and RMB3,464.1 million representing 10.8%, 10.0%, 11.3%, 11.9% and 13.5%, of our revenue in the same year or period.

Competitive Strengths

We believe our pharmaceuticals and healthcare business has the following competitive strengths:

Established competitive advantages in multiple segments of the healthcare value chain. We believe we are well positioned to take advantage of the growth, integration and changing regulatory environment of the Chinese healthcare industry.

Leading pharmaceutical business in China and focus on the largest and fastest growing areas in PRC. We were a leading pharmaceutical companies in China in 2011 by revenue from pharmaceutical manufacturing segment. Our leading pharmaceutical business focuses on metabolism and alimentary tract, cardiovascular system, oncology, central nervous system, and anti-infection, which are the five largest therapeutic areas in China according to MENET, a healthcare research institute affiliated with the SFDA.

Strong presence in the pharmaceutical distribution industry in China. We identified early the vast potential in China's pharmaceutical distribution area and strategically invested in the largest healthcare supply chain service provider in China, Sinopharm, in 2003. We are able to benefit from Sinopharm's extensive pharmaceutical distribution network, well-established brand name and full range of logistic service.

Strong research and development with continuous investment in technology platforms. We have one of the largest research and development platforms among domestic pharmaceutical companies in China with approximately 580 engineers, pharmacists and other professionals. Investment in research and development has been a key strategic initiative for Fosun Pharma.

Market consolidator with proven track record of integration capabilities. In addition to organic growth, we also expand our businesses through acquisitions, joint ventures, and strategic minority interest investments which primarily target sector leaders with complementary healthcare products or services.

Strategy

Our goal is to introduce new drugs and increase our presence throughout the healthcare value chain. We also aim to increase Fosun Pharma's market share in China as well as in selected international markets. To achieve these goals, we have adopted the following strategies:

Expand our product portfolio through internal research and development, acquisitions and strategic alliances. We manage and develop our product portfolio based on a comprehensive assessment of market demand, growth potential and government policies. We plan to continue to invest heavily in in-house research and development, expand our research and development team, identify and evaluate new research and development projects, and systematically manage the progress of existing projects in order to maintain a pipeline of products for our growth. We will also continue to emphasize the use of acquisitions, strategic alliances, and production licensing to expand our product portfolio.

Accelerate organic growth through acquisitions, strategic partnerships and effective business integration. We will continue to grow our healthcare business through organic expansion, investments and acquisitions, with the aim to obtain necessary elements to drive future growth, including new products, expanded pipeline, enhanced research and development capabilities, and strengthened manufacturing expertise and capacity.

Continue to strengthen our sales and marketing capability and coverage network to fully achieve the sales potential of our existing and new products. We will continue to develop our strength in sales and marketing and expand our current sales platform. We will seek to maximize the sales potential by introducing and promoting our existing and new products through our coverage network as an integrated process.

Continue to support the growth of Sinopharm to further solidify its leadership in healthcare and pharmaceutical distribution. We will continue to support Sinopharm in maintaining its leading distribution franchise in China through more partnerships and other cooperation initiatives.

In addition to our core pharmaceutical manufacturing segment, we will develope our other business segments, particularly our healthcare service business. We will continue to identify and pursue opportunities along the healthcare value chain that are under development but have significant market potential.

Business of Fosun Pharma

Fosun Pharma is a leading healthcare company in the PRC with our business operations strategically covering multiple important segments in the healthcare industry value chain, including the pharmaceutical manufacturing, pharmaceutical distribution and retail, healthcare services, and diagnostic products and medical devices segments.

- Pharmaceutical manufacturing. Fosun Pharma engages in the research and development, manufacturing, and sales and marketing of pharmaceutical products. For the year ended 31 December 2011 and the six months ended June 30, 2012, external segment revenue of Fosun Pharma's pharmaceutical manufacturing business was RMB3,830.8 million and RMB2,175.9 million, respectively, representing 59.6% and 62.8%, respectively, of the total revenue of Fosun Pharma.

- Pharmaceutical distribution and retail. Fosun Pharma participates in the pharmaceutical distribution industry in the PRC primarily through its strategic partnership with China National Pharmaceutical Group Corporation, with whom Fosun Pharma founded Sinopharm. Fosun Pharma also has developed a network of retail pharmacies under two separate brands, which it operates directly or through franchisees, primarily located in Beijing and Shanghai. As at June 30, 2012, Fosun Pharma had a total of 670 retail pharmacies, of which 146 were operated by itself and 524 were operated by its franchisees.

- Healthcare services. Fosun Pharma participates in the premium, specialty and general healthcare services markets in the PRC through the United Family hospitals of Chindex, and operation of healthcare institutions such as Jimin Cancer Hospital and Guangji Hospital.

- Diagnostic products and medical devices. Fosun Pharma engages in the research and development, manufacturing, and sales and marketing of diagnostic reagents and equipment, blood transfusion equipment and surgical consumables, as well as in the distribution of imported high-end medical equipment.

Pharmaceutical Manufacturing

The core business of Fosun Pharma is research and development, manufacturing, and sales and marketing of pharmaceutical products. Fosun Pharma is a leading domestic pharmaceutical companies in the PRC by revenue from the pharmaceutical manufacturing segment in 2011.

Products

The table below sets forth its major products, how each of the main product was developed, the validity of its patent protection, and the expiry date of its manufacturing permit:

	Patent Number	Patent Validity Period	Manufacturing Permit Number	Expiry Dates of the Manufacturing Permit
Major Products from Organic Growth				
Metabolic and alimentary tract drugs				
Reduced glutathione (Atomolan)	ZL200530011668.8	2015.11.01	H20050667	2015.09.01
	ZL200830256930.9	2018.12.01	H19991067	2015.09.27
			H19991068	2015.09.27
			H20040435	2015.09.27
			H20040434	2015.09.27
			H20051599	2015.09.27
			H20051600	2015.09.27
			H20067129	2015.09.27
Glimepiride (Wan Su Ping)	Nil		H20031079	2015.09.28
			H20010575	2015.09.28

	Patent Number	Patent Validity Period	Manufacturing Permit Number	Expiry Dates of the Manufacturing Permit
Animal insulin series (Wan Su Lin)	ZL200510030396.5	2025.10.10	H20060845	2015.09.28
	ZL200510330397.X	2025.10.10	H10970284	2015.09.28
			H32024565	2015.09.29
			H20050782	2015.09.29
			H20050783	2015.09.29
			H32020614	2015.09.28
			H20043335	2015.09.28
			H20033636	2015.09.28
			H10890001	2015.09.28
Recombinant human erythropoietin (Yi Bao)	ZL200820152658.4	2018.09.02	S19991024	2015.08.03
			S19991023	2015.07.15
			S19980080	2015.08.03
Compound aloe capsules	ZL200810085002.X	2028.03.12	Z13020306	2015.09.28
	ZL200510111259.4	2025.12.07		
	ZL200610028944.5	2026.07.13		
	ZL200810085001.5	2028.03.12		
Cardiovascular system drugs				
Heparin sodium (Su Ke Nuo)	ZL200510030396.5	2025.10.10	H32023409	2015.09.29
			H32020612	2015.09.29
			H20020247	2015.09.29
			H20020179	2015.09.29
Meglumine adenosine cyclophosphate (Xin Xian An)	Nil		H20044331	2016.03.23
			H20044332	2016.03.23
			H20003530	2015.09.29
			H20050478	2015.09.29
Calcium dobesilate (Ke Yuan)	ZL200510110019.2	2025.11.02	H20030088	2015.02.23
Telmisartan (Bang Tan)	ZL200710173431.8	2027.12.26	H20052540	2015.07.22
			H20050715	2015.08.19
Pitavastatin (Bang Zhi[i])	Nil		H20110050	2016.05.30
			H20110051	2016.05.30
Alprostadil dried emulsion (You Di Er[ii])	ZL200630012819.6	2016.11.20	H50021393	2015.09.29
	ZL200610095305.0	2026.12.17		
	ZL201001168597.2	2030.05.10	H50021394	2015.09.29
			H50021598	2015.09.29
			H50021597	2015.09.29
			H20057824	2015.09.29

	Patent Number	Patent Validity Period	Manufacturing Permit Number	Expiry Dates of the Manufacturing Permit
Oncology drugs				
Pemetrexed disodium (Eluzer)	ZL200410097283.2	2024.11.24	H20080210	2015.07.14
	ZL200830275847.6	2018.12.28		
Anti-infective drugs				
Artesunate series	ZL200630031162.8	2016.11.14	H10880057	2015.08.11
	ZL200430051985.8	2014.08.13	H10880055	2015.08.11
	ZL200730303201.X	2017.10.15	H10930097	2015.08.11
	ZL200730303202.4	2017.10.15		
	ZL200730303203.9	2017.10.15		
	ZL200730303204.3	2017.10.15		
	ZL200510057349.X	2025.10.25		
Potassium sodium dehydroandrographolide succinate (Shaduolika).	Nil		H50021641	2015.09.27
			H50021629	2015.09.29
			H50021627	2015.09.27
			H50021628	2015.11.07
			H20060062	2015.12.07
APIs and intermediate products				
Amino acid series	ZL200510019915.8	2025.11.24	Nil	
	ZL200710168711.X	2027.12.06		
	ZL200710053040.2	2027.08.23		
	ZL200820192808.4	2018.11.17		
Clindamycin hydrochloride	ZL200510057440.1	2025.12.13	H20030434	2015.05.30
Acquired Products				
Metabolic and alimentary tract drugs				
Mo Luo Dan(iii)	ZL03121887.3	2023.04.16	Z13021325	2015.09.24
	ZL200710120838.4	2027.08.26	Z20090013	2014.01.03
	ZL200730106828.6	2017.04.04		
Central nervous system drugs				
Deproteinized Calf Blood Injection (Ao De Jin(iv))	ZL200610080520.3	2026.05.14	H20041127	2015.09.29
	ZL200710119155.7	2027.07.16	H20010762	2015.09.29
	ZL200810094486.4	2028.05.03	H20000202	2015.09.29
Blood system drugs				
Hemocoagulase for Injection (Bang Ting(iv))	ZL200710099163.X	2027.05.14	H20041730	2015.09.29
	ZL0313131420.1	2023.05.12		

	Patent Number	Patent Validity Period	Manufacturing Permit Number	Expiry Dates of the Manufacturing Permit
Anti-infective drugs				
Anti-tuberculosis series[v]	ZL200920203737.8	2019.09.28	H21023360	2015.08.29
	ZL200830010775.2	2018.07.07	H20090223	2014.05.21
	ZL200830010776.7	2018.07.07	H20090219	2014.05.21
	ZL200830010777.1	2018.07.07	H20080078	2013.03.02
	ZL200930010570.9	2019.06.24		
	ZL200930010568.1	2020.06.24		
	ZL200930010573.2	2019.06.24		
	ZL200930010569.6	2019.06.24		
	ZL200930010571.3	2019.06.24		
	ZL200930010572.8	2019.06.24		
Cefmetazole sodium ([xi] Chang[vi])	ZL200510057324.X	2025.10.16	H20070024	2015.10.17
			H20070025	2015.10.17
			H20061300	2015.10.17
			H20052069	2015.10.17
Vaccines				
Flu vaccines[vii]	Nil		S20090025	2014.11.09
			S20090026	2014.11.09
			S20053091	2015.08.29

Notes:

(i) Bang Zhi is our new product launched in October 2011.

(ii) You Di Er is our new product launched in June 2010.

(iii) We completed the acquisition of Moluodan Pharma in August 2010, and Mo Luo Dan subsequently became one of our major products. Revenue from the sales of Mo Luo Dan for the year ended December 31, 2010 shown in the table above reflected the revenue for the period from August to December 2010.

(iv) We completed the acquisition of Aohong Pharma in September 2011, and Bang Ting and Ao De Jin subsequently became two of our major products.

(v) We completed the acquisition of Shenyang Hongqi Pharma on 31 December 2010, and the anti-tuberculosis series subsequently became one of our major products.

(vi) We completed the acquisition of Hexin Pharma in February 2010, and Xi Chang subsequently became one of our major products.

(vii) We completed the acquisition of Dalian Aleph in September 2011, and the flu vaccine subsequently became one of our major products.

Research and Development

The research and development activities of Fosun Pharma focus primarily on innovative drugs, biopharmaceutical generic drugs and first-to-market chemical generic drugs as follows:

- ***Innovative drug research***. Fosun Pharma develops innovative drugs to address major unmet medical needs through in-house research and collaboration with third parties, including research institutes, universities and other pharmaceutical companies; and

- ***Generic drug development***. Fosun Pharma develops biopharmaceutical generic drugs and first-to-market chemical generic drugs with high barriers-to-entry in major therapeutic areas, such as cardiovascular system, central nervous system and anti-infection.

As at June 30, 2012, Fosun Pharma had over 100 pipeline products, including 11 innovative drugs, 30 chemical drugs (Class III registered chemical drugs) that are available in the overseas markets but not yet available in the PRC market, and 61 other generic drugs. It generally focuses its research and development efforts on the major therapeutic areas, including metabolism and alimentary tract, cardiovascular system, oncology, central nervous system and anti-infection. As at June 30, 2012, the research and development programs of Fosun Pharma included 17 programs for metabolism and alimentary tract medicines, 21 programs for cardiovascular system medicines, 15 programs for oncology medicines, 10 programs for central nervous system and alimentary track medicines, 23 programs on anti-infection, three programs on vaccines and over 20 programs on other therapeutic areas.

In addition, as part of our research and development activities, Fosun Pharma engages in product upgrades by improving the production techniques of our products in order to improve product quality and therapeutic effects, reduce side effects, enhance output yields and lower production costs. In this regard, Fosun Pharma focuses primarily on products for which there is significant demand and market potential, and which are relatively new in their respective therapeutic areas. Product upgrading by pharmaceutical companies is also strongly supported by the PRC government, which established a "Technological Upgrading of Major Pharmaceutical Products" project in its Twelfth Five-Year Plan in 2010 to support the development of pharmaceutical enterprises.

Manufacturing Facilities

Fosun Pharma maintains production sites in different areas across China, including Chongqing and Shanghai, as well as the Guangxi, Jiangsu, Hebei and other provinces. Fosun Pharma's manufacturing business is conducted primarily through Fosun Pharma's major subsidiaries, including Chongqing Yaoyou, Jiangsu Wanbang, Handan Moluodan, Shenyang Hongqi and Guilin Pharma.

All of Fosun Pharma's production facilities hold GMP certifications by relevant PRC national bodies. A GMP-certified facility operates under the GMP parameters prescribed by the institution granting such certification. GMP parameters relate to operating standards that have a direct effect on product quality and they typically apply to the manufacturing space, the storage warehouse for raw materials and finished product, and laboratory areas of the facility certified. In addition, some of them have earned GMP certifications by international organizations.

Raw Materials and Suppliers

Fosun Pharma's principal raw materials include chemical or inorganic compounds for chemical products, animal organs and bioactive compounds for biomedical products, and Chinese herbal materials for traditional Chinese medicines. Other raw materials include substrates and drug packaging materials. In the past three years, Fosun Pharma has not experienced any material interruptions in its production process due to shortages of raw materials.

Fosun Pharma selects its raw material suppliers based on quality, stability and price. Fosun Pharma generally pays a down payment, which can be full or partial payment for the goods procured. In the past three years, Fosun Pharma has not experienced any major problem with respect to the quality of the raw materials provided by its suppliers.

Sales and marketing

Domestic Sales. Fosun Pharma sells substantially all of its drugs to distributors in China, which in turn resell non-prescription products to pharmacies and prescription products to hospitals, doctors and pharmacists.

Fosun Pharma promotes its non-prescription pharmaceutical products principally through advertising on television and other mass media. Fosun Pharma promotes its prescription pharmaceutical products mainly to hospitals, doctors and pharmacists. Fosun Pharma provides training for its internal sales personnel as well as distributors, pharmacists and sales staff of pharmacies.

Many of Fosun Pharma's pharmaceutical products are subject to price controls set pursuant to the policies of various administrative arms of the PRC Government, including the NDRC. See "Regulation — Laws Applicable to Our Business — Pharmaceuticals and Healthcare Business — Price Controls" in this offering memorandum. Since January 1, 2004, the PRC Government has lowered the price ceilings for certain pharmaceutical products several times, as a result of which Fosun Pharma was required to lower the selling prices of certain pharmaceutical products.

International Sales. Substantially all of the pharmaceutical products exported by Fosun Pharma are sold to sales agents, which in turn resell them to other intermediaries or end users. Fosun Pharma's chemical API products are normally exported to the United States, Europe and certain African countries through international sales agents. Fosun Pharma has long-term working relationships with many of its sales agents in different countries. Fosun Pharma generally specifies the volume, price and sales territory in its contracts with the sales agents. These contracts may be renewed by mutual agreement among the parties.

Pharmaceutical Distribution and Retail

Fosun Pharma sells a wide range of pharmaceutical products through its own retail network and the distribution network of Sinopharm.

Pharmaceutical Distribution. Fosun Pharma's pharmaceutical distribution is conducted through Sinopharm, whose pharmaceutical distribution network covers most areas in China. According to public information released by Sinopharm, it was the largest pharmaceutical distributor in China in 2011 in terms of the market share and geographical coverage of its distribution network. Sinopharm is listed on the Hong Kong Stock Exchange.

Pharmaceutical Retail. Fosun Pharma operates a large retail network covering major cities in China. As of June 30, 2012, the retail network consists of 670 pharmacies covering cities such as Shanghai and Beijing. Fosun Pharma's retail business is mainly conducted through For Me Pharmacy in Shanghai and Golden Elephant Pharmacy primarily in Beijing. Fosun Pharma expects to continue to actively expand its chain pharmacies through opening new stores, acquisitions and franchising.

Healthcare Services

As the first step to enter the premium healthcare services market, we acquired an equity interest in Chindex, which focuses on providing premium healthcare services in China. Chindex primarily operates the United Family Hospitals, which provide premium healthcare services in Beijing, Shanghai, Tianjin and Guangzhou. As of the date hereof, we held an 18.52% equity interest in Chindex and was its single largest shareholder. We entered the specialty healthcare services market by establishing Jimin Hospital Management in July 2011. We held a 70% equity interest in Jimin Hospital Management as of the date hereof. Through Jimin Hospital Management, we manage Jimin Cancer Hospital, an oncology hospital located in Hefei, Anhui Province, which had 200 beds as at June 30, 2012. We also acquired a 70% equity interest in Jimin Cancer Hospital in October 2011. Since December 2011, we have further operated a general hospital, Guangji Hospital, which is located in Yueyang, Hunan province.

Diagnostics Products and Medical Devices

Diagnostic products

We engage in the research and development, manufacturing, and sales and marketing of diagnostic reagents and equipment. As at June 30, 2012, we manufactured a total of 130 types of diagnostic reagents and equipment, including those for biological, immune system, molecular and microbiological diagnostic purposes.

Our production facilities for diagnostic products are located in Shanghai and Shenzhen. As at the Latest Practicable Date, our annual production capacities for diagnostic products consist of (i) 123.70 million units of biochemical and immunologic diagnostic reagents comprising 94 million units of biochemical diagnostic reagents and 29.70 million units of immunologic diagnostic reagents; (ii) 3.7 million units of BIOFOSUN microbe identification and drug sensitivity testing systems; and (iii) equipment such as 22.40 million units of PCR microbial diagnosis reagent boxes and 4,690 sets of high power microscopes.

Medical devices and consumables

We engage in the research and development, manufacturing, and sales and marketing of blood transfusion equipment and surgical consumables, as well as the distribution of imported high-end medical equipment.

We have two production facilities located in Shanghai and Jiangsu Province, with two production lines for the manufacturing of blood transfusion equipment and consumables and surgical instrument consumables. As at June 30, 2012, our annual production capacity of surgical blades was 130 million units, our annual production capacity of suture kits was approximately over 56 million units and our annual production capacity of blood transfusion consumables was five million units.

Quality Control

Quality Control Measures

Fosun Pharma implements stringent quality control measures in pharmaceutical manufacturing, pharmaceutical distribution and retail, diagnostic products and medical devices. Fosun Pharma's comprehensive quality control system is designed according to the GMP and GSP requirements and with reference to certain standard designs recommended by the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use.

Fosun Pharma's quality control team is also responsible for implementing quality control procedures, conducting periodic quality control audits and quality risk assessment as well as formulating and implementing remedial quality control measures. Fosun Pharma's senior management is also actively involved in setting quality control policies and managing internal and external quality performances to ensure that Fosun Pharma is in compliance with all applicable regulations, standards and internal policies.

Product Recalls

In August and September 2012, Chongqing Yaoyou recalled certain batches of Shaduolika, one of our major products, due to reported occurrences of side effects experienced by certain patients in several hospitals in Anhui and Jiangsu provinces and Guangxi Zhuang Autonomous Region. The recall was due to the fact that after receiving injections of these batches of Shaduolika, a total of 32 patients experienced shivering, allergy-like reactions, fever and other mild symptoms of side effects. Fosun Pharma had also voluntarily suspended the production of Shaduolika and is currently conducting its own investigation into the production of Shaduolika. Based on our investigations, Fosun Pharma will ensure that any production problems that may have caused a quality issue with our Shaduolika products are identified and fully rectified and that the safety of this product is thoroughly tested and verified prior to resuming the production and sale of Shaduolika.

In August and September 2012, Chongqing Yaoyou received an administrative penalty decision issued by the Chongqing branch of SFDA. The decision indicated that a batch of Shaduolika product that were reported to have caused cases of side effect in Jiangsu province contained excessive level of bacterial endotoxins and therefore failed to meet the applicable quality requirements, according to the examination conducted by the Jiangsu Changzhou branch of SFDA. Pursuant to the administrative penalty decision, the government authorities disgorged our revenue of RMB9,282 from sales of the defective batch of Shaduolika products, confiscated all of the recalled Shaduolika products from this defective batch, and imposed a fine of RMB280,730.9, which was equivalent to the value of the defective batch of Shaduolika products, on Chongqing Yaoyou. Fosun Pharma does not maintain product liability insurance for Shaduolika. In addition, as of the date hereof, we had not received any notification from any of the hospitals that reported the occurrences of side effects of Shaduolika that product liability claims were brought against any of these hospitals. The foregoing occurrences and the related negative publicity may adversely affect Fosun Pharma's business reputation and the sales of its Shaduolika or other pharmaceutical products. See "Risk Factors – Risks Relating to Our Pharmaceuticals and Healthcare Business — We may incur losses and our reputation may be adversely affected by potential product liabilities relating to certain products that we manufactured.'' The revenue contribution of Shaduolika products accounted for approximately 2.9%, 2.7%, 2.1% and 2.9% of Fosun Pharma's external revenue (after elimination of inter-segment revenue of our pharmaceutical and healthcare business) of the pharmaceutical manufacturing segment for the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 respectively.

In relation to the occurrences of side effects involving the Shaduolika products, Fosun Pharma is in the process of implementing various measures for its pharmaceutical manufacturing segment to ensure continued strict adherence to product quality standards as required by the GMP certification process as well as other relevant regulations. Fosun Phama will continue to strictly adhere to the GMP standards in its manufacturing processes, and adopt high standards in procurement, production and quality control to control the quality of its products to ensure they can be safely used by the customers.

According to the Administrative Measures on Pharmaceutical Products Recall issued by the SFDA in December 2007, pharmaceutical manufacturers are required to report their product recalls to the provincial branches of the SFDA and inform their distributors and other customers to cease using the products involved and to return them to the manufacturers. The reporting and notice time requirements range from 24 hours to 72 hours depending on the seriousness of the potential harm to the users. Fosun Pharma has established a product recall system according to such requirements. Save as disclosed above, as of June 30, 2012, to the best knowledge of the directors of Fosun Pharma, none of Fosun Pharma's products had been subject to any recall due to product quality issues.

Intellectual Property Rights

As of June 30, 2012, Fosun Pharma had a total of 220 patents registered in China. Fosun Pharma regularly submits patent applications for products and technologies that it has developed in order to actively protect its intellectual property rights. As of June 30, 2012, Fosun Pharma had 120 patent applications filed in China and pending the approval of the competent patent regulatory authority.

Fosun Pharma maintains a diversified portfolio of trademarks under its umbrella brand name "Fosun Pharma." As of June 30, 2012, Fosun Pharma maintained 643 trademarks registered with the Trademark Bureau of China. Fosun Pharma's portfolio of trademarks includes a number of trademarks recognized as Well-known Trademarks, including 復星 (Fosun), 萬邦 (Wanbang) and 萬蘇平 (Wan Su Ping). We have also applied for the registration of two trademarks in Hong Kong.

In addition to protecting our own intellectual property, our success also depends on our ability to minimize the risk that any of our products or operations infringes on the intellectual property rights of others. We follow a procedure under which our internal patent or trademark team will conduct a patent or trademark clearance search before a product development is approved or filing an application for the registration of a trademark, respectively. We also follow procedures to ensure that we are not engaged in the sales of counterfeit pharmaceuticals. We believe the risk of infringing third-party intellectual property can be effectively reduced by our vigorous adherence to these procedures. To date, we have not been sued on the basis of and have not undergone arbitration in respect of, nor have we received any notification from third parties claiming or been subject to an investigation or audit by any governmental authorities in respect of any infringement of intellectual property or sales of counterfeit pharmaceuticals.

Competition

Fosun Pharma principally competes with major pharmaceuticals and healthcare companies, specialized pharmaceuticals manufacturers and retail pharmacies in China. Major pharmaceuticals companies compete with Fosun Pharma in the manufacturing, distribution and retail sales of pharmaceutical products, as well as acquisition opportunities within the industry. Specialized pharmaceuticals manufacturers compete with Fosun Pharma to introduce commercially successful products targeting specific market segments. Retail pharmacies compete with Fosun Pharma with respect to suppliers, hospitals and other resources.

We expect that the PRC Government will gradually relax restrictions against foreign investment in the pharmaceuticals industry in China, which may increase competition and consolidation across the industry. To remain competitive, we intend to continue to capitalize on Fosun Pharma's strong research and development capabilities, high product quality, brand name recognition and extensive distribution network.

Insurance

Fosun Pharma maintains product liability insurance for certain but not all of its products. For the years ended December 31, 2009, 2010 and 2011, Fosun Pharma maintained product liability insurance for all products manufactured or sold by its subsidiaries Guilin Pharma, Huaiyin Medical Instruments Company Limited, Chongqing Carelife Pharmaceutical Company Limited and Shine Star (Hubei) Biological Engineering Company Limited. The product liability insurance covers personal injuries, diseases, death and loss of property resulting from the use, consumption or operation of the products of these subsidiaries globally.

Fosun Pharma significantly expanded the scope of product liability insurance coverage in 2012. Fosun Pharma's product liability insurance policy becomes more product-oriented, and it now covers the vast majority of its major products. Revenue generated by such pharmaceutical products covered by product liability insurance for the six months ended June 30, 2012 represented 51.7% of the revenue of Fosun Pharma's pharmaceutical manufacturing segment for the period. The total premium paid was RMB0.3 million for 2011. Fosun Pharma plans to further expand the scope of product liability insurance coverage in the future. Fosun Pharma also maintains property insurance policies covering its inventories, equipment and facilities in accordance with customary industry practice. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, Fosun Pharma had not filed any material claims against its insurers or had any material disputes with its insurers. For details, see "Risk Factors — Risks Relating to Our General Operations — Our insurance coverage may not adequately protect us against all operating risks" and "Risk Factors — Risks Relating to Our Pharmaceuticals and Healthcare Business — Product liability claims or product recalls could result in substantial damages."

Environmental and Safety Matters

Major environmental laws and regulations applicable to pharmaceuticals manufacturers in China include provisions relating to the prevention and treatment of sewage and exhaust fumes and the prevention of industrial pollution. Among others, manufacturers are required to carry out an environmental impact evaluation before starting new construction projects to ensure that the production processes meet relevant environmental standards.

The main waste generated in the pharmaceutical manufacturing process includes organic waste from extraction processes, waste water and alcohol. Fosun Pharma has waste treatment facilities in accordance with government standards, including a wastewater treatment tank. In addition, Fosun Pharma designs and implements various measures to ensure the compliance of its production facilities with the relevant environmental and safety standards required for GMP-certified facilities.

Fosun Pharma has not been charged with any violations of environmental laws or encountered any serious work-related injuries.

Legal Proceedings

Fosun Pharma is involved in legal proceedings from time to time in the ordinary course of business. See "Risk Factors — Risks Relating to Our Pharmaceuticals and Healthcare Business — Disputes over intellectual property rights may adversely affect our pharmaceuticals and healthcare business."

In relation to the occurrences of side effects involving the defective Shaduolika products as described above under "Business — Pharmaceuticals and Healthcare Business — Quality Control — Product Recalls," to the best knowledge of the directors of Fosun Pharma, as of the date hereof, the 32 patients that experienced side effects arising from receiving the injections of Shaduolika have either fully recovered or their symptoms from the side effects have been alleviated, and no product liability claims had been brought against Fosun Pharma for damages in connection with any occurrence of side effects of Shaduolika. In addition, as of the date hereof, Fosun Pharma had not received any notification from any of the hospitals that reported the occurrences of side effects of Shaduolika that product liability claims were brought against any of these hospitals. Our PRC legal cousel, Chen & Co, confirms that the statutory period of limitation for legal claims against pharmaceutical manufacturers or hospitals from patients is generally two years from the moment patients discover or should have discovered that their rights have been infringed upon. However, in particular, if patients file claims for compensation of personal injuries or initiate litigations against sales of substandard goods without prior notice, the statutory period of limitation is one year from the moment patients discover or should have discovered that their rights have been infringed upon. See "Risk Factors — Risks Relating to Our Pharmaceuticals and Healthcare Business — Product liability claims or product recalls could result in substantial damages."

China's Pharmaceuticals and Healthcare Industry

China's healthcare sector has been growing with an astonishing rate. According to China Statistic Yearbook, the national healthcare expenditure has increased from RMB 503 billion in 2001 to RMB 2,427 billion in 2011, with a CAGR of 17.1%. Per capita healthcare expenditure also grew from RMB 393.80 to RMB 1,801.22 over the same period, with a CAGR of 16.4%.

Based on Mckinsey analysis, the nation's healthcare spending is projected to grow from US$357 billion in 2011 to US$1 trillion in 2020. Across key categories, from pharmaceuticals to medical products and consumer health, China remains one of the world's most attractive markets, and is by far the fastest-growing of all the large emerging markets.

The rapid market growth is mainly driven by increasing disposable income and health awareness, aging population and active goverment's support.

- The general public in China have become more health-conscious and are able to afford more healthcare products and services.

- The population aged 65 or above in China has exceeded 120 million. The social and economic developments have also resulted in significant changes in the lifestyles, including dietary patterns, consumption of tobacco and alcohol, physical exercise and work schedule. The continuously aging population and change in lifestyles are expected to drive demand for healthcare products and services in China. Diseases associated with such changes, such as diabetes, metabolic diseases, and cardiovascular diseases, have become prevalent. These trends are expected to drive up the demands for relevant drugs, medical products and services in China.

- Pharmaceutical remains the most popular segment for private equity or venture capital investment. In 2010, such investment amounted to RMB31 billion in 2010, stimulating the fast development of the industry.

- With a sustained commitment to research and development and innovation, Fosun Pharma has dedicated to the production of bio-pharmaceutical medicine, which enjoys a promising prospect. Biochemical medicine contributes to 11% of the total pharmaceutical market in 2011, 28% higher compared to 2010's level. There are a number of local players in the bio-pharmaceutical space but only a few possess technological capabilities. Therefore, the market has significant room and potential for Fosun Pharma.

China's healthcare industry will continue to grow progressively due to improving infrastructure, prevalence of "life style" diseases, and increased ability and willingness to spend on healthcare. Given the 12th Five-Year Plan has reiterated the government's emphasis on: actively promoting and supporting the development of the healthcare industry and increasing spending on healthcare, such as expanding the social medical insurance program and the essential drugs program, increasing the number of community health centers and clinics. The optimistic outlook of its focused market will facilitate Fosun Pharma to further develop its business.

Property Business

Overview of Our Property Business

We operate our property business primarily through Forte as well as through our holding companies' direct investment in property development projects. Currently, we have property developments in Shanghai and 18 other cities across China, including Beijing, Tianjin, Nanjing, Chongqing, Chengdu, Xi'an, Wuhan, Datong, Wuxi, Hangzhou, Taiyuan, Changsha, Dalian, Harbin, Sanya, Nantong, Changchun and Ningbo. As of June 30, 2012, we had a total planned GFA of 4.0 million sq.m. under development and a total planned GFA of 12.3 million sq.m. of project reserves. Forte is a large property developer in China which recently completed the Forte Offer on May 19, 2011 and its subsequent withdrawal from listing on the Hong Kong Stock Exchange. In 2011, Forte was ranked No. 32 among the Top 50 for its sales of properties in China according to China Real Estate Information Corporation（中國房地產信息集團）and No. 19 among the top 500 property development companies in China according to the list jointly issued by China Real Estate Association, China Real Estate Research Association and China Real Estate Appraisal.

In addition to operating our property business through Forte, our holding companies have increased their direct involvement in property business by investing in certain major property development projects, such as the BFC Project on the Bund through Haizhimen, our 50% owned associate, Chongqing Project, Shanghai Zhenru Project, Dalian Project and others.

We also run our property business through other entities, such as Resource Property which is a fast-growing integrated real estate services provider. Please refer to "— Other portfolio companies in the property industry" below for more information.

For the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012, our property segment generated revenue of RMB5,184.8 million, RMB8,846.7 million, RMB9,742.7 million, RMB2,260.3 million and RMB3,432.3 million, representing 14.9%, 19.8%, 17.1%, 8.8% and 13.3% of our revenue in the same period, respectively.

Recent Development

On August 30, 2012, Forte Pearl（成都復地明珠置業有限公司）participated in a bid for land use rights of land located at Gaoxin District, Chengdu with a bid price of RMB1,799,385,348. Forte Pearl succeeded in the bid on September 4, 2012 and received a confirmation letter on September 6, 2012.

Competitive Strengths

We believe we have the following competitive strengths:

Established presence in prominent and diverse urban centers. We have a successful property business in many major cities across China, namely Shanghai, Beijing, Tianjin, Nanjing, Chongqing, Chengdu, Xi'an, Wuhan, Datong, Wuxi, Hangzhou, Taiyuan, Changsha, Dalian, Harbin, Sanya, Nantong, Changchun and Ningbo. As a result, we have a sound track record in operating under different regulatory and market environments, which we believe will benefit the long-term development and growth of our property business.

Established market position. Revenue in our property business has increased steadily in recent years, a result we attribute mainly to our ability to target a clearly defined market segment with correctly positioned products. Forte has considerable experience in developing high quality residential properties for mid-market purchasers in urban cities and the capability to design residential properties of different specifications in terms of location, unit size and architectural style.

Strong project management capabilities. We adhere to project management principles based on international standards set by Project Management Institute, which has helped the company to allocate its resources efficiently in managing its projects. To facilitate execution, we installed modern project management software which enables simultaneous management of multiple projects, enhanced risk management capabilities, as well as centralized procurement of construction materials and equipment.

Effective customer relationship management. We devote substantial resources to understand purchasers' needs and to develop relationships with property buyers, which has helped it to respond quickly to changes in market demand. We focus on building a premium brand reputation within our target market segment. To cultivate customer relationships, attract new potential buyers and gain the trust of its customers, we primarily offer professional real estate advice and a wide range of after-sales services through Forte Club.

Strategy

Our goal is to capitalize on our competitive strengths to solidify our market position as a leading property developer in China. To achieve this goal, we have formulated the following strategies:

Strengthen and expand our property development business. We plan to put in practice and to deepen our ten-year development strategy. While continually focusing on the development of residential properties, we plan to accelerate the pace of our project development to expedite asset turnover and grow our property development business. While continuing to maintain and improve our market position in the 19 major cities in the PRC, we will leverage our Group's resources and network to continue to expand mid to high-end projects development.

Maintain an effective project reserve strategy. Our project reserve strategy consists of maintaining adequate land reserves, acquiring land use rights at commercially reasonable prices, and developing a reasonably diversified portfolio of projects. We generally maintain a level of project reserves sufficient to cater to our needs in the upcoming three to five years. We believe our extensive land valuation and project management experience will enhance our competitive advantage when acquiring land through auctions.

Ensure achievement of sales target. We will continue to be alert to and keep evaluating the changes in the market conditions due to ongoing tightening governmental measures. To ensure achieving sales target and cash flow, we plan to utilize a flexible sales strategy to cope with market changes by setting up a system of acceptable pricing for customers and adopting creative sales measures.

Increase hiring and training of elite talent. Our strategy requires the support of elite talents with global vision. We will continue our hiring system for high-end professionals, and further cultivate professionals with management skills and entrepreneurial spirit.

Property Development Projects

Project Reserves

We plan to maintain sufficient project reserves for our development requirements on a rolling basis. As of June 30, 2012, we had project reserves with an aggregate planned GFA of approximately 12.3 million sq.m. attributable to us, of which approximately 4.0 million sq.m. were under construction as of the same date.

The following table sets forth, as of June 30, 2012, project reserves[1] of our Group by city:

City	Total: In Total	Total: Attributable to our Group	Under Construction: In Total	Under Construction: Attributable to our Group	To Be Developed[2]: In Total	To Be Developed[2]: Attributable to our Group
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)
Shanghai[3][4]	2,789,595	1,789,416	1,075,544	664,798	1,714,052	1,124,618
Tianjin	957,568	880,708	256,200	179,340	701,368	701,368
Taiyuan	581,000	464,800	—	—	581,000	464,800
Nanjing	1,678,782	1,043,640	686,032	380,106	992,750	663,534
Hangzhou	1,036,349	475,597	374,024	250,369	662,325	225,228
Wuxi	671,022	440,121	401,122	301,661	269,900	138,460
Chongqing	1,726,850	1,119,736	412,095	350,886	1,314,755	768,850
Wuhan	1,046,000	732,200	186,400	130,480	859,600	601,720
Chengdu	2,625,659	1,276,942	894,957	622,815	1,730,702	654,128
Xi'an	2,252,454	1,126,227	91,034	45,517	2,161,420	1,080,710
Changchun	488,511	488,511	474,311	474,311	14,200	14,200
Ningbo	493,300	345,310	—	—	493,300	345,310
Changsha	290,900	196,736	171,200	115,783	119,700	80,953
Sanya	477,247	143,174	—	—	477,247	143,174
Datong	724,564	724,564	—	—	724,564	724,564
Dalian[5]	765,452	491,738	438,471	281,680	326,981	210,057
Harbin	1,785,737	467,940	354,180	92,811	1,431,556	375,130
Nantong	429,010	122,195	429,010	122,195	—	—
Total	20,820,000	12,329,554	6,244,579	4,012,750	14,575,421	8,316,803

Notes:

(1) Reserved projects include projects under development and projects to be developed (including the projects of joint ventures in which we (excluding Zendai) own equity interests and the projects of associate companies);

(2) Of the reserved projects to be developed with a total GFA of 14,575,421 sq.m. (which include projects without land use right certificates but with executed land grant contracts or approved by the PRC government), the gross GFA of the projects with land use right certificates is approximately 9,528,537 sq.m.

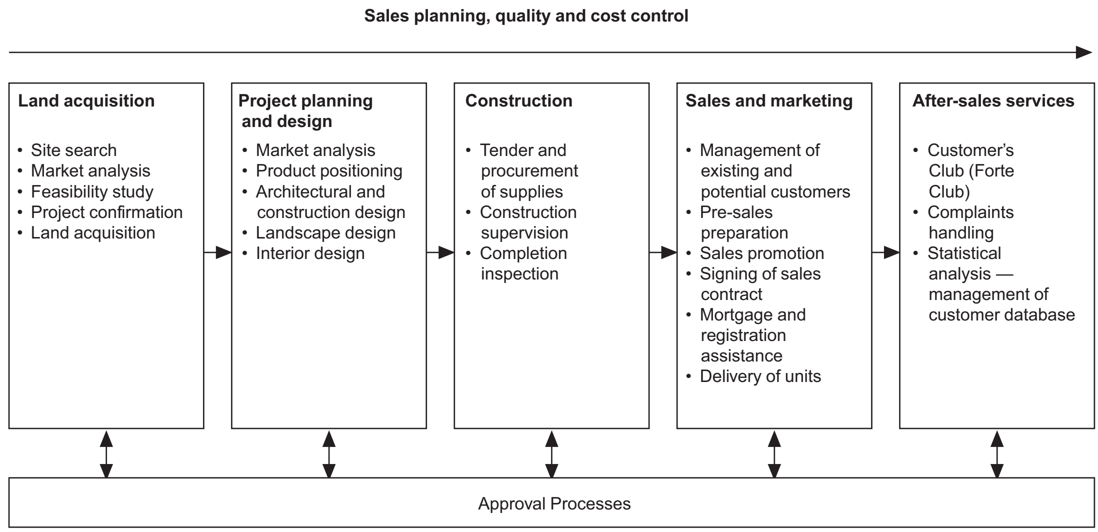
(3) BFC Project is located on the premium strip of the Bund, next to Shanghai's famous City God Temple and beside the Bund's multi-dimensional transportation hub and yacht piers. The property has a planned total GFA of 426,073.0 sq.m. on a site area of 45,471.9 sq.m. and is expected to be fully completed by the end of 2015. We hold a 50% equity interest in Haizhimen, which indirectly holds the BFC Project. We expect to start the process of registering Haizhimen with AIC as the sole equity shareholder of the project company operating the BFC Project as soon as the required threshold portion of the total planned project investment has been completed, which is ongoing currently. We are currently involved in certain legal proceedings in a PRC court in relation to the acquisition of 50% of equity interest in Haizhimen, by SOHO China Limited.

(4) Shanghai Zhenru project, which is expected to be completed by the end of 2016, is a mix of commercial and residential property located between the Inner Ring Road and Middle Ring Road in Zhenru. Zhenru is one of the four sub-centers in Shanghai. The total GFA of this project is 301,733 sq.m. on a site area of 69,332 sq.m..

(5) Dalian project, which is a five-phase development and is expected to be completed by the end of 2016, is a mix of residential and commercial property located at Donggang Commercial Area. The total GFA of this project is 763,003 sq.m. on a site area of 141,600 sq. m.

Stages of a property development project

It typically takes two to three years for us to complete a property development project. The different stages of a property development project are summarized in the diagram below:



Land Acquisition. Generally, we acquire land use rights through tenders and auctions, acquisition of entities with land use rights, and formation of joint ventures with other developers. See "*Regulation — Laws Applicable to Our Business — Property Business*" for the laws and regulations enacted by the central and local governments in relation to the acquisition of land use rights.

In the case of tenders and auctions, we enter into land grant contracts with the local government and, after the payment of the acquisition price, obtain the land use certificates for the land so purchased. If applicable, we may need to compensate the existing residents for their relocation and resettlement expenses.

Project Planning and Design. We contract out all project design and interior design work to reputable domestic and international architectural and interior design firms, which handle the architectural, landscape and interior design work of the relevant property development project in accordance with our instructions and requirements. All major design firms retained by us are independent third parties.

Our design management department is responsible for selecting architectural and interior design firms and monitoring the progress and quality of each property development project to ensure timely and successful completion. In selecting contractors, we consider their market reputation, reliability, quality and characteristics of the proposed design, as well as bidding price. Generally, we select design contractors through competitive tenders.

Construction. Before construction work begins, we must obtain the required planning permits and construction permits. These certificates and permits are only granted upon us meeting specific government requirements. We contract out all construction work to large construction companies with sound market reputation and, relevant good track records. Major construction companies retained by us are all independent third parties.

In selecting contractors, we take into consideration their reputation, experience and bidding price. Generally, we select construction contractors through a competitive open tender process. The quality and timeline of the construction is typically specified in the relevant contract, which also specifies that the construction contractor is liable for penalties if such requirements are not met. In the last three years, we have not had major disputes with any of our construction contractors.

We place strong emphasis on quality control. Quality control procedures are implemented throughout our organisation as well as in each project company and construction supervisory company. Our construction supervisory companies have established a quality management system in compliance with the ISO 9001:2000 to ensure that their products and services comply with relevant laws and regulations, as well as market standards.

Sales and Marketing. We mainly carry out sales and marketing activities through specialized subsidiaries and have established a sales management department to supervise, manage and provide coordination among these subsidiaries. We offer regular training programs to the sales and marketing personnel to maintain an orderly and efficient sales system.

We give our customers the option to pay the purchase price as a lump sum or finance their purchase through mortgages. In line with industry practice, we support our customers who elect to finance their purchase through mortgages by extending credit to them during their mortgage application process. As the process typically takes 30 to 90 days, we offer credit terms of up to 90 days. In contrast, for customers of large non-residential properties, credit terms of up to one year may be given on a case-by-case basis.

We assist our customers in their purchase by providing them with information regarding banks and mortgage requirements. We also assist them in completing the relevant property registration procedures. In line with industry practice, we provide guarantees to banks for the benefit of our customers in respect of their mortgage obligations until ownership certificates and certificates of other interests in the property are submitted to the mortgage bank.

After-sales Services. Our customer service department operates Forte Club and provides various after-sales services to maintain good customer relationships. We believe that our customer services build confidence in purchasers, enhance our brand name, and encourage purchasers of our properties to purchase, or to recommend others to purchase, other properties developed by us.

Pursuant to relevant laws and regulations, we are required to appoint a property management company for each completed project. The property management company can be one of our associates or subsidiaries, or a third party property management company. The appointed property manager assumes the responsibility of managing the properties for up to two years from the time of completion until the owners establish their own management board and appoint a new property management company.

Competition

We believe that China's property market is fragmented and there is no dominant market player. We face competition from domestic and foreign property developers targeting the urban middle class.

We control project costs by acquiring land parcels at commercially reasonable prices, shortening project development cycles, and conducting profit and loss analysis. To maintain our competitiveness, we plan to improve our comprehensive customer resources management system and leverage the industrial expertise of our management team and capitalize on our extensive project management experience.

Insurance

PRC laws and regulations do not require property developers to maintain insurance coverage in respect of their projects. However, under certain circumstances, we, consistent with what we believe to be customary industry practice, procure and maintain insurance coverage on certain of its properties under construction against risks of loss or damage to raw materials, work-in-progress, equipment and third party liabilities. In the past three years, we have not encountered any material accident at any construction site of our property development projects. We believe we have maintained adequate insurance coverage. For details, see "Risk Factors — Risks Relating to Our General Operations — Our insurance coverage may not adequately protect us against all operating risks."

Environmental and Safety Matters

Property development in China is subject to PRC national and local environmental regulations and is particularly affected by those governing air pollution, noise pollution, water and waste discharge. In accordance with PRC environmental laws and regulations, property development companies are required to carry out environmental impact studies before engaging in new construction projects to ensure that the construction processes meet the required environmental standards.

The PRC Government assesses all of our development projects to ensure that environmental standards are met. Reports of such assessments must be provided together with other specified documents to the local construction administration authorities. We have not been charged with any activities causing environmental damage, and no major findings of deficiencies were found by the PRC Government during any of its environmental assessments of our development projects.

We delegate all construction work to independent construction companies and require them to comply with the required safety standards in accordance with written agreements. Pursuant to these agreements, our contractors are required to implement safety measures, comply with all applicable safety regulations, and attend safety trainings before construction work begins. Contractors are subject to our supervision and are obligated to report monthly to the relevant government authorities and us on the safety aspects of the construction. We maintain health and accident insurance for our employees.

We have not encountered any serious construction-related accidents or been charged for violations of safety standards.

Intellectual Property Rights

Forte principally uses the "復地" trademark in association with its business operations. The trademark has been registered with the Trademark Bureau.

Legal Proceedings

We are involved in legal proceedings from time to time in the normal course of business under our property segment. See "Risk Factors — Risks Relating to Our Property Business — We are subject to the risks associated with the pre-sale of properties under development." Except for the legal proceeding related to the BFC Project which is set forth below, we are not aware of, and our PRC counsel is of the opinion that there do not exist, any legal proceedings, pending or threatened, that could have a material adverse effect on our business, financial conditions or results of operations.

In May 2012, we filed a claim against SOHO China Limited at Shanghai No. 1 Intermediate People's Court in relation to its indirect acquisition of a 50% equity interest in Haizhimen, which indirectly holds the BFC Project on the ground that the acquisition breached our preemptive right as an existing 50% interest shareholder to acquire the same interest. As of the date hereof, the legal proceeding is still ongoing.

Other Portfolio Companies in the Property Industry

Resource Property

Established in March 1999, Resource Property is a fast-growing integrated real estate services provider. Resource Property's main business covers the areas of primary agency, real estate consulting and commercial real estate. As of June 30, 2012, it had successfully closed approximately 242 agency projects in China. In 2009, Fosun Group acquired a 67.1% equity interest in Resource Property from Forte for a consideration of approximately RMB91.4 million. After the transaction, Forte still held a 9.9% equity interest in Resource Property.

China's Property Industry

Overview

With the exception of 2008, demand for properties in China has increased significantly in recent years amid a favorable economic environment characterized by continued growth in per capita disposable income and rising living standards. The total GFA of commodity properties sold increased from approximately 619 million sq.m. in 2006 to approximately 1,094 million sq.m. in 2011, representing a CAGR of 12.1%. Meanwhile, driven by favorable market conditions and potential returns, investments in real estate development in the PRC grew rapidly from approximately RMB1,942 billion in 2006 to approximately RMB6,180 billion in 2011, representing a CAGR of 26.0%. The following table sets forth selected property market indicators relating to China for the years indicated:

	2004	2005	2006	2007	2008	2009	2010	2011	2006-2011 CAGR
Investment in property development (RMB billion)	1,316	1,591	1,942	2,529	3,120	3,624	4,826	6,180	26.0%
Total sales of commodity properties (RMB billion)	1,260	1,758	2,083	2,989	2,507	4,436	5,272	5,859	23.0%
GFA of commodity properties completed (million sq.m.)	526	534	558	606	665	727	787	926	10.7%
GFA of commodity properties sold (million sq.m.)	454	555	619	774	660	948	1,048	1,094	12.1%
Average price of commodity properties sold (RMB/sq.m.)	2,778	3,168	3,367	3,864	3,800	4,681	5,032	5,357	9.7%

Source: National Bureau of Statistics of China

According to the National Bureau of Statistics of China, the total revenue of property developers in the PRC increased to approximately RMB4,449 billion in 2011 from approximately RMB1,805 billion in 2006, and the total operating profit increased to approximately RMB580 billion in 2011 from approximately RMB167 billion in 2006. The following table sets forth selected operating data for property developers in the PRC for the years indicated:

(RMB billion)	2004	2005	2006	2007	2008	2009	2010	2011	2006-2011 CAGR
Total revenue	1,331	1,477	1,805	2,340	2,670	3,461	4,300	4,449	19.8%
Revenue from sale of properties	1,175	1,332	1,662	2,160	2,439	3,251	4,059	4,170	20.2%
Revenue from lease of properties	31	29	32	39	52	54	74	90	23.3%
Operating profit	86	111	167	244	343	473	611	580	28.3%

Source: National Bureau of Statistics of China

Key Drivers of the Industry

We believe the development of the PRC real estate industry is affected by a number of key drivers, including (i) economic growth; (ii) PRC government's real estate policies; (iii) urbanization; and (iv) availability of residential mortgages.

Economic Growth. The PRC economy has grown significantly since the PRC government introduced economic reforms in the late 1970s. China's accession to the World Trade Organization in 2001 has further accelerated the reform of the PRC economy. China's nominal GDP increased at a CAGR of approximately 16.9% from approximately RMB21,631 billion in

2006 to approximately RMB47,288 billion in 2011, making China one of the fastest growing economies in the world. During each of the years from 2004 to 2007 and in 2010, China's real GDP recorded double-digit growth. In 2008, the global economic crisis caused a slowdown in the global capital and credit markets as well as the world economy, which in turn adversely affected the domestic market in China, including our target cities. In 2008, China's real GDP growth declined significantly to 9.6% compared to 14.2% in 2007. In view of the negative impact of the global economic crisis on the PRC economy, the PRC government launched a RMB4 trillion economic stimulus plan in November 2008. Since the inception of the economic stimulus plan, the PRC stock market has shown signs of recovery. Stock prices of companies in sectors such as real estate, construction, raw materials, machinery and energy have generally increased. In addition, the economic stimulus plan has had a positive impact on domestic consumption and demand in the PRC. According to the National Bureau of Statistics of China, China's real GDP growth rate has slightly declined to 9.3% in 2011 compared to 10.4% in 2010, however registering a double-digit CAGR of 10.5% since 2006 to 2011.

PRC Government's Real Estate Policies. Real estate reforms in the PRC did not commence until the 1990s, prior to which the PRC property sector was part of the PRC's centrally planned economic system. In the 1990s, China's property sector began its transition to a market-based system, which significantly impacts the PRC property industry. The PRC government from time to time introduces real estate policies with a view to influencing the development of the property sector. For a discussion of key real estate reforms and changes in PRC government policies, see "Regulation-Laws Applicable to our Businesses — Property Business."

Urbanization. Following the economic reforms beginning in late 1970, the industrial and services sectors have gradually become the most important components in the PRC's economy, replacing the agricultural sector. This economic transformation has accelerated the urbanization process. The urban population in the PRC grew from 582.9 million in 2006 to 690.8 million in 2011. At the end of 2011, the urbanization rate in the PRC reached approximately 51.3%. Urbanization has fueled the development of the property industry, especially residential properties, in urban regions of the PRC.

Availability of Residential Mortgages. Since the introduction of housing reforms and related government policies allowing individuals to purchase their own residential properties, the PRC residential mortgage market has grown significantly. In the year 2011, the aggregate balance of outstanding mortgage loans for residential properties in the PRC amounted to RMB7,140 billion. The following table sets forth the aggregate balance of outstanding mortgage loans for residential properties for the years indicated:

	2004	2005	2006	2007	2008	2009	2010	2011	2006-2011 CAGR
Aggregate balance of residential mortgages outstanding (RMB billion)	1,600	1,840	2,250	2,764	2,980	4,760	6,182	7,140	26.0%

Source: People's Bank of China

Steel Business

Overview of Our Steel Business

We operate our steel business primarily through our subsidiary, Nanjing Iron & Steel. In October 2010, we successfully completed the Nanjing Steel United Reorganization, whereby the iron mining and steel-related business operations of Nanjing Steel United were injected into Nanjing Iron & Steel in order to (i) strengthen the competitive position of Nanjing Iron & Steel in the iron and steel industry; and (ii) reduce the number of related party transactions on the part of Nanjing Iron & Steel under the listing rules of Shanghai Stock Exchange.

Located in East China, Nanjing Iron & Steel is an integrated steel company with a complete production process, including mining, coking, sintering, iron smelting, steel smelting and steel rolling. Its principal products include heavy and medium steel plates, steel bars, wire rods, steel strips and section steel. Nanjing Iron & Steel is one of the few steel producers in China who can produce 9%Ni steel. Currently, 23 of its product series have been awarded the National Metallurgical Product Physical Quality Golden Cup Award and its shipbuilding steel plates maintain quality assurance certification by ship classification societies in 10 countries including China, the United States, the United Kingdom, France, Germany, Italy, Norway, India, Japan and South Korea. Nanjing Iron & Steel 's operations relating to the design, development, production and services of its products maintain the ISO 9001:2008 certification.

In addition to Nanjing Iron & Steel, we also have a 25.7% equity interest in Jianlong Group, which is a large steel producer in North and Northeast China. Its main products consist of hot rolling medium wide strips, cold rolling medium wide strips, hot rolling narrow strips, cold rolling narrow strips, hot rolling coil, bars and wire rods and sectional material.

For the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30 2012, our steel segment generated revenue of RMB24,611.4 million, RMB29,652.2 million, RMB38,224.1 million and RMB17,637.0 million, representing 70.6%, 66.4%, 67.3% and 68.5% of our revenue in the same period, respectively.

Competitive Strengths

We believe that our steel business has the following competitive strengths:

Proximity to customers and strategic location. Nanjing Iron & Steel is located in East China, the most developed region in China. Its primary production facilities have adequate access to railways, highways and waterways, which offers logistical advantages in terms of raw material procurement and product delivery. Nanjing Iron & Steel is based in Nanjing, the waterway and overland transportation hub in the lower reaches of the Yangtze River which benefits from comparatively low transportation costs and short delivery times. East China, with developed processing and manufacturing industries, is the major domestic steel consumption region. It is home to a number of large shipbuilders and mechanical equipment manufacturers, which has provided a large market for the Nanjing Iron & Steel's principal products.

Advanced production facilities and technologies. Nanjing Iron & Steel is a leading enterprise in the steel industry. It has advanced iron making and steel making, hot rolling, automatic control and information management facilities and technologies. The Nanjing Iron & Steel produces high-grade steel products including pipeline steel plates, shipbuilding steel plates, petrolatum tank steel plate, and steel for automobiles. As of June 30, 2012, Nanjing Iron & Steel had over 100 patents. In 2012, several products of Nanjing Iron & Steel including structural section steel for shipbuilding, structural section steel for bridge and tube bloom for high pressure cooker were awarded the National Metallurgical Product Quality Golden Cup Prize. Nanjing Iron & Steel is one of the few steel product producers in China who can produce 9%Ni steel.

Efficient production process. We have actively expanded Nanjing Iron & Steel's scale of production and reduced production costs by improving its production technologies and upgrading its production facilities. We believe that, as a result of its increased production capacity, advanced production equipment and sophisticated management techniques, Nanjing Iron & Steel's production processes are operated with high efficiency.

Experienced and motivated management team. Our steel business has an experienced management team with extensive knowledge of China's steel industry. A majority of Nanjing Iron & Steel's senior executives have more than 30 years of experience in the iron and steel industry. We believe that the team's industry knowledge and technical expertise enable Nanjing Iron & Steel to compete effectively and increase its market share in the relevant sectors in China as well as to facilitate its expansion into the international market.

Strategy

We focus on optimizing our steel product mix by concentrating on higher value-added products with attractive profit margins. Our goal is to further strengthen our market position in the domestic market for medium and heavy steel plates and selected higher value-added steel products. To achieve this goal, we have formulated the following strategies for our steel business.

Further expand production capacity for steel plates and optimize product mix. We have improved, and plan to continue to strengthen, our product mix by devoting more resources to the development of higher value-added steel products, including products used for oil and natural gas pipelines, storage containers, offshore engineering, machinery and construction.

Enhance operational efficiency. To further reduce operating costs, increase operational efficiency and expand our scope of operations, we plan to continue to optimize our raw material procurement and to modernize the production facilities of Nanjing Iron & Steel. We will also continue to focus on cost control through careful budgeting, monitoring and control of expenditures.

Products

Nanjing Iron & Steel's principal products are medium and heavy steel plates, bars, wire rods, steel strips and section steel.

Medium and Heavy Steel Plates. Medium and heavy steel plates are among Nanjing Iron & Steel's most competitive products in the market. We have a variety of steel plates, including steel plate for oil tanks, construction machinery, offshore engineering equipment, ship, bridge, boiler and pressure container, high-rise building and wind towers used in petroleum, petrochemical, marine engineering, ship building, bridges, port machinery, wind power, new energy and other industries.

Bars. The varieties of steel bars Nanjing Iron & Steel produces include alloy tube bloom, bearing steel, drill collar and drill pipe steel, automotive gear steel, non-quenched and tempered steel, spring steel, alloy structural steel, used in petroleum and petrochemical, machinery, automobile manufacturing and other industries.

Wire Rods. The wire rods Nanjing Iron & Steel produces mainly include spring steel wire, alloy wire, steel cord, free cutting steel, bearing steel and cold heading steel, used in machinery manufacturing, high-speed railway and automobile manufacturing.

Steel Strips. The steel strips Nanjing Iron & Steel produces mainly include four categories, namely the automotive steel, alloy steel, tool steel and climate-resistant steel, which are widely used in machinery manufacturing, container, automotive, hardware and tools.

Section Steel. The section steel products Nanjing Iron & Steel produces include L-shape section steel and other high-quality carbon structural section steel mainly used in shipbuilding.

By-products. In addition to the principal products described above, Nanjing Iron & Steel also produces a number of by-products.

Raw Materials, Fuel and Utilities

Raw Materials. The principal raw materials consumed by Nanjing Iron & Steel include iron ore and coking coal. Other raw materials and supplementary materials include steel scrap, ferroalloys and limestone.

Iron Ore. Nanjing Iron & Steel uses both imported iron ore and domestic iron ore in its production processes. In 2012, Nanjing Iron & Steel imported most of its total iron ore from overseas, including Australia, South Africa, Brazil and India. Nanjing Iron & Steel has long-term supply contracts with its principal overseas iron ore suppliers. In addition, Nanjing Iron & Steel procures a portion of its iron ore requirements from domestic suppliers. It also sources some of its iron ore requirements internally from Jin'an Mining, its wholly-owned subsidiary, and from companies in our mining business. Nanjing Iron & Steel adjusts its inventory levels continuously according to market conditions and its production needs.

For imported raw materials, such as iron ore, Nanjing Iron & Steel typically pays the supplier by means of a letter of credit prior to shipment and makes full payment upon receipt of invoice evidencing shipment by the bank. For raw materials supplied by domestic suppliers, Nanjing Iron & Steel typically pays a portion of the invoiced amount when the iron ore is delivered to its warehouses and pays the remaining amount when the settlement invoice is received.

Coking Coal. Nanjing Iron & Steel has purchase contracts with most of its coking coal suppliers. Most of these contracts have a term of one year. Nanjing Iron & Steel also has long-term supply contracts with Chongqing Nantong Minerals Company Limited (重慶南桐礦業有限責任公司) and Shandong Zaozhuang Mining (Group) Co., Ltd. (山東棗莊礦業(集團)有限責任公司).

Payment terms vary by suppliers. Nanjing Iron & Steel typically pays its major suppliers in advance. For the remaining suppliers, Nanjing Iron & Steel typically pays a portion of the invoiced amount when the coking coal is delivered to its warehouses and pays the remaining amount when the settlement invoice is received.

Other Raw Materials and Supplementary Materials. Other raw materials and supplementary materials include steel scrap, limestone, ferroalloys and dolomite. Nanjing Iron & Steel procures these materials primarily from suppliers in local and neighboring areas. Nanjing Iron & Steel typically pays for these materials upon the receipt of the settlement invoice.

Fuel and Utilities. Steel production requires extensive amounts of electricity, water and industrial gas. The main facilities of Nanjing Iron & Steel are located adjacent to the Yangtze River and have access to an abundant water supply. The major industrial gases consumed by Nanjing Iron & Steel are oxygen and nitrogen for the iron smelting and steel smelting processes. The oxygen and nitrogen are mainly generated by Nanjing Steel United's own systems.

Transportation

The facilities of Nanjing Iron & Steel are conveniently served by railway, highway and waterway transportation. Nanjing Iron & Steel operates its own railway system within its production facilities and this internal railway system is connected to the national railway network. Through this railway system, raw materials and finished products can be transported to and from many suppliers and customers. In addition, Xinwu Shipping, an associate of Nanjing Steel United, owns a fleet of industrial ships.

Nanjing Iron & Steel has not encountered any major interruptions or other problems in the supply of electricity, water and industrial gases in its production processes or in the transportation of raw materials and finished products. We, however, cannot assure you that such problems will not occur in the future. See "Risk Factors – Risks Relating to Our Steel Business-Our steel business may be materially and adversely affected by interruptions in the supply of raw materials or electricity, transportation problems, equipment breakdowns, or natural disasters."

Customers, Sales and Marketing

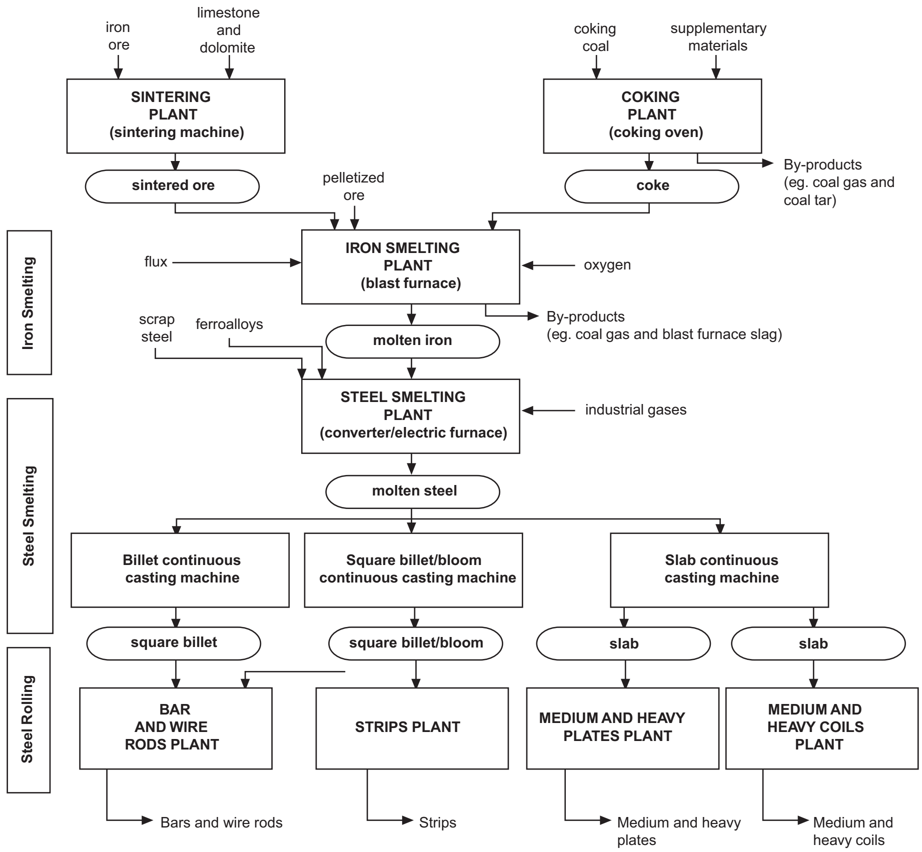
Customers. Nanjing Iron & Steel's products are principally used for oil and natural gas pipelines, storage containers, shipbuilding, machinery, building and infrastructure construction. Nanjing Iron & Steel has stable relationships with companies in certain fast-growing industries, including the oil and natural gas, shipbuilding and machinery industries. For example, Nanjing Iron & Steel has a strategic cooperation arrangement with Sinopec, pursuant to which it supplies Sinopec significant volumes of medium and heavy plates for the making of pipelines. Generally, these arrangements have a term of at least one year and are renewable on an ongoing basis. For the most part, these arrangements do not require minimum purchase commitments or set pre-determined prices. Actual purchase amounts and prices are determined at the time when purchase orders are placed by customers.

In accordance with the prevailing industry practice in recent years, Nanjing Iron & Steel typically requires its customers to make advance payments or deposits of up to 30% of purchase price for their orders. Nanjing Iron & Steel's pricing committee meets regularly. For products sold in China, the pricing committee generally takes into consideration factors including prevailing market conditions and the company's long-term relationships with major customers, among others, when pricing its products. For products sold overseas, the pricing committee will take into consideration Nanjing Iron & Steel's export policy, the strategic significance of the relevant customers and markets, and the indicative prices set by the finance department.

Sales and Marketing. Nanjing Iron & Steel conducts sales through its sales and marketing subsidiaries and third-party trading companies. To reduce expenses, Nanjing Iron & Steel sells products directly to major end users only. Its sales and marketing subsidiaries focus on establishing long-term cooperative relationships with strategic customers with sound credit and good reputation, such as Sinopec and China Shipbuilding International Trading Company Limited (中船國際貿易有限公司). For other end users, Nanjing Iron & Steel relies on trading companies, which purchase products from Nanjing Iron & Steel and resell them to other intermediaries or end users.

Production Process

The following chart shows the principal production process of Nanjing Iron & Steel and the products produced.



Production Facilities and Capacity

For 2009, 2010, 2011 and the six months ended June 30, 2012, Nanjing Iron & Steel's crude steel production output was approximately 6.5 million tons, 6.8 million tons, 7.6 million tons and 3.6 million tons, respectively.

Maintenance of Production Facilities

Maintenance work is generally classified into major maintenance, intermediate maintenance and minor repair. Intermediate maintenance and minor repairs are done from time to time with only minor effects on operations. Major maintenance work generally involves longer maintenance periods and generally requires interruptions in the production process.

The effect of any major maintenance on production depends on the type of equipment on which the major maintenance work is performed. Intermediate maintenance and minor repairs are performed by employees of Nanjing Iron & Steel. Nanjing Iron & Steel generally engages outside contractors to perform major maintenance on production facilities. Nanjing Iron & Steel's major maintenance plan is designed by management after taking into account factors, such as equipment condition and the costs and benefits of conducting maintenance work on production facilities.

Quality Control

Nanjing Iron & Steel's quality control department is responsible for ensuring quality control in production processes. Nanjing Iron & Steel's operations relating to the design, development, production and services of its products maintain ISO9001:2008 quality certification.

Nanjing Iron & Steel's shipbuilding steel plate has passed the authentications of ship classification societies in 10 countries. Twenty-three of its products, including the petrolatum tank steel plate, won China's National Metallurgical Products Physical Quality Golden Cup Award. Three other products, including tire cord steel, won the award of Good Quality Products in the Metallurgy Industry.

Competition

Nanjing Iron & Steel sells its products mainly to customers in Eastern China. Its competitors in this region include publicly traded companies such as Baoshan Iron and Steel Co., Ltd. (寶山鋼鐵股份有限公司), Maanshan Iron & Steel Company Limited (馬鞍山鋼鐵股份有限公司) and Jinan Iron and Steel Company, Ltd. (濟南鋼鐵股份有限公司). In addition, Nanjing Iron & Steel faces competition in China's steel market with major foreign steel manufacturers. To maintain and enhance its competitiveness, Nanjing Iron & Steel aims to further strengthen and develop long-term, stable and cooperative relationships with key customers. It will also focus on improving its product mix, including developing higher value-added steel products, lowering its production costs, adopting advanced process technologies, strengthening its marketing techniques and enhancing its procurement logistics for its products.

Insurance

Nanjing Iron & Steel maintains insurance coverage in respect of its principal production facilities.

Consistent with what we believe to be customary industry practice, Nanjing Iron & Steel does not maintain insurance coverage against risks of third party liability, business interruption, product liability or environmental damage arising from its operations, or damages caused by natural disasters, such as earthquakes. See "Risk Factors — Risks Relating to Our General Operations — Our insurance coverage may not adequately protect us against all operating risks." Since its establishment in 2003, Nanjing Iron & Steel has not filed any material claims against its insurers.

Environmental and Safety Matters

Steel production in China is subject to PRC national and local environmental regulations and is particularly affected by those governing the discharge and emission of pollutants.

Nanjing Iron & Steel's operations generate waste gases such as soot and dust, coking and cooling wastewater, solid waste such as steel and tar residue, and noise. Nanjing Iron & Steel upgrades its pollution control measures from time to time. Such measures focus primarily on reducing the discharge of dust particles at each stage of production. The environmental protection measures and their related project designs have been reviewed and approved by relevant government agencies. Nanjing Iron & Steel had not been charged with any behavior causing environmental damage.

Steel production processes are subject to relevant PRC safety laws and regulations such as the PRC Law on Production Safety (《中華人民共和國安全生產法》) and the Labor Protection Regulation of Jiangsu Province (《江蘇省勞動保護條例》). Nanjing Iron & Steel strictly follows national and local regulations and also formulates and implements safety management standards for its production processes in accordance with relevant government regulations.

On October 5, 2011, a molten iron spill accident occurred at Nanjing Iron & Steel, resulting in the deaths of 12 workers and one worker suffering serious injuries. The accident also caused a direct economic loss of RMB 12.08 million to Nanjing Iron & Steel. The relevant management personnel and staff of Nanjing Iron & Steel who were found liable for the accident received different levels of penalties and three staff were convicted. A fine of RMB 1 million was imposed on Nanjing Iron & Steel by the relevant government authority. After the occurrence of this accident, Nanjing Iron & Steel implemented numerous rectification measures to further enhance the infrastructure work for safe production and improve safe production management by establishing a more scientific, responsive and comprehensive safety management system and conducting various education programs on safe production to increase safety awareness among its staff. Any accident like the foregoing occurrence may adversely affect Nanjing Iron & Steel's corporate image and reputation as well as cause serious economic loss. See "Risk Factors — Risks Relating to our General Operations — Accidents in our steel production facilities or mining operations may expose us to liability and harm our corporate image." To reduce the risks of any similar accidents to occur in the future, we established a Safety and Environmental Protection Department on October 26, 2011, which is devoted to managing safe production and environmental protection related issues in the operations of all our business segments.

Legal Proceedings

Nanjing Iron & Steel is involved in legal proceedings from time to time in the normal course of business. We are not aware of any material legal proceedings, pending or threatened, that could have a material adverse effect on our business, financial condition or results of operations.

Other Portfolio Companies in the Steel Industry

Jianlong Group. The major production facilities of Jianlong Group are located in Tangshan and Chengde in Hebei Province, Shuangyashan in Heilongjiang Province, Fushun in Liaoning Province, and Jilin and Panshi in Jilin Province. We believe Jianlong Group enjoys logistics advantages over some of its competitors because its production facilities in North and Northeast China are close to its raw material suppliers and customers.

The principal products of the Jianlong Group include hot and cold strips, hot-rolled coils, and bars and wire rods. These products are principally used as raw materials for the production of welding tubes, mechanical parts and construction materials. Most of the products of Jianlong Group are sold to downstream processing entities in Northern and Northeastern China.

China's Steel Industry

China's steel industry has experienced rapid growth over the last decade. According to statistics published by the World Steel Association, China's crude steel production increased from 152 million tons in 2001 to 684 million tons in 2011, representing a CAGR of 16.2%, and China's apparent use of crude steel products increased from 171 million tons in 2001 to 650 million tons in 2011, representing a CAGR of 14.3%. China is the largest producer and consumer of steel products in the world. Statistics show that China's crude steel production in 2011 accounted for 45.0% of the crude steel production worldwide; meanwhile, China's apparent steel use in 2011 accounted for 43.8% of the apparent steel use worldwide. Nevertheless, China's level of consumption remains low compared with developed countries on a per capita basis. Because China is still in the process of urbanization and industrialization, it is believed that there will be continued growth in demand for crude steel in China in the long term.

The Iron and Steel industry went through a turbulent period during year 2012. The World Steel Association is forecasting global apparent steel use to increase by 2.1% in 2012, which is lower than 6.2% growth achieved in 2011, as China enters a less steel-intensive growth phase and the Eurozone debt crisis uncertainties continue to persist.

However, global apparent steel use is still expected to reach 1.41 billion tons this year. Global steel demand is expected to grow by 3.2% to 1.46 billion tons in 2013 according to the forecast by the World Steel Association.

The industry itself in China, while enormous in total scale, is fragmented with a great number of producers each accounts for a small amount of total output. China's steel industry includes many types of producers, ranging from smaller, inefficient producers to large state-owned enterprises with large, unionized labor forces as well as newly constructed steel plants and processing facilities built according to the most advanced technology and highest efficiency standards in the world. The bulk of China's steel industry comprises medium and small-scale producers, resulting in a level of industry concentration significantly lower than that of developed countries.

Steel consumption in the PRC is highly correlated with nominal fixed asset investment. Construction is the largest driver of steel usage in China. Construction growth has been strong and has rebounded from the financial crisis in late 2008. The World Steel Association expects steel demand in China to increase by 2.5% to 639.5 million tons in 2012 after 6.2% growth in 2011. We expect to continue to benefit from the housing and commercial needs created by urbanization trends and infrastructure trends in the future.

Mining Business

Overview of our Mining Business

We operate our mining business principally through Hainan Mining, through which we own a large open pit iron ore mine and conduct activities such as iron ore mining and trading. We have also invested in additional iron ore companies, such as Jin'an Mining to increase our business scale, and to generate and enhance integration and synergies within our businesses by increasing the iron ore self-sufficiency of our steel business. We have also invested in other resources such as coking coal and gold through investments in companies such as Shanjiaowulin and Zhaojin Mining, respectively.

For the three years ended December 31, 2009, 2010, and 2011 and the six months ended June 30, 2012, our mining segment generated revenue of RMB1,283.8 million, RMB1,685.5 million, RMB2,368.9 million and RMB1,140.1 million (exclusive of intersegment sales of RMB684.2 million, RMB1,494.7 million, RMB1,529.8 million and RMB592.4 million), representing 3.7%, 3,8%, 4.2% and 4.4% of our revenue in the same period, respectively.

Iron Ore Mining

Hainan Mining was jointly established by Fosun Group and Hainan Iron & Steel in August 2007, specializing in iron ore mining and trading business. Fosun Group owns a 60% equity interest in Hainan Mining and Hainan Iron & Steel owns the remaining 40%. Hainan Mining is the largest producer of iron ore lumps in China. The Shilu polymetallic iron ore mine owned by Hainan Mining is well known for its large rich iron ore resources and high-grade of iron ore. According to the HPBG Report, as of December 31, 2010, the iron ore reserve volume of Hainan Mining's Shilu Mine（石碌礦場）was approximately 253 million tons and the average grade of the iron ore was 46.25%. This mine also owns a deposit of varied mineral resources such as copper and cobalt. For the six months ended June 30, 2012, Hainan Mining produced approximately 1.92 million tons of iron ore products.

Hainan Mining's business strategy is to focus on developing its local iron ore projects in Hainan and investing in domestic and overseas mining resources. Hainan mining targets at becoming the leader of global small and medium sized mining companies with its core business of iron ore developing, mining and trading supported by our Group's unique and competitive management philosophy and system.

We are contemplating a possible spin-off and separate listing of Hainan Mining on the Main Board of the Shanghai Stock Exchange. Its IPO prospectus is being reviewed by CSRC.

Nanjing Steel United acquired Jin'an Mining in January 2004 and currently Jin'an Mining is a wholly-owned subsidiary of Nanjing Iron & Steel. Jin'an Mining's mining sites are located in Fanqiao Town, Huoqiu County, Liu'an City, Anhui Province. Its final product is iron ore concentrates with low tramp elements.

Other Mining Business

In addition to iron ore, we also invest in other resources such as coking coal and gold.

Coking Coal. Shanjiaowulin is a joint venture between our Group and Xishan Coal Electricity Group Co., Ltd.（西山煤電股份有限公司）in which we hold an equity interest of 20%. Shanjiaowulin specializes in mining and processing coking coal and is located in the Sanquan Industry and Development District of Fenyang City, Shanxi Province.

Gold. We are one of the founding investors of Zhaojin Mining. Our investment in Zhaojin Mining began in April 2004. Zhaojin Mining is located in Zhaoyuan City, Shandong Province, which is known as the "Gold Capital of China." Zhaojin Mining primarily engages in gold exploration and prospecting, mining, refining and processing. Zhaojin Mining has been a public company listed on the Main Board of Hong Kong Stock Exchange since 2006.

Competitive Strengths

Abundant and high-quality resources. Our mining segment owns large-scale and high-quality iron ore, coking coal and gold resources. The Shilu Mine owned by Hainan Mining is a mine of polymetallic ore. The mine contains iron ore reserves and other metal reserves including copper, cobalt and nickel. In addition, we believe that together with the enhancement of our management and operational procedures, our strengths in resources can result in cost advantages and increase our mining segment's competitiveness.

Industrial advantages derived from our Group structure. Our mining segment is an integrated part of our Group's businesses, benefiting from synergies and benefits generally unavailable to standalone mining enterprises. Our mining segment benefits from enhanced corporate governance practices, cost benchmarking and investment management systems. In addition, we believe our group supports and facilitates our mining segment's access to the capital markets.

Experienced industry personnel and management. Experienced mining technicians and personnel with established industry expertise are critical to the success of our mining operations. Through our mining enterprises such as Hainan Mining, Jin'an Mining and Zhaojin Mining, we have a team of carefully selected professionals who possess deep knowledge of and rich experience in various aspects of our mining business, including exploration, development, operation and marketing.

Strategy

Strengthen organic growth. We plan to further strengthen and improve strategic planning, budgeting processes and risk controls to facilitate the organic growth of our portfolio companies in the mining segment. We will specifically emphasize benchmarking management to lower the unit operation cost of our mining products and enhance the competitiveness of our portfolio companies. We also expect to provide support, services and advice to our portfolio mining companies to achieve sustainable profitability and to enhance market position in the mining industry.

Expand through mergers and acquisitions. We plan to continue to actively seek and evaluate domestic and international investment opportunities in mineral resources. We will continue to conduct in-depth research to identify and invest in projects which have high growth potential, high profitability, low investment costs and low operational costs. We plan to invest in projects with larger reserves and of higher resource quality through diversified investment models including private equity and strategic investments. We will continue to seek to grow our mining reserves and operational scale through external investments in the mining industry.

Production and Mining Sites

The following table sets forth information about the production of iron ore in our mining segment:

	Main Products	Output (Six months ended June 30, 2012) (million tons)	Reserve Volume
Hainan Mining	iron lumps, fines and concentrate	1.92	253 million tons of iron ore(1)
Jin'an Mining	iron concentrate	0.46	86 million tons of iron ore(2)

Sources:

(1) As of December 31, 2010, calculated based on the HPBG Report.

(2) As of June 28, 2010, calculated based on the MLR Report.

Customers and Sales

We supply all of our iron ore lumps, fines, and concentrate to the steel industry. Prevailing and expected levels of demand for steel products affect demand for our iron ore products. Demand for steel products is influenced by many factors, such as global manufacturing production, civil and infrastructure construction. The major customers of Hainan Mining include Nanjing Iron & Steel, Wuhan Iron & Steel Co., Ltd., Shaoguan Iron & Steel Co., Ltd. and Anyang Iron & Steel Co., Ltd. Hainan Mining sells its products to steel manufacturers directly or through distributors. Jin'an Mining mainly supplies its iron ore products to Nanjing Iron & Steel.

We strongly emphasize customer service in order to improve the competitiveness of our products. We work with our customers to understand their requirements so that we can provide them with iron ore solutions to meet specific customer needs. Using our expertise in mining, agglomeration and iron-making processes, we search for technical solutions that will balance the best use of our mining assets and the satisfaction of our customers.

Competition

The global iron ore market is highly competitive. The main factors affecting competition include price, quality, product range, reliability, costs and services.

Our principal competitors in the PRC market are domestic mining companies, including the mines of Hebei Iron & Steel Group and the mines of Anshan Iron & Steel Group, as well as overseas mining companies such as Vale, BHP Billiton and Rio Tinto. We believe we are competitive in the PRC market mainly because of (i) our scale and cost of operations and (ii) our close proximity to end users, which allows us to have lower transportation costs than some of our domestic and international competitors.

Insurance

Hainan Mining and Jin'an Mining maintain insurance coverage in respect of their principal production facilities.

Consistent with what we believe to be customary industry practice, Hainan Mining and Jin'an Mining do not maintain insurance coverage against risks of third party liability, business interruption, product liability or environmental damage arising from their operations, or damages caused by natural disasters, such as earthquakes. See "Risk Factors — Risks Relating to Our General Operations — Our insurance coverage may not adequately protect us against all operating risks."

Environmental and Safety Matters

Our mining segment is subject to environmental regulations that apply to the specific types of mining and processing activities we conduct. Environmental regulations affecting our operations relate, among other matters, to emissions into the air, soil and water; recycling and waste management; protection and preservation of forests, coastlines, natural caverns, watersheds and other features of the ecosystem; water use; and decommissioning and reclamation. In many cases, the mining concessions or environmental permits under which we operate impose specific environmental requirements on our operations. Environmental regulations can sometimes change and ongoing compliance can require significant costs for capital expenditures, operating costs, reclamation costs and compliance.

Mining processes are subject to relevant PRC safety laws and regulations such as the PRC Law on Production Safety and the Labor Protection Regulation. The companies in our mining segment strictly follow national and local regulations and also formulate and implement safety management standards for their mining processes in accordance with relevant government regulations. The companies in our mining segment also provide safety training to their employees and require all employees to follow the safety standards prescribed by their safety departments. Our mines are inspected regularly, and each production plant has a designated employee responsible for safety inspection.

Legal Proceedings

Hainan Mining and Jin'an Mining are involved in legal proceedings from time to time in the normal course of business. We are not aware of any material legal proceedings, pending or threatened, that could have a material adverse effect on our business, financial condition or results of operations.

China's Iron Ore Mining Industry

Overview

Iron ore is one of the most abundant resources in the Earth's crust. It is a highly reactive element and oxidizes (rusts) easily. Impurities such as sulfur, phosphorous, titanium, silica and alumina may influence or preclude commercial value. There are two principal ores in iron that are used for steel production: hematite and magnetite.

Hematite is a high grade ore generally found in large deposits of hematite rock, most commonly a banded iron formation (BIF). Generally the average grades for hematite ores are greater than 60% iron content. Hematite ore is usually found in large scale deposits in Brazil, Australia and India. Magnetite ore typically has relatively lower iron content than hematite ore. It is generally found in BIFs and predominantly composed of magnetite and silica. Magnetite ore can be found in various countries including Australia, India and China. Due to its lower iron ore content, magnetite ores require beneficiating for it to be suitable for sale. The magnetic properties of magnetite ore enable it to be readily refined into an iron ore concentrate, suitable as feedstock for the production of steel, the final concentrate is of a sufficient iron making grade — typically 60% iron or greater.

Demand for Iron Ore

Iron ore is predominantly used in the production of steel. According to World Coal Association, in 2011, world crude steel production was 1,518 million tons. This was an increase of 6% compared to 2010 and a new record for global crude steel production. Steel production will drive iron ore demand as China continues its industrialization process. See "— Steel Business — China's Steel Industry" in this section for more information.

Global Iron Ore Reserves

Iron ore bodies are widely dispersed by geography and vary substantially by grade, ore-type and impurities. The table below summarizes estimated iron ore reserves and implied iron ore grade by country for 2011.

	Reserves (million tons)		
Country	**Crude ore**	**Iron content**	**Indicative Fe grade (%)**
Australia	35,000	17,000	49%
Brazil	29,000	16,000	55%
Canada	6,300	2,300	37%
China	23,000	7,200	31%
India	7,000	4,500	64%
Iran	2,500	1,400	56%
Kazakhstan	3,000	1,000	33%
Mauritania	1,100	700	64%
Mexico	700	400	57%
Russia	25,000	14,000	56%
South Africa	1,000	650	65%
Sweden	3,500	2,200	63%
Ukraine	6,000	2,100	35%
United States	6,900	2,100	30%
Venezuela	4,000	2,400	60%
Other countries	12,000	6,000	50%
World total (rounded)	170,000	80,000	47%

Source: U.S. Geological Survey

Generally, production iron grades tend to be higher than indicative reserve grades as higher grade reserves get mined first, being more profitable. The average iron ore grade of mines in China ranges from as low as 20% to as high as 50% and is predominantly magnetite.

Chinese Iron Ore Production

China is the single largest producer of iron ore in the world. Nevertheless, China has a far lower iron grade relative to iron rich countries such as Brazil, Australia, India and South Africa. In the short term, it is expected that China will try to minimize iron ore imports and to continue supporting its large domestic mining industry. For example, in June 2010, the General Office of the State Council of the People's Republic of China emphasized the need to further develop domestic iron ore production and to expand Chinese iron ore operations overseas.

The following table sets forth China's historical estimated crude iron ore production volumes for the years indicated:

	2006	2007	2008	2009	2010	2011	2006-2011 CAGR
China crude iron ore production (million tons)	601	707	824	880	1,070	1,200	14.8%

Source: U.S. Geological Survey

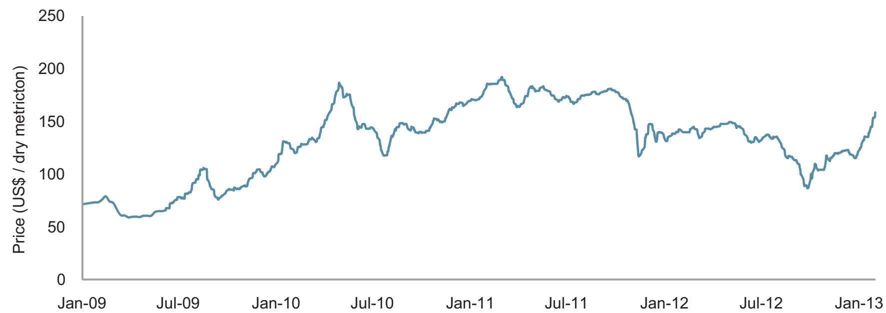
Overview of Pricing Mechanisms

International iron ore prices are generally negotiated directly between buyers and sellers and are mostly set on a quarterly basis, although annual and monthly pricing mechanisms are also quite common. The annual benchmark pricing negotiations was historically set by the first major sinter fine contract signed and announced by one of the three large iron ore companies (Vale, BHP Billiton or Rio Tinto) with a major Asian steel company. In 2010, the annual benchmark pricing system for iron ore was discontinued and prices have since been primarily set against a daily index price for iron ore sinter fines delivered China which could be on either a spot, monthly or quarterly basis.

The growth in iron ore demand since early 2000, driven primarily by Chinese steel production growth, had led to large increases in iron ore prices, both domestically in China and on the international market. The global financial crisis from late 2008 hit industrial production and the steelmaking industry particularly hard, and iron ore prices fell significantly from its 2008 highs. Since then, a strong recovery in steel and hence iron ore demand, saw prices rising in 2010 and early 2011. 2012 has been a difficult year for the steelmaking industry as well as the iron ore industry, as China enters a less steel-intensive growth phase and eurozone debt crisis uncertainties continue to persist. Iron ore prices experienced sharp fall in the second and third quarter of 2012 but have since rebounded strongly, driven by seasonal restocking of Chinese steel companies.

The following chart sets forth the movement of spot prices for China's imported iron ore fines from 2009 to early 2013:

China Imported Iron Ore Fines Spot Prices (62% Fe, CFR Tianjin Port)



Source: Bloomberg

Retail, Services, Finance and Other Investments

Overview

We invest strategically in retail, services, finance and a number of other industries, including our investments in Yuyuan, Focus Media, Club Med, Folli Follie, Minsheng Bank and Vigor Kobo. We believe our investment business allows us to capture high growth opportunities and provides us a source of future cash flow.

We employ a disciplined investment approach and follow strict investment management procedures with a goal to achieving superior returns. We have adopted comprehensive investment management and decision-making procedures which cover the whole cycle of an investment, from selecting, evaluating, structuring, diligence, negotiating, executing, monitoring to exiting. All of our investment or divestment decisions are made by our investment committee.

We actively look for investment opportunities in four sectors, namely, consumption upgrade, financial services, resource and energy and manufacturing upgrade. We believe that such businesses will benefit from China's rapid economic growth. We set high standards for the management teams of our investee companies and require that the culture and values of such companies be in line with ours. For unlisted investee companies, we seek to facilitate their public listing for their value appreciation and our exist. Our holding period is flexible, and we typically determine our holding period based on the nature of investment.

We believe that our distinctive business model of combining China's growth momentum with global resources, our in-depth understanding of China's growth momentum, our experience in operating a wide range of industries and our rich investment experience and history can help us in the future to capture more high-growth investments opportunities.

Competitive Strengths

We believe we have the following competitive strengths in this segment:

We have proven successful investment track record. We have a proven record of successfully exiting our investments through IPOs. For example, as of June 30, 2012, nine of our private equity investment projects have successfully gone public.

We have extensive network in China with access to companies in various industries. Our Group has more than 20 years of experience in various industries. We may leverage our Group's industrial foundation and extensive resources and network.

We have an experienced management teams. Our management team has strong expertise in managing investment and industrial operations, which enables us to make sound investment decisions.

We have strong negotiating leverage. We have extensive network and capability to improve the management in our investee companies, which we leverage when negotiating transaction terms with a target company.

Our investments have provided us with stable cash flow. We have been able to, and expect that we will continue to be able to exit our investments via IPOs, trade sales and others, which provide us with a stable cash flow.

Strategy

We aim to grow our retail, services, finance and other investments segment by capturing investment opportunities benefiting from China's growth momentum. To achieve this, we have adopted the following strategies:

Continue to implement our disciplined investment approach. We target to identify companies in industries that stand to benefit from China's growth momentum, and that have a high potential of successfully going public. We continue to target enterprises with stable business and performance track record and established corporate structures and government mechanism required to satisfy listing standards.

Strengthen our risk management system. We will continue to optimize our risk management framework, mechanism and procedures and strengthen our capabilities in managing, assessing and forewarning risks.

Explore our exit strategies. Our main exit strategy of our investments was to take the investment portfolio companies public through an initial public offering. We intend to explore more exit options.

Investment Portfolio Companies

At present, our investment portfolio companies in the retail, services, finance and other investments segment mainly include:

Yuyuan

We had an equity interest of 17.3% in Yuyuan as of December 31, 2012. Yuyuan is publicly traded with its A shares listed on the Shanghai Stock Exchange. Yuyuan is located at Yuyuan Commercial and Tourist District, a well-known tourist destination in Shanghai. Yuyuan specializes in gold jewelry retail and wholesale, food and beverage business and non-residential property leasing. As of June 30, 2012, Yuyuan operated 135 self-owned gold and jewelry stores and 1,533 gold and jewelry sales outlets nationwide. As of June 30, 2012, Yuyuan also held an equity interest of 25.69% in Zhaojin Mining.

Focus Media

We owned an equity interest of 16.75% in Focus Media as of December 31, 2012. Focus Media is listed on the NASDAQ Stock Exchange. Founded in 2003, Focus Media is a leading digital media group in China. Its product portfolio covers several audience-centric and interactive media networks, including commercial property networks, shopping district terminal networks, residential complex lift lobby networks (framedia), outdoor LCD color screen networks and movie theater networks. Currently, Focus Media's networks cover more than 100 cities and 100,000 terminals in China. It has become one of the popular media platforms in China, and has gained significant recognition from advertisers.

Club Med

Club Med is a world-renowned resort group. Established in 1950 in France, Club Med is among the earliest companies in the world to advocate the holiday resort model. Club Med currently operates about 80 resort hotels in about 40 countries worldwide. As of June 30, 2012, we held a 9.96% equity interest in Club Med's share capital. Following our acquisition of an equity interest in Club Med, we have advised and supported Club Med in expanding its networks and businesses in China.

Folli Follie

Folli Follie is a globally renowned fashion retail group. It is currently listed on the Athens Stock Exchange. We acquired a 9.96% equity interest in Folli Follie in 2011. We have played our role as an active shareholder to assist Folli Follie's development in China in areas such as store opening and brand building.

Minsheng Bank

Minsheng Bank is a nationwide commercial bank with its shares listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange. As of December 31, 2012, we held 2.19% of the equity interest in Minsheng Bank. Minsheng Bank has over two hundred banking outlets throughout China and relationships with more than seven hundred banks overseas.

Vigor Kobo

Vigor Kobo is a Taiwan-based bakery company, producting a variety of cake and other pastries. We acquired a 20% equity interest in Vigor Kobo in November 2012.

Recent Development

On December 19, 2012, Focus Media announced that it has entered into a definitive agreement and plan of merger with Giovanna Parent Limited and Giovanna Acquisition Limited, pursuant to which Giovanna Parent Limited will acquire Focus Media for US$5.50 per ordinary share or US$27.50 per American depositary share, each representing five shares. The transaction values Focus Media's equity at approximately US$3.7 billion, on a fully diluted basis. In connection with this proposed transaction, on December 19, 2012, we entered into a rollover agreement with Giovanna Group Holdings Limited, and Giovanna Parent Limited, pursuant to which we agreed to subscribe for 174,084 new shares of Giovanna Group Holdings Limited, in exchange for 72,727,275 shares of Focus Media held by us through 14,545,455 American depositary shares, each representing five shares of Focus Media. Assuming the completion of the proposed privatization of Focus Media and the effectuation of the roll over agreement, Focus Media would be delisted from the NASDAQ and our interest in Focus Media may be partially cashed out.

Other Investments

We also seek value-oriented investment opportunities in both private and public markets. We aim to profit from China's growth momentum by investing in sectors, such as financial services, consumption upgrade, resources and energy and manufacturing upgrade, that stand to benefit from the growth in China's domestic consumption. We also invest in minority interests of those companies with listing potential through a few private equity investment platforms. We promote the listing of the investee companies and seek to exit at an appropriate time to achieve high investment returns. The table below sets out three of our private equity investment projects that have successfully gone public during the six months ended June 30, 2012.

Listed Company	Stock code	Investment amount	Accumulated dividends	Market cap attributable to our Group as of 29/06/12	Appreciation of investment funds
		(RMB million)			
Leyard Optoelectronic Co. Ltd.	300296.SZ	33.6	0.4	104.4	212%
Xi'an Longi Silicon Materials Co., Ltd.......	601012.SH	138.0	0.0	189.9	38%
Jiangsu Sunrain Solar Energy Co., Ltd	603366.SH	63.0	1.1	104.2	67%

Note:

(1) Equals the result of the aggregate of (i) Market capitalization attributable to our Group as of June 30, 2012 and (ii) Accumulated dividends minus (iii) the investment amount, and then divided by the investment amount.

Finance Company

We have set up Fosun Group Finance in July 2011, a finance company under our retail, services, finance and other investments to facilitate our centralized management and allocation of available funds within our Group to improve efficient fund utilization. Fosun Group Finance is a non-bank financial institution providing fund management services primarily in making loans to, and taking deposits from, qualified customers. The qualified customers include (i) Fosun Group and its subsidiaries; (ii) our jointly controlled entities and associates; (iii) our investee companies, of which we are the single largest shareholder; and (iv) public institution legal persons or social organization legal persons(事業單位法人或者社會團體法人) formed by Fosun Group or its subsidiaries.

Fosun Group Finance can engage in a variety of business pursuant to the relevant PRC laws and regulations, which includes, among others, accepting deposits from its qualified customers, providing loans and lease financings to its qualified customers discounting on notes to its qualified customers, providing guarantee services to its qualified customers, and handling entrusted loans among its qualified customers. See "Regulation — Laws Applicable to Our Retail, Services, Finance and Other Investments — Regulations Relating to Finance Company of

Enterprise Group" for details. As of June 30, 2012, Fosun Group Finance managed funds of the qualified customers in the total amount of RMB633.8 million, and extended loans to four qualified customers in a total amount of RMB305.0 million.

Legal Proceedings

We are involved in legal proceedings from time to time in the normal course of business under our retail, services finance and other investments. We are not aware of, and our PRC counsel is of the opinion that there does not exist any material legal proceedings, pending or threatened, that could have a material adverse effect on our business, financial condition or results of operations.

Asset Management Business

Overview

Our asset management is our new business segment which mainly serves domestic and international institutional and high net worth individual clients. We currently manage four categories of funds, which are (i) US dollar funds, which are Pramerica-Fosun China Opportunity Fund and Carlyle-Fosun Fund, (ii) the RMB private equity funds, (iii) the Star Capital Fund, and (iv) Forte Real Estate RMB Fund Series. We act as the general partners of the funds we manage. Our asset management business provides us a stable source of income. It also allows us to grow our business with relatively low capital requirement and manage our risk exposure.

In the operations of our asset management business, we uphold our investment philosophy of combining China's growth momentum with global resource. The US dollar funds mainly focus on long-term overseas capital, including sovereign funds and pension funds, whereas RMB private equity funds focus on domestic enterprises in consumption upgrade, financial services, resource and energy and manufacturing upgrade. We charge our clients management fees for the funds we manage and may obtain carried interest, which are allocations or distributions calculated by reference to the performance of a fund or its underlying investments.

As of June 30, 2012, our asset under management, or AUM, reached a total commitment amount of RMB16.61 billion, to which we were committed to contribute RMB3.05 billion. As of June 30, 2012, RMB10.71 billion of the AUM has been collected, to which we contributed RMB2.44 billion.

As of June 30, 2012, we had invested in 36 projects, including both property development projects and equity investment projects with an aggregate investment of approximately RMB8,436 million.

Competitive Strengths

We believe our asset management business has the following competitive strengths:

We have proven successful investment track records. Although our asset management segment was recently established, we have years of investment experience with significant investment returns. We have a proven track record of successfully capturing attractive investment opportunities in a wider range of industries. In addition, we may utilize our Group's foundation, and extensive resources and network.

We have unique deal sourcing capability. We have a systematic deal sourcing approach which includes a macro-economic analysis and an introduction by our strategic partners. Our brand name awareness in China gives us an advantage in identifying and capturing investment opportunities.

We have an experienced management team. The management team of the portfolio companies under our asset management segment consists of the founders of our group, who have understanding of China's economy, industries, politics, culture and regulatory changes, and investment and operation professionals.

We partner with well-known international players with decades of track record in investment. Prudential Financial, Inc., our limited partner of Pramerica-Fosun China Opportunity Fund, serves individual and institutional customers worldwide and provides a broad array of investment management and advisory services, mutual funds, and other structured products. The Carlyle Group, an American-based global asset management firm, was ranked the third largest private equity firm in the world based upon capital raised over the last five years from 2011, according to Private Equity International.

Disciplined investment approach and strict investment management procedures. We employ a disciplined investment approach and follow strict investment management procedures with a goal of achieving high returns. We have adopted comprehensive investment management decision-making procedures from project selection, evaluation, structuring, due diligence, negotiation, execution, monitoring and exit strategy.

We provide decision support for our investment portfolio companies. We believe we may provide our investment portfolio companies with strategic advice and recommendation through, among others, (i) our representatives on the board of the portfolio companies, and (ii) our Group's strategic decision making system.

Strategy

Our goal is to build an asset management business capturing investment opportunities that benefit from China's growth momentum. To achieve this goal, we have adopted the following strategies:

Continue to implement our disciplined investment approach. We target to identify companies in industries that stand to benefit from China's growth momentum and that have a high potential of successfully going public. We continue to target enterprises with stable business and performance track record and established corporate structures and government mechanism required to satisfy listing standards.

Strengthen our risk management system. We will continue to optimize our risk management framework, mechanism and procedures and strengthen our capabilities in managing, assessing and forewarning risks.

Explore other exit strategies. Our main exit strategy of our investments was to take the investment portfolio companies public through an initial public offering. We intend to explore our exit strategies through merger and acquisitions or trade sales in the future in order to maximize our investment returns.

Description of Funds Profile

The funds we manage include US Dollar funds, RMB private equity funds, Star Capital Fund and Forte Real Estate RMB Fund Series.

US Dollar Fund

Our US Dollar funds consist of Pramerica-Fosun China Opportunity Fund and Carlyle-Fosun Fund with the aggregate commitment amount of US$700 million as of June 30, 2012.

Pramerica-Fosun China Opportunity Fund is the largest third party asset management commission of Prudential Finance, Inc. in its 135 year history, and the largest overseas limited partner commitment that we have obtained as well. According to our agreement, Prudential Finance, Inc shall commit US$500 million commitments as the limited partner of this fund, and we shall commit no less than US$100 million as the general partner responsible for making investment decisions. As of June 30, 2012, Prudential Finance, Inc. has contributed US$173 million and we have contributed US$34.5 million to the fund. As of June 30, 2012, this fund has invested in five projects.

Carlyle-Fosun Fund managed by Carlyle-Fosun Management is one of the first foreign investment limited partnership equity investment firms in China, as well as the first pilot enterprises of foreign equity investment in Shanghai on the basis of Registration of Foreign-invested Partnership Enterprise Regulations issued by the PRC central government. Both The Carlyle Group and us act as the general partners of the fund. As of June 30, 2012, this fund has invested in one project.

RMB Private Equity Fund

We manage our five RMB private equity funds through Fosun Capital Management and Fosun Chuanghong Management. Fosun Capital Management is the general partner of the following four funds:

- Fosun Pingxin Fund formed in June 2007 with a total commitment amount of RMB95 million. As of June 30, 2012, this fund has invested in one project.

- Shanghai Fosun Yanping Fund, formed in April 2010 with a total commitment amount of RMB160 million. As of June 30, 2012, this fund has invested in one project.

- Fosun Wealth Fund, formed in March 2011 with a total commitment amount of RMB1,525 million. As of June 30, 2012, this fund has invested in 12 project.

- Fosun Weishi Fund, which is still in the fund raising process and is expected to have a total commitment amount in the range of RMB2,000 million to RMB2,500 million.

Fosun Chuanghong Management is the general partner of Fosun Chuanghong Fund, formed in November 2011 with a total commitment amount of RMB1,505 million. As of June 30, 2012, Fosun Chuanghong Fund has invested in one project.

Star Capital Fund

Star Capital Fund consists of Star Capital Fund I, with a commitment amount of RMB3,608 million, and Star Capital Fund II, with a commitment amount of RMB1,870 million, of which an amount of RMB267 million was raised in November 2012. As of June 30, 2012, Star Capital Fund has completed three investments.

Forte Real Estate RMB Fund Series

The funds of Forte Real Estate Fund Series are managed by Forte's investment team and target residential and commercial property development projects, leveraging Forte management team's understanding of China's real estate market. As of June 30, 2012, the Forte Real Estate Fund Series consists of ten funds with a total commitment amount of RMB3,178 million and have invested in 13 projects.

Description of Investment Portfolio

We actively seek investment opportunities in a variety of industries, mainly consumption upgrade, financial services, resource and energy and manufacturing upgrade that stand to benefit China's growth momentum. We target the investment opportunities in (i) overseas listed China-based companies with growth potential; (ii) transforming and upgrading local companies; (iii) foreign companies that may benefit from China's growth momentum; and (iv) companies focused on local markets and present potential to become a leader in the relevant industry. We promote the listing of our investee companies and seek exit at the appropriate time to maximize our return. For example, we succeeded in exiting our investment in Zhejiang Aishida Electric Co, Ltd.（浙江愛士達電器股份有限公司）in June 2012, which went public on the Shenzhen Exchange in April 2011. We sold 27,000,000 shares of Zhejiang Aishida Electric Co. Ltd. at the aggregate sales price of RMB322.1 million in comparison of our initial investment of RMB90.0 million.

Legal Proceedings

We are involved in legal proceedings from time to time in the normal course of business under our asset management business. We are not aware of, and our PRC counsel is of the opinion that there does not exist any material legal proceedings pending or threatened, that could have a material adverse effect on our business, financial condition or results of operations.

China's Asset Management Industry

We believe that the asset management industry has strong potential in China. At the end of 2011, the net asset value of China's securities investment funds was RMB2.19 trillion, the value of banks' wealth investment products was RMB4.57 trillion, and the trust assets and insurance assets amounted to RMB4.8 trillion and RMB6 trillion, respectively, according to the CSRC. There are opportunities to develop a comprehensive asset management sector as individual investors and companies seek higher returns.

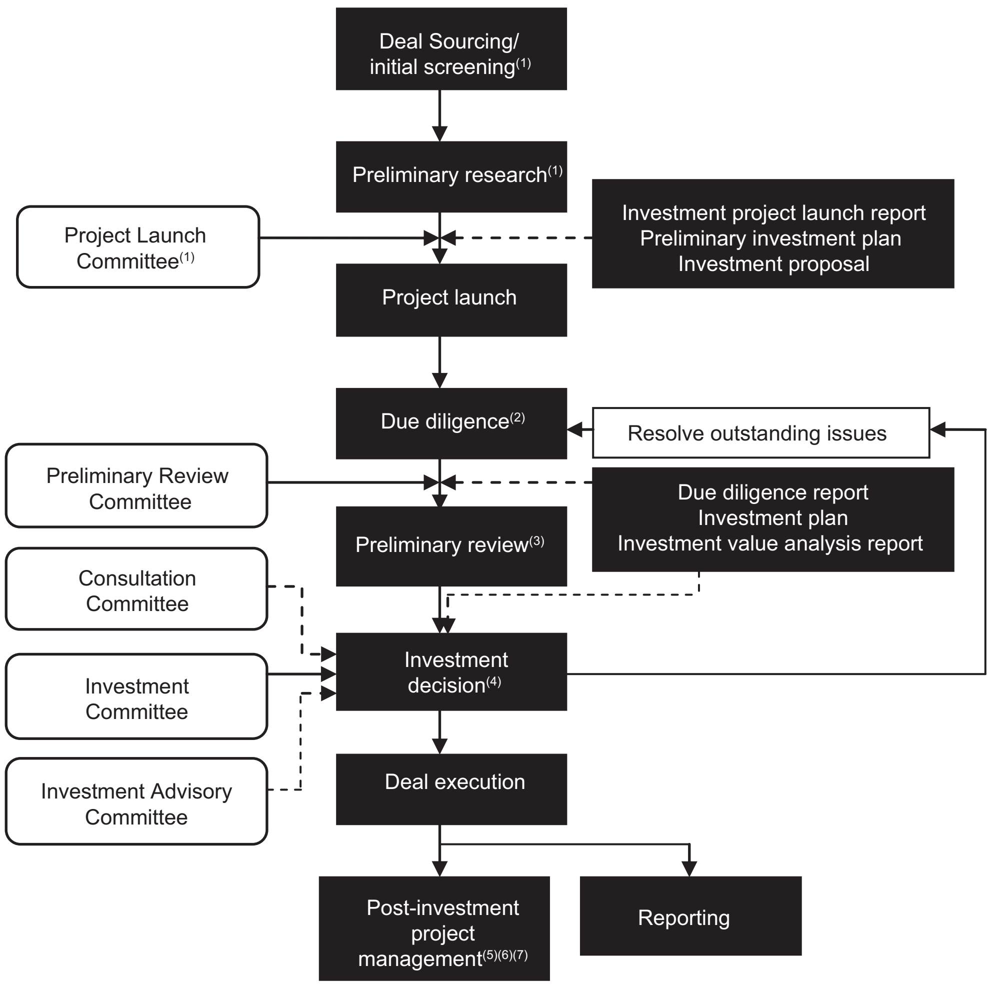
In particular, China's venture capital ("VC") and private equity ("PE") market is very active and is by far the largest in Asia. The market is growing rapidly partly because it is seen as an important source of capital to fund private-sector growth. Many small- and medium-sized enterprises in China have had difficulty in raising bank loans or accessing capital markets. As a result, the Chinese government has recently introduced a series of measures to support the private equity industry. A domestic PE industry is emerging.

According to the NDRC, there were 882 VC and PE firms registered with the NDRC at the end of 2011, a 34.3% rise compared to 2010, and the value of assets managed by them increased by 41.5% to RMB220.7 billion (US$34.6 billion) as of December 31, 2011. By the end of 2011, the accumulated investment value for the VC and PE companies was RMB120.4 billion, a 30.7% increase year-on-year. There were 1,928 new deals made in 2011, 53 more than in 2010, and 507 exits from registered VC and PE firms, 119 more than in 2010.

PE funds are very focused on industries that stand to benefit from the transition in the economy and from the implementation of the 12th Five-Year Plan. Typically, these include Chinese industries linked to domestic consumption, healthcare and pharmaceutical, clean technologies, media and entertainment and service industries, including financial services where regulations permit. More exits are by way of initial public offerings. As the market matures, we believe buyout transactions will be of greater frequency and importance. Local firms enjoy privileges over foreign rivals in terms of industrial regulation and access to funding in RMB.

Investment Procedures

A disciplined investment decision-making process is fundamental to our operations. To implement our disciplined investment procedures, we have set up comprehensive investment procedure framework covering the whole process from project selection, due diligence, preliminary review, decision making, project execution to post-investment to project management. The chart below illustrates our investment procedure framework:



(1) Pre-launch stage — conducting initial review of the relevant industry prospect, project quality, cooperation intent, and investment feasibility;

(2) Due diligence — being conducted by investment specialists of the relevant investment management company, together with the personnel from our legal department, audit department and human resource department to get in-depth evaluation of the investment opportunity. This process includes:

- business background due diligence — closely investigating the operation history, current condition and future prospect, and analyzing the target company's strategies, strengths, development trend, asset, risks and opportunities, customers and suppliers, and others

- industry and competition analysis — evaluating the target company's market condition, competition, entrance barrier and cost

- management team assessment — conducting on-site interviews, telephone follow-up interviews, background check and others

- financial due diligence — conducting detailed analysis of the target company's accounting policies, profitability, capital requirements, tax and financial forecast

- legal due diligence — closely reviewing material agreements, litigation search, and compliance with relevant laws and regulations

- employee benefits and insurance and risk management — conducting analysis on the target company's employee benefit plan, insurance coverage and potential to reduce labor cost

(3) Preliminary review — project being reviewed by the preliminary review committee composed of the head and senior management of the relevant investment management company, and the supervisors of the legal, audit or finance departments of our holding companies.

(4) Investment decision — project being reviewed by the investment committee composed of the directors of the Group and the head of the relevant investment management company, which will review the due diligence report, financial forecast, corporate governance, management, purchase price, transaction terms, strategies and other related matters. Unanimous consent of all members of the investment committee is required to approve a project.

(5) Value-added process — we will leverage our expertise and networks to help the investment portfolio company to formulate development strategies

(6) Value-added 100 days — during the 100 days following the deal execution, we will assist the investment in resolving certain outstanding issues

(7) "Red, yellow, green light" project management system — (i) green, means that the performance is in line with expectation and is subject to our management team's continual follow up; (ii) yellow, means that the performance is short of expectation by less than 15% and the investee company is on watch by our directors; (iii) red, means that the performance is short of expectation by 15% or more directors shall be delegated to manage directly

Since 1978, the PRC Government has gradually liberalized the PRC economy. In recent years, the PRC Government has encouraged private and foreign investments and reduced its level of control over different aspects of the Chinese economy, such as resource allocation and productivity. There is, however, no assurance that the PRC Government will continue to pursue its current policy or that such policy will not be significantly altered in the future. Meanwhile, the PRC legal system is developing and may be subject to further changes and adjustments. Some laws and court judgments may not be effectively enforced in some areas of the country.

The PRC Legal System

The PRC legal system is based on civil law and consists of statutory codes, administrative rules, regulations, directives, and local regulations and directives. Court rulings do not constitute binding precedents although they serve as references and guidance for judges.

At the national level, the legislative branch consists principally of the National People's Congress (the "NPC") and the Standing Committee of the NPC. They are empowered by the PRC Constitution to exercise the legislative powers of the State. The NPC has the power to amend the PRC Constitution, supervise the implementation of the Constitution, and promulgate specific laws governing government institutions, civil matters and criminal matters. The Standing Committee of the NPC is empowered to interpret the laws promulgated by the NPC and to promulgate laws other than those specifically required to be promulgated by the NPC.

The administrative branch consists principally of the State Council. The State Council is the highest institution in the administrative branch and has the power to promulgate administrative rules and regulations. Ministries and commissions under the direct control of the State Council have the delegated power to promulgate orders, directives and regulations for matters within their respective jurisdictions. Any administrative rules and regulations promulgated by the State Council and/or orders, directives and regulations promulgated by the ministries and commissions, however, must not conflict with the PRC Constitution and national law. In the event of a conflict, the Standing Committee of the NPC has the power to annul the administrative rules and regulations promulgated by the State Council and the State Council has the power to annul the relevant orders, directives and regulations promulgated by the ministries and commissions.

At the regional level, each province or municipality consists principally of a people's congress and its standing committee (in its legislative branch) and a local government and its agencies (in its administrative branch). The people's congress and its standing committee have the power to promulgate local rules and regulations, while the local government has the power to promulgate administrative rules and directives applicable to its administrative area. These local regulations and directives must not conflict with the PRC Constitution, national law, or any administrative rules and regulations promulgated by the State Council.

We are a holding company incorporated in Hong Kong, and our wholly-owned subsidiary Fosun Group is a foreign-owned enterprise incorporated in the PRC and our other portfolio companies are also incorporated and operate in the PRC. Set forth below is a summary of information relating to the laws and regulations applicable to our business.

Laws Relating to Our Holding Company Structure

Company Law

The establishment and operation of corporate entities in China is governed by the PRC Company Law（中華人民共和國公司法）, which was promulgated by the Standing Committee of the NPC on December 29, 1993 and became effective on July 1, 1994. The Law was subsequently amended on December 25, 1999, August 28, 2004 and October 27, 2005.

The PRC Company Law generally governs two types of companies: limited liabilities companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of a company to its debtors is limited to the value of assets owned by the company. Liabilities of shareholders of a limited liability company are limited to the contributions which they have made. A joint stock limited company is a company with a registered share capital divided into shares of equal par value, and liabilities of its shareholders are limited to the amount of capital they are legally obliged to contribute for the shares for which they have subscribed. According to the latest revised PRC Company Law, the principle of "piecing the corporate veil" is adopted and the creditors are allowed, under certain circumstances, to have access to recourse against the assets of the shareholders of a limited liability company or a joint stock limited company for repayment of the debt of the company.

The latest revised PRC Company Law has adopted provisions with respect to one-person limited liability companies, which legitimate the incorporation of one-shareholder limited liability companies in addition to wholly State-owned enterprises. However, if the shareholder of a one-person limited liability company is unable to prove that the property of its investee company is independent from its own property, the shareholder shall bear joint and several liabilities for the debts of such one-person limited liability company.

Property Law

On March 16, 2007, the Fifth Meeting of the Tenth NPC promulgated the Property Law of the PRC（中華人民共和國物權法）(the "Property Law"). Pursuant to the Property Law, property rights are direct dominating and exclusive rights to any specific property possessed by a person, which include ownership, usufruct rights and security rights to the property. Any creation, modification, transfer or termination of any right in immovable properties will become effective upon registration according to law. Any creation or transfer of any right in movable properties will become effective upon delivery except as otherwise provided by law. Any creation, modification, transfer or termination of any right in respect of shipping, aircraft and motor vehicle without registration will not prevail over the rights of any bona fide third party. Any creation, modification, transfer or termination of any property right resulting from the legal documents of the People's Courts or the arbitration commissions, or the expropriation decisions made by the PRC Government, will become binding as from the date of their coming into effect. All lawful properties of the State, collective entities and individuals are protected by law, and no entities or individuals may embezzle, encroach upon or destroy such properties. The State implements the system of compensated use of natural resources. The term of the valid construction land use rights in respect of residential houses may be extended automatically upon expiry of such term. The

Property Law also makes specific regulations on the land contractual operation right, the construction land use right, residential land use right, right of easement and various security rights. Property Law has come into force on October 1, 2007.

Reform on Shareholding Segregation of Listed Companies

Under the Guidelines Relating to Reforms of Shareholding Segregation of Listed Companies (關於上市公司股權分置改革的指導意見) (the "New Guidelines") issued by CSRC and other four state departments on August 23, 2005 and the Regulatory Measures Relating to Reforms of Shareholding Segregation of Listed Companies (上市公司股權分置改革管理辦法) (the "Regulatory Measures") issued by CSRC on September 4, 2005, non-tradable A shares of a listed company shall be converted into tradable A shares, and such conversion plan shall be approved by at least 2/3 of the voting rights held by the shareholders participating in the voting and at least 2/3 of the voting rights held by the shareholders with tradable A shares in accordance with the stipulated procedures. Though it is not expressly provided in PRC law, according to the market practice, holders of non-tradable A shares in a listed company are expected to pay compensation in the form of shares, equity option or cash to holders of tradable A shares.

Restrictions on Wholly Foreign-owned Enterprises

Foreign investors may establish wholly-owned enterprises in a growing number of industrial sectors in China. The establishment, operation and management of foreign-owned enterprises is governed by two principal statutes: the PRC Law on Wholly Foreign-owned Enterprises (中華人民共和國外資企業法), which was promulgated on April 12, 1986 and amended on October 31, 2000, and the Detailed Rules on the Implementation of PRC Law on Wholly Foreign-owned Enterprises (中華人民共和國外資企業法實施細則), which were promulgated on December 12, 1990 and amended on April 12, 2001.

The enterprise with foreign investment must obtain the approval of the MOFCOM or its designated authority for its establishment and also need to register with the relevant PRC industrial and commercial administrative departments for its establishment in accordance with the Regulations of the PRC on Company Registration and the Regulations of the PRC on Enterprise Legal Person Registration.

The Guidance Catalogue of Industries for Foreign Investment (amended in 2011) (外商投資產業指導目錄(2011年修訂)) (the "Catalogue") promulgated by the MOFCOM and NDRC on December 24, 2011 contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign invested industries, restricted foreign invested industries and prohibited foreign invested industries. Any industry not listed in the Catalogue is a permitted foreign invested industry. Investments in the PRC conducted by foreign investors, WFOEs and Sino-foreign equity joint ventures shall comply with the Catalogue, including obtaining approval with commerce authorities of different levels.

Wholly foreign-owned enterprises are required to adopt measures similar to those in Sino-foreign joint ventures with respect to establishment procedures, verification and approval procedures, registered capital requirements, foreign exchange restrictions, accounting practices, taxation and labor matters. Compared with the policies applicable to other foreign-invested enterprises (e.g. equity joint ventures and cooperative joint ventures), however, more restrictive policies apply to the operation of wholly foreign-owned enterprises. For instance, investment projects involving the development of the large land parcels may only be undertaken by foreign-invested enterprises in the form of equity joint-ventures or cooperative joint ventures; investment projects involving the establishment and operation of water transport projects may only be undertaken by foreign-invested enterprises in which the Chinese party has a controlling interest. In connection with China's entry into the WTO, the PRC Government has undertaken that it would lift some of the foreign investment restrictions in certain industrial sectors, but restrictions against investment by foreign-invested enterprises in the form of equity joint ventures or cooperative joint operations will be lifted earlier than those against foreign-owned enterprises.

M&A Rules

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM and CSRC, promulgated the Rules on Acquisition of Domestic Enterprises by Foreign Investors（開於外國投資者併購境內企業的規定）(the "M&A Rules"), a new regulation with respect to the investments and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006 and was amended on June 22, 2009. The M&A Rules, stipulate principles regarding equity acquisition and asset acquisition of domestic enterprises by foreign investors. According to the M&A Provisions, such equity acquisition and asset acquisition shall be subject to the approval of competent governmental authorities.

SAFE Circular

The Circular of SAFE on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and Round-trip Investment via Overseas Special Purpose Companies（國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知）was issued by SAFE on October 21, 2005, effective on November 1, 2005. Under the Circular: (i) PRC domestic residents who plan to establish or control an overseas special purpose vehicle ("SPV") must conduct foreign exchange registration with the local foreign exchange authority; (ii) PRC domestic residents who have contributed their assets or shares of a domestic enterprise into an overseas SPV, or after such contribution or financing obtained overseas, must conduct foreign exchange registration for the contribution of record concerning the overseas SPV with the local foreign exchange authority; and (iii) PRC domestic residents who are the shareholders of overseas SPV are required to go through registration for the modification of record with the local foreign exchange authorities within 30 days from the date of any major capital change event, such as an increase/decrease of capital, share transfer, share swap, long term investment or foreign guarantee where no round-trip investment is involved.

Pursuant to the Circular, the existing shareholders of our Company, Messrs. Guo Guangchang, Liang Xinjun, Wang Qunbin and Fan Wei, were required to apply to the relevant foreign exchange administration authorities for foreign exchange registration of overseas investment for their investment in our Company and its associated overseas companies. Our PRC legal counsel, Chen & Co, has confirmed that as of the date hereof these existing shareholders completed the required foreign exchange registration and no other PRC approvals or consents in relation to these existing shareholders' direct or indirect interests in our Group are required to be obtained.

Taxation

Most of our operations are conducted through PRC enterprises in China, and income derived from such activities is subject to enterprise income tax, business tax, land appreciation tax and/or value-added tax levied by the PRC Government.

Enterprise Income Tax

The PRC Law on Enterprise Income Tax（中華人民共和國企業所得稅法）(the "Income Tax Law") was promulgated by the NPC on March 16, 2007 and effective on January 1, 2008. Under such law, enterprises and other organizations which generate income in the PRC are required to pay enterprise income tax in the PRC.

The Income Tax Law provides a unified tax rate at 25% for all PRC resident enterprises, including domestic and foreign invested enterprises. Non-PRC Resident Enterprises (means companies established pursuant to a non-PRC law with their de facto management conducted outside the PRC, but which have established organizations or premises in the PRC, or which have generated income within the PRC without having established organizations or premises in the PRC) which have not established organization or premises within the PRC, or if established, the income derived is in fact not associated with such organizations and premises in the PRC, are subject to enterprise income tax at a rate of 20% of their income generated within the PRC. The 20% tax rate applicable to such Non-PRC Resident Enterprises has been further reduced to 10% by the implementation rules of the Income Tax Law.

On December 26, 2007, the State Council issued the Notice on Implementation of Enterprise Income Tax Transition Preferential Policy under the PRC Enterprise Income Tax Law（國務院關於實施企業所得稅過度優惠政策的通知）(the "Transition Preferential Policy Circular"), which became effective simultaneously with the Income Tax Law. Under the Income Tax Law and the Transition Preferential Policy Circular, enterprises that were established before March 16, 2007 and already enjoyed preferential tax treatments will continue to enjoy them (i) in the case of preferential tax rates: the tax rate will gradually increase from 15% to 25% for a period of five years from January 1, 2008 (ii) in the case of preferential tax exemption or reduction for a specified term: enjoy until the expiration of such term.

Under the Income Tax Law and the related Implementation Rules, Non-PRC resident enterprises that have not set up institutions or establishments in China shall pay enterprise income tax on income originating from China (including interest income) at a reduced enterprise income tax rate of 10%, and under the Arrangement between the Chinese Mainland and Hong Kong Special Administrative Region to Avoid Double Taxation and Prevent Tax Evasion（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）, which was promulgated on August 21, 2006, interest income earned on One Side and paid to a resident of the Other Side (the terms "One Side" and "the Other Side" mean Mainland China or the Hong Kong Special Administrative Region) may be taxed by the Other Side. However, such interest may also be taxed in the side in which it arises according to the laws of that side, but if the beneficial owner of the interest is a resident of the Other Side, the tax so charged shall not exceed 7% of the gross amount of the interest earned. Where, by reason of a special relationship between the payer and the beneficial owner, or between both of them and some other person, the amount of interest exceeds, for whatever reasons, the amount which would have been agreed upon by the payer and the beneficial owner in absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Side.

Furthermore, due to the Arrangement between the Chinese Mainland and Hong Kong Special Administrative Region to Avoid Double Taxation and Prevent Tax Evasion, which was promulgated on August 21, 2006, a company incorporated in Hong Kong will be subject to a withholding tax at the rate of 5% on dividends it receives from a company incorporated in the PRC if it holds 25% or more interests in the PRC company.

According to the Income Tax Law, if an enterprise incorporated outside the PRC has its "effective management" located within the PRC, such enterprise may be recognized as a PRC tax resident enterprise and be subject to enterprise income tax at the rate of 25%. According to the Income Tax Law, the qualified dividends and profit distributions received by a PRC tax resident from another PRC tax resident are exempted from enterprise income tax. Qualified dividends and profit distributions above mentioned shall include investment income derived by a PRC tax resident enterprise from the direct investment in other PRC tax resident enterprises, which shall exclude investment income from publicly listed stock issued by a PRC tax resident enterprise and traded on the stock exchanges where the holding period is less than 12 months.

On February 20, 2009, the State Administration of Taxation issued the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Treaty Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知), which, among other things, (i) requires the non-resident taxpayer or the withholding agent to provide a host of documentary evidence to prove that the recipient of the dividend meets the relevant requirements for enjoying a lower withholding tax rate under a tax treaty and (ii) an offshore arrangement of which the main purpose is to obtain a preferential tax treatment should not enjoy the preferential tax rate, the tax authorities have the discretion to adjust the preferential tax rate enjoyed by such offshore arrangement.

Pursuant to the Notice on Publishing Administrative Measures for Non-residents to Enjoy the Treatment Under Taxation Treaties (Trial) (關於印發<非居民享受稅收協定待遇管理辦法(試行)>的通知), which was promulgated on August 24, 2009 by State Administration of Taxation and went into effect on October 1, 2009, a non-resident subject to taxation is required to obtain the approvals from the relevant tax authorities before it may enjoy tax reduction or waiver under the dividend provision of a taxation treaty.

Business Tax

Business tax is principally governed by the PRC Provisional Regulations on Business Tax (中華人民共和國營業稅暫行條例), which was promulgated on December 13, 1993 and last amended on November 10, 2008, and the implementation rules promulgated thereunder. Under the law, income derived from the provision of taxable services, assignment of intangible assets and sale of real property in China is subject to business tax at a rate ranging from 3% to 20%, depending on the activity from which the income is derived. For example, for an assignment of intangible assets, a sale of buildings or a sale of other attachments to real property, the amount of business tax payable equals to 5% of the sales price. The tax is payable to the enterprise's local tax authority.

Land Appreciation Tax

Land appreciation tax ("LAT") is principally governed by the PRC Provisional Regulations on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例), which became effective on January 1, 1994, and the implementation rules promulgated thereunder. The law applies to both domestic and foreign investors, irrespective of whether they are corporate entities or natural persons. Under the law, income derived from the transfer of land assets (including land use rights, buildings and other real properties) is subject to LAT at a rate ranging from 30% to 60%. The rate is progressive, and the taxable amount is the difference between the sales price of the land asset and the asset's tax basis (which equals to the sum of its purchase price and the amount of allowable deductions).

Pursuant to Circular of Related Issues Concerning Administration of LAT Settlement on Real Estate Development Enterprise (國家稅務總局關於房地產開發企業土地增值稅清算管理有關問題的通知), promulgated by State Administration of Taxation on December 28, 2006, where it is under any of the following circumstances, the taxpayer shall settle its LAT: (i) a real estate project is completed and sold out; (ii) a real estate project that has not been completed and is subject to final accounts is transferred as a whole; or (iii) the land use right is directly transferred. Where it is under any of the following circumstances, the competent tax authority may ask the taxpayer to settle its LAT: (i) as to a real estate project completed and accepted, the building area already transferred makes up to 85% or more of the salable building area of the whole project; or although this proportion is below 85%, the residuary salable building area has been leased or used for self-purpose; (ii) the sale is not completed upon the expiration of three years since the day when the sale (advance sale) license is obtained; (iii) the taxpayer has applied for writing-off tax registration but has not gone through formalities for the settlement of LAT yet; or (iv) other circumstances as prescribed by the provincial tax authorities. As for any real estate that is not transferred when conducting the settlement of LAT but sold or transferred with compensation after the settlement, the taxpayer shall declare the LAT in accordance with the relevant provisions. The amount under the deductible items shall be calculated by multiplying the cost for unit building area with the areas sold or transferred.

On May 19, 2010, the State Administration of Taxation promulgated the Notice on Issues Regarding Land Appreciation Tax Settlement (關於土地增值稅清算有關問題的通知), which provides further clarifications and guidelines on LAT Settlement, income recognition, deductible expenses, timing of assessment and other related issues.

On May 25, 2010, the State Administration of Taxation promulgated the Notice on Strengthening the Levy and Administration of Land Appreciation Tax (關於加強土地增值稅徵管工作的通知) to impose further requirements on the collection of LAT. This notice provides that, except for social security housing, the minimum LAT prepayment rate shall be no less than 2% for properties in East China, no less than 1.5% for properties in Central or Northeast China and no less than 1% for properties in West China. The LAT prepayment rate shall be determined by the local authorities based on different property types in the locality.

Value-Added Tax

Value-added tax is principally governed by the PRC Provisional Regulations on Value-added Taxes（中華人民共和國增值稅暫行條例）, which was promulgated on December 13, 1993 and last amended on November 10, 2008, and the implementation rules promulgated thereunder. Under the law, income derived from the sale of commodities, the provision of value-added, maintenance and replacement services and the import of foreign goods is subject to value-added tax at a rate ranging from 13% to 17%. The taxable amount is the difference between the sales price of the goods sold (with respect to the sale of goods) or the service charge (with respect to the provision of services) and the relevant tax basis (which equals to the cost of goods sold and the expenses incurred).

Foreign Exchange Regulations

Foreign exchange is principally governed by two statutes: the PRC Foreign Exchange Control Regulations（外匯管理條例）, which were promulgated by the State Council on January 29, 1996 and last amended on August 5, 2008, the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment（結匯，售匯及付匯管理規定）, which were promulgated by the PBOC and became effective on July 1, 1996. Under the applicable regulations, upon payment of the applicable taxes, foreign investment enterprises may convert the dividends they received in Renminbi into foreign currencies and remit such amounts outside of the PRC through their foreign exchange bank accounts. See "— Dividend distribution and remittance" below.

Conversion of Renminbi into Foreign Currencies

Generally, foreign-invested enterprises may engage in foreign exchange transactions by converting Renminbi into foreign currencies and remitting such payment outside of China without the prior approval of SAFE under two scenarios. One scenario is when an enterprise needs to settle current account items in foreign currencies. In this scenario, the enterprise may make such payment through its foreign exchange account at one of the designated foreign exchange banks, so long as its needs are supported by valid receipts and any other relevant documents. The other scenario is when an enterprise needs to distribute dividends to its foreign shareholders. In this scenario, the enterprise may make such distribution through its foreign exchange account at one of the designated foreign exchange banks, so long as its needs are supported by a board resolution authorizing the distribution of dividends and any other relevant documents.

In other situations, including the settlement of capital account items (e.g. direct investment and capital contributions), foreign-invested enterprises are subject to regulatory restrictions. They must seek prior approval from SAFE or its relevant branches before converting Renminbi into foreign currencies.

On July 21, 2005, PBOC raised the exchange rate of US dollar to Renminbi from 1:8.27 to 1:8.11 and replaced the pegged US dollar-Renminbi exchange rate system by a floating exchange rate system. According to PBOC, the new system will be driven by market supply and demand. PBOC will announce the closing exchange rate of US dollar to Renminbi in the inter-bank foreign exchange market after market closes on each business day. The closing exchange rate will be the trading benchmark for the following business day. The US dollar

Renminbi exchange rate in the inter-bank foreign exchange market may continue to fluctuate within the range of 0.3% of the published benchmark, while exchange rates between Renminbi and other foreign currencies may fluctuate within their respective ranges. PBOC will adjust where necessary the range within which a particular exchange rate is allowed to fluctuate, depending on market conditions as well as economic and financial factors. As announced, the policy of PBOC is to maintain Renminbi at an "adaptive and equilibrium" level based on "prevailing market conditions with reference to a basket of currencies." On May 18, 2007, PBOC adjusted the fluctuating range of exchange rates from 0.3% to 0.5%, which became effective on May 21, 2007. Under the current policy, the RMB is pegged against a basket of currencies, determined by the People's Bank of China, against which it can rise or fall by as much as 1% each day.

Shareholder Loans Denominated in Foreign Currencies

Any shareholder may extend a foreign currency-denominated loan to a foreign-invested enterprise if the applicable statutory test is satisfied. Under the test, the sum of the amount of foreign currency-denominated loans (including long-, medium— and short-term loans) and the amount of Renminbi-denominated loans that are guaranteed by foreign institutions must not exceed the difference between the amount of total investment and the amount of registered capital. The amount of investment and the amount of registered capital of a foreign-invested enterprise are each subject to approval by the relevant regulatory authority. If the statutory test is not satisfied, the enterprise may not borrow any additional foreign currency-denominated loans from its shareholders. The enterprise, however, may retain the amount of the loan up to a period of three months, during which it could submit supplementary applications to the regulatory authority for the requisite approval. If the approval is not obtained within this period, the foreign exchange authorities may instruct the relevant bank to return the loan to the shareholder.

In extending foreign-currency loans to a foreign-invested enterprise, shareholders must register such loans with the relevant foreign exchange authority and comply with the stipulated settlement procedures. Within 15 days of the signing of the loan contract, the enterprise, as borrower, must submit the said contract to the local foreign exchange agency and complete other registration procedures in order to procure a registration certificate for the loan. The borrowed amount must be wired to the enterprise's account designated for foreign loan transactions. The account may only be opened in one of the designated foreign exchange banks approved by SAFE with the presentation of the registration certificate.

With the approval of the foreign exchange administrative authority, an enterprise may fulfill its repayment obligations under the loan contract by remitting the required amount (including principal and interest) outside of China through its foreign loan account.

Dividend Distribution and Remittance

Distribution of dividends is principally governed by the PRC Law on Foreign-invested Enterprises (中華人民共和國外資企業法), which was last amended on October 31, 2000, and the implementation rules promulgated thereunder. Under the applicable regulations, a foreign-invested enterprise may only distribute dividends out of the portion of income in excess of (a) the amount of income taxes payable, (b) the respective amounts to be set aside for the reserve fund and the workers' bonus and benefit fund and (c) the amount to be retained to compensate for any previous financial losses not yet compensated for. The amount to be set aside for the reserve funds must not be less than 10% of the enterprise's after-tax profit. The undistributed profits during the previous accounting years can be distributed together with the profits available for distribution during this accounting year.

Upon the payment in foreign currencies of any liabilities on its current accounts, a foreign-invested enterprise may distribute and remit its after-tax profit as dividends outside of China through its foreign exchange account in one of the designated banks, so long as such distribution is supported by a resolution of its board of directors and other related documents. No prior approval from the foreign exchange department is needed.

Under PRC law, a foreign-invested enterprise is required to distribute dividends among its shareholders in accordance with their shares of equity interests in the enterprise.

Laws Applicable to our Businesses

Insurance Business

Regulatory Framework

The Insurance Law as discussed below is the major statutes applicable to the insurance industry.

The CIRC is the major administrative agency for the insurance industry in the PRC. It was established on November 18, 1998. According to the Notice relating to the Establishment of the China Insurance Regulatory Commission of the State Council (國務院關於成立中國保險監督管理委員會的通知), the CIRC is an institution directly under the State Council that performs administrative management functions authorized by the State Council and imposes uniform supervisory administration over the insurance market in accordance with the laws and regulations. The principal responsibilities of the CIRC include:

- Examination of insurance companies;
- Establishment of investment regulations;
- Approving the policy terms and premium rates for certain insurance products;
- Setting of standards for measuring the financial soundness of insurance companies;
- Requiring insurance companies to submit reports concerning their business operations and condition of assets;
- Ordering the suspension of all or part of an insurance company's business.

Principal Regulations

The major statute relating to the insurance industry in the PRC is the PRC Insurance Law (中華人民共和國保險法), which was first published in 2005 as revised and adopted at the 7th session of the Standing Committee of the 11th National People's Congress of the People's Republic of China on February 28, 2009, and came into force on October 1, 2009 (the "Insurance Law").

In order to adapt to changes in the PRC insurance industry, a series of significant changes were made to the Insurance Law during this 2009 revision, including:

- Imposing relevant requirements for insurance contracts to enhance protection for the benefit of the insured, such as imposing restrictions on the termination of insurance policies by insurance companies, limiting an insurance company's ability to exonerate itself from claims and benefit payments and defining the procedures and time limits to facilitate claims settlement for the insured;

- Stipulating that, where the object of a property insurance contract is transferred, the transferee shall succeed to the rights and obligations of the insured specified in the property insurance contract;

- Broadening the investment channels for insurance funds, including bank deposits, bonds, stocks, securities investment funds, real estate and other channels as provided by the State Council;

- Further clarification on legal liabilities and promoting legal compliance in the insurance industry.

Formation of Insurance Companies

The formation of an insurance company in the PRC is subject to the approval of the insurance regulatory body under the State Council. The formation of an insurance company requires the following: (i) the insurance company's principal shareholder must have a sustainable capability to make profits, have a good credit standing, have no record of material violation of law or regulation in the last three years and have a net assets value not less than RMB200 million; (ii) the insurance company must have bylaws in compliance with the Insurance Law and the Company Law of the People's Republic of China; (iii) the insurance company must have a registered capital in compliance with this Law the Insurance Law; (iv) the insurance company must have directors, supervisors and senior managers who have the expertise and business experience required for their positions; (v) the insurance company must have a sound organizational structure and management system; (vi) the insurance company must have established sound rules for business operations, accounting, compliance, risk control, asset management, anti-money laundering and other systems; (vii) the insurance company must have specific business development plans and formulate medium-term and long-term asset disposition plans according to asset-liability matching principles and other relevant principles; (viii) the insurance company must have legal business premises and meet the prescribed standards for safety and firefighting facilities. Its business premises and office equipment must accommodate its business development plans. Its information system infrastructure must meet the CIRC requirements; and (ix) the insurance company must comply with PRC laws, administrative regulations and other requirements of the CIRC.

An insurance company to be formed is required to have a minimum amount of registered capital of RMB 200 million. The insurance regulatory body under the State Council may adjust the minimum amount of registered capital of an insurance company according to the business scope or scale of the insurance company, but currently the amount must not be less than RMB200 million. The registered capital of an insurance company must be paid-in monetary capital.

To apply to form an insurance company, the applicant must apply in writing to the insurance regulatory body under the State Council. The insurance regulatory body under the State Council will examine an application for forming an insurance company, make a decision on approval or disapproval of formation preparation within six months after accepting the application and notify the applicant in writing. If disapproving the application, the insurance regulatory body must give reasons in writing.

An applicant may apply to the insurance regulatory body under the State Council for opening business if it satisfies the formation conditions as prescribed in the Insurance Law after completing the formation preparation. The insurance regulatory body under the State Council must make a decision of approval or disapproval on opening business within 60 days after accepting the application. If approving the application, it issues an insurance business operation permit; if disapproving the application, it must notify the applicant in writing and give reasons.

Where an insurance company or a branch office thereof, without any good reasons, fails to conduct the registration formalities at the administrative body for industry and commerce within six months from the day when it obtains an insurance business operation permit, its insurance business operation permit becomes invalid.

Paid-in Capital

Under the Administrative Regulations for Insurance Companies (保險公司管理規定), the minimum registered capital as well as the paid-in capital for the establishment of an insurance company is RMB200 million. In addition, insurance companies are required to increase their registered capital by RMB20 million for each branch office they apply to open for the first time in each province, autonomous region or directly-administered municipality other than their domicile. Insurance companies with a registered capital of at least RMB500 million may open branches without increasing their registered capital as long as they have Adequate Solvency as defined by the CIRC.

Scope of Business Activities

The Insurance Law regulates the scope of business activities of insurance companies. Insurance companies must conduct insurance business activities within the scope approved by the CIRC in accordance with the law. Insurance companies must not concurrently engage in life and health insurance businesses and P&C insurance business. However, with the approval of the

CIRC, a P&C insurance company may engage in accidental injury insurance and short-term health insurance businesses. With the approval of the CIRC, an insurance company may also engage in other insurance-related businesses. Insurance companies may also engage in ceding reinsurance business and assuming reinsurance, subject to the CIRC approval.

Under the Interim Administrative Regulations for Foreign Exchange of Insurance Business (保險業務外匯管理暫行規定) jointly promulgated by the SAFE and the CIRC and effective as of November 1, 2002, an insurance company may engage in foreign exchange insurance or other foreign exchange businesses with the approval from SAFE or its local branches.

Corporate Governance

In accordance with the PRC Company Law (中華人民共和國公司法), the Insurance Law, the Guiding Opinions on Regulating the Corporate Governance Structure of Insurance Companies (Tentative) (關於規範保險公司治理結構的指導意見(試行))promulgated by the CIRC and effective as of January 5, 2006, the Opinions on Regulating the Articles of Association of Insurance Companies (關於規範保險公司章程的意見) romulgated by the CIRC and effective as of October 1, 2008, the Guidelines on the Operation of the Board of Directors of Insurance Companies (保險公司董事會運作指引) promulgated by the CIRC and effective as of October 1, 2008 and other relevant laws, regulations and other regulatory documents, insurance companies must establish a corporate governance structure under which management and supervisory powers and responsibilities are divided among the shareholders' general meetings, the board of directors, the board of supervisors and senior management.

Insurance companies must appoint independent directors at a certain ratio, and establish an audit committee and a nomination and remuneration committee of the board of directors. They are also required to establish a board of supervisors to oversee and supervise the board of directors, senior management and other management officers and to review and supervise the company's financial activities. Insurance companies must clarify the ratio between executive directors, non-executive directors and independent directors on their boards in their articles of association and comply with detailed guidelines on the appointment and removal of directors, director's qualifications and appraisal of directors.

Pursuant to the Guiding Opinions on Regulating the Corporate Governance Structure of Insurance Companies (Tentative) (關於規範保險公司治理結構的指導意見(試行)), insurance companies are required to establish an audit department, a risk management department and a compliance department. Insurance companies are required to set up an internal management system in respect of related transactions and file with the CIRC. Material resolutions at shareholders' general meetings and board of directors' meetings of insurance companies must be reported to the CIRC within 30 days after passing. The board of directors of an insurance company is required to submit its internal control evaluation report, risk assessment report and compliance report to the CIRC each year. The CIRC may conduct on-site inspection in respect of the corporate governance practices of insurance companies. The Opinions on Regulating the Articles of Association of Insurance Companies (關於規範保險公司章程的意見) regulates the basic contents of the articles of association of an insurance company and specifies the procedures for formulating and amending these articles.

Pursuant to the Administration of Directors, Supervisors and Senior Management Officers Qualifications of Insurance Companies (保險公司董事、監事和高級管理人員任職資格管理規定) promulgated by the CIRC and effective as of April 1, 2010, the CIRC and its agent have adopted a reporting and approval system with respect to the qualification of directors, supervisors and senior management officers of insurance companies. Pursuant to the Administration on the Audit of Directors and Senior Management Officers of Insurance Companies (保險公司董事及高級管理人員審計管理辦法) promulgated by the CIRC and effective as of January 1, 2011, audits of chairmen, general managers and persons-in-charge of audit should be conducted by external auditors. Audits of chairmen and general managers of insurance subsidiaries and insurance asset management companies of an insurance group can be conducted by the audit department of the group while audits of other senior management officers can be conducted by the in-house audit department of the insurance company or external auditors.

Pursuant to the Interim Measures on the Administration of Independent Directors of Insurance Companies(保險公司獨立董事管理暫行辦法) which was promulgated by the CIRC and effective as of April 6, 2007, an insurance company must have at least two qualified independent directors on its board by June 30, 2007. An insurance company must cause its independent directors to account for at least one-third of the board of directors within one year after its total assets exceed RMB 5 billion. Independent directors must be elected and replaced at shareholders' general meetings. In addition to the duties required by the PRC Company Law and other applicable laws and regulations, an independent director has the duty to carefully review the following matters: material related transactions, nomination, appointment and removal of directors, appointment and dismissal of senior management officers of the head office, salary and compensation of directors and senior management officers of the head office, profit distribution proposals and material transactions that are not covered by the operational plans, as well as other issues that may have a material effect on the insurance company, the insured or interests of its minority shareholders.

Terms and Premium Rates of Insurance

Pursuant to the Administrative Measures on Insurance Terms and Insurance Premiums Rates of Property and Casualty Insurance Companies (財產保險公司保險條款和保險費率管理辦法) promulgated by the CIRC and effective as of April 1, 2010, the insurance terms and insurance premium rates of the following types of property and casualty insurance products must be submitted to the CIRC by an insurance company for examination and approval:

- Insurance of a compulsory nature pursuant to laws and administrative regulations; and

- Other types of insurance identified by the CIRC concerning public interests.

The insurance clauses and premium rates of property and casualty insurance products other than the aforementioned types must be filed with the CIRC within ten working days after they have been adopted.

Pursuant to the Notice on Issues Relating to the Implementation of the Administrative Measures on Insurance Terms and Insurance Premium Rates of Property and Casualty Insurance Companies (關於實施《財產保險公司保險條款和保險費率管理辦法》有關問題的通知)

promulgated by the CIRC and effective as of May 1, 2010, the insurance terms and insurance premium rates of the following types of insurance products must be submitted to the CIRC for examination and approval:

- Motor vehicle insurance;
- Non-life insurance with investment features;
- Guarantee insurance and credit insurance with an insurance period exceeding one year; and
- Other types of insurance concerning public interest as identified by the CIRC and insurance of a compulsory nature pursuant to laws, administrative regulations and regulatory documents.

Insurance terms and insurance premium rates of other property and casualty insurance types must be filed with the CIRC for record.

Security Deposits

An insurance company is required by the Insurance Law to make a security deposit which amounts to 20% of its registered capital into a bank designated by the CIRC. Such security deposit shall not be used for any purposes other than settling the debts of such insurance company during liquidation proceedings.

Insurance Guarantee Fund

In accordance with the Administrative Measures on Insurance Guarantee Fund（保險保障基金管理辦法）jointly promulgated by the CIRC, the MOF and the PBOC and effective as of September 11, 2008, as well as the Notice on Certain Matters Relating to Insurance Guarantee Fund（關於繳納保險保障基金有關事項的通知）promulgated by the CIRC and starting from January 1, 2009, insurance companies must pay the insurance guarantee fund with respect to some insurance businesses within the scope of remedy of the insurance guarantee fund.

Reserves

Pursuant to requirements of the PRC Accounting Standards for Business Enterprises（企業會計準則）, Administrative Measures on Reserves for Non-Life Insurance Business of Insurance Companies (Tentative)（保險公司非壽險業務準備金管理辦法（試行））and Implementing Rules of Administrative Measures on Reserves for Non-Life Insurance Business of Insurance Companies (Tentative)（保險公司非壽險業務準備金管理辦法實施細則（試行））, insurance companies must make allocations to the future liability reserve, claims reserve, life insurance reserve and long-term health insurance reserve, and other reserves as required by the CIRC.

General Reserves

Pursuant to the Financial Rules for Financial Enterprises（金融企業財務規則）promulgated by the MOF and effective as of January 1, 2007, and related implementing guide, a financial enterprise engaged in insurance business must allocate 10% of its net profits each year as gross reserves for exposure to catastrophe risk. Net profits allocated as gross reserve may not be used for dividend distribution or capital increase purposes.

Statutory and Discretionary Reserves Fund

The PRC Company Law（中華人民共和國公司法）requires a company to set aside 10% of the net profit recorded in its statutory accounts prepared in accordance with PRC GAAP, for a statutory reserves fund until the fund has reached 50% of the company's registered capital. In addition to a statutory reserves fund allocated from its net profit, the company may also set aside funds for a discretional reserves fund from its net profit upon passing a resolution at an authorizing shareholders' meeting or shareholders' general meeting.

Such funds may be used to make up the losses, expand the production and business scale or increase the company's capital. When converting any statutory reserves to capital reserves, the company should maintain its statutory reserves at a level no less than 25% of its registered capital prior to such conversion. If the statutory reserves fund is insufficient to cover losses of the previous accounting year, profits in the then current accounting year must be used to cover such losses before allocations to the statutory reserves fund are made. However, the capital reserves fund may not be used to cover losses of the company.

The premium in excess of par value from the issuance of stock of a joint stock limited company, and other incomes listed in the capital reserves fund recognized by the treasury department of the State Council, must be listed as the company's capital reserves.

Solvency Margin Ratio

The Insurance Law requires an insurance company to maintain a minimum solvency margin ratio commensurate with the scale of its business operations and risk exposures.

Under the Administrative Regulation of Solvency of Insurance Companies（保險公司償付能力管理規定）, effective as of September 1, 2008, an insurance company is required to have sufficient capital commensurate with its risk exposure and scale of business to ensure a solvency margin ratio of no less than 100%. The CIRC requires insurance companies to assess their solvency margin ratio, to calculate their minimum capital and actual capital and to conduct dynamic solvency tests on a regular basis. Furthermore, the CIRC also requires insurance companies to forecast and evaluate the trends of their solvency under various future scenarios.

Use of Insurance Funds

Since its establishment, the CIRC has strengthened supervision on the use of insurance funds and has gradually widened the fund application scope of insurance companies. The CIRC promulgated the Interim Provisions Regarding Investments by Insurance Companies in Equity

Investment Funds (保險公司投資證券投資基金管理暫行辦法) on October 29, 1999, and revised on June 15, 2000 and January 17, 2003, the Interim Provisions Regarding Investments by Insurance Institutional Investors in Stocks (保險機構投資者股票投資管理暫行辦法), effective as of October 24, 2004, the Notice on Regulating Stock Investments Business of Insurance Institutions (關於規範保險機構股票投資業務的通知), effective as of March 18, 2009. Pursuant to these provisions and notices, qualified insurance companies and insurance asset management companies are permitted to invest in stocks and securities investment funds. The CIRC promulgated the Pilot Administrative Measures on Indirect Investments in Infrastructure Projects by Insurance Funds (保險資金間接投資基礎設施項目試點管理辦法), effective as of March 14, 2006, the Interim Measures on the Administration of Overseas Investments of Insurance Funds (保險資金境外投資管理暫行辦法), jointly promulgated with the PBOC and the SAFE and effective on June 28, 2007, the Notice on Adjusting the Investment Policies for Insurance Funds (關於調整保險資金投資政策有關問題的通知), effective as of July 31, 2010, the Interim Measures for the Administration of Utilization of Insurance Funds (保險資金運用管理暫行辦法), effective as of August 31, 2010, the Interim Measures for Equity Investments with Insurance Funds (保險資金投資股權暫行辦法), effective as of July 31, 2010, the Interim Measures for the Investment of Insurance Funds in Real Properties (保險資金投資不動產暫行辦法), effective on July 31, 2010, the Circular on Issues Concerning the Investment in Equity and Real Properties with Insurance Funds (關於保險資金投資股權和不動產有關問題的通知), effective as of July 16, 2012, the Interim Measures on Bonds Investment with Insurance Funds (保險資金投資債券暫行辦法), effective as of July 16, 2012, the Interim Measures on the Administration of Entrusted Investment with Insurance Funds (保險資金委託投資管理暫行辦法), effective as of July 16, 2012, the Interim Measures for the Insurance Asset Allocation Management (保險資產配置管理暫行辦法), effective as of July 16, 2012, the Implementing Rules of the Interim Measures on the Administration of Overseas Investments of Insurance Funds (保險資金境外投資管理暫行辦法實施細則), effective as of October 12, 2012, the Interim Measures on the Participation of Insurance Funds in Financial Derivatives Trading (保險資金參與金融衍生產品交易暫行辦法), effective as of October 12, 2012, the Regulations on the Participation of Insurance Funds in Stock Index Futures Trading (保險資金參與股指期貨交易規定), effective as of October 12, 2012, the Circular on the Investment of Insurance Funds in the Relevant Financial Products (關於保險資金投資有關金融產品的通知), effective as of October 12, 2012, the Interim Regulations on the Administration of Infrastructure Debt Investment Plans (基礎設施債權投資計劃管理暫行規定), effective as of October 12, 2012, and other related regulations and circulars. According to the relevant laws, regulations and rules currently in force, the investment of insurance funds has been expanded to include other investments such as deposits, bonds, shares, securities investment funds, equity, real properties, trust schemes and financial planning products of banks.

Anti-Money Laundering

According to the PRC Anti-Money Laundering Law （中華人民共和國反洗錢法） and the Anti-Money Laundering Regulations for Financial Institutions（金融機構反洗錢規定） and other relevant regulations, financial institutions incorporated in the PRC are subject to the following obligations, among other things:

- A financial institution and each of its branch entities shall establish a sound internal control system of anti-money laundering in accordance with the law;
- A financial institution shall set up and implement a client identification system according to the relevant provisions;
- A financial institution shall properly preserve a client's identification materials and relevant transaction information and documentation, including the amount of a transaction, the relevant voucher and account books, and other materials for a prescribed period of time;
- A financial institution shall report to the China Anti-Money Laundering Monitoring and Analysis Center any large-sum transaction or any suspicious transaction in RMB or in a foreign currency;
- If a financial institution suspects of any criminal activities, it shall timely submit a written report to the local branch of the PBOC and to the local public security bureau;
- A financial institution shall submit anti-money laundering statements and materials to the PBOC in accordance with the law; and
- A financial institution and its staff members have an obligation to assist in the anti-money laundering law enforcement activities.

Reinsurance Regulations

Under the Insurance Law, the liability of insurance company for the maximum amount of loss that may be caused by a single insured event may not be more than 10% of the sum of paid-in capital and the reserve fund. Any part exceeding the 10% threshold must be reinsured. According to the Provisions on the Administration of Reinsurance Business（再保險業務管理規定）, promulgated by CIRC and effective as of July 1, 2010, an insurance company must determine its total retained insurance premium and its retained responsibility for each risk unit for the current year. Reinsurance must be conducted for the excess.

Pursuant to the Notice on Issues concerning Safety and Soundness in Reinsurance Operations（關於再保險業務安全性有關問題的通知）promulgated by the CIRC and effective as of January 1, 2008, a ceding company which cedes to reinsurers must establish a sound risk assessment system and risk management system and a PRC insurance company which cedes premiums to reinsurers must establish a sound risk management system and review its reinsurance plans on an annual basis.

Pursuant to the Administrative Regulations on Reinsurance by property and Casualty Insurers（財產保險公司再保險管理規範）promulgated by the CIRC and effective as of July 1, 2012, a property and casualty insurer shall take into account its risk tolerance, financial strength and business portfolio balance when determining its retention for each risk unit for every product line and its aggregate liability limit for each catastrophic accident; property and casualty insurer shall, in principle, establish an independent reinsurance operations management department, clearly define reinsurance management process and limits of authority, and specify functions and responsibilities; retained premiums of a property and casualty insurer for the current year shall not exceed four times the sum of its paid-in capital and the reserve fund; a property and casualty insurer shall select a qualified reinsurer on the basis of compliance with regulatory requirements, controlled reinsurance credit risk concentration and improved reinsurance operations security; a property and casualty insurer shall design a reinsurance contract on the basis of factors such as business structure and risk profile; a property and casualty insurer shall establish risk classification standards for insurance business and determine the risk level of insurance business based on the relevant risk profile.

We are, and have been, in compliance with the laws and regulations described above, and no sanctions have been imposed on us for non-compliance with such laws and regulations which would have, individually or in the aggregate, a material adverse effect on our Group's business, financial condition and results of operations.

Regulatory Framework in Hong Kong

1. Overview

The main source of statutory regulation of the insurance market and insurance businesses in Hong Kong is the Insurance Companies Ordinance (Chapter 41 of the Laws of Hong Kong) ("**ICO**") and its subsidiary regulations, which set out requirements for the authorisation, ongoing compliance and reporting obligations of insurers and insurance intermediaries. The OCI is the regulatory body for the administration of the ICO. The OCI is headed by the Commissioner of Insurance, the public officer appointed as the Insurance Authority ("**Insurance Authority**") for administering the ICO. The principal functions of the Insurance Authority are to ensure that the interests of policyholders or potential policyholders are protected and to promote the general stability of the insurance industry. The Insurance Authority has the following major duties and powers: (i) authorising insurers to carry on insurance business in Hong Kong; (ii) supervising insurers' and insurance intermediary's compliance with the ICO, including regulating insurers' financial condition, primarily through the examination of the annual audited financial statements and business returns submitted by insurers; (iii) revising and developing legislation, guidelines and regulatory system on insurance supervision; and (iv) co-operating with and assisting financial services supervisory authorities in Hong Kong or elsewhere when appropriate.

Hong Kong Federation of Insurers ("**HKFI**") is a self-regulatory industry body that issues codes of practice and guidance that are binding on its members, which are insurers in Hong Kong, in relation to, among other things, the administration of insurance agents and the provision of insurance products and services. In addition to regulation by the OCI, HKFI actively promotes a self-regulatory regime with respect to areas such as conduct of insurers and insurance intermediaries, cooling off initiatives, policy replacement and initiatives on needs analysis. Peak Reinsurance is applying to become a member of HKFI.

The Insurance Agents Registration Board of the HKFI is responsible for administering the registration and approval of insurance intermediaries of insurance agents, their responsible officers and technical representatives and handling complaints against them and providing enquiry services to, and handling complaints from, the public relating to insurance agents. Insurance brokers in Hong Kong are regulated by the OCI and the two bodies of insurance brokers approved by the Insurance Authority, namely the Hong Kong Confederation of Insurance Brokers ("**HKCIB**") and the Professional Insurance Brokers Association ("**PIBA**"), depending on which body the insurance broker is registered with.

In June 2011 the Hong Kong Financial Services and Treasury Bureau ("**FSTB**") issued the "Proposed Establishment of an Independent Insurance Authority Consultation Conclusions and Detailed Proposals" which gives detailed proposals to establish an independent Insurance Authority ("**IIA**") to (a) perform direct regulation on conduct of insurance intermediaries; (b) organise thematic researches and studies concerning the industries; and (c) assist the Financial Secretary in maintaining the financial stability of Hong Kong by taking appropriate steps in relation to the insurance industry. It is proposed that the IIA should have express powers to initiate investigations, search and seize materials upon warrant, prosecute offences summarily and impose a range of regulatory sanctions in use of misconduct committed by insurers. An independent Insurance Appeals Tribunal is also proposed to be established which will have jurisdiction to review decision by the regulator including all disciplinary decisions. FSTB further published the "Key Legislative Proposals on Establishment of an Independent Insurance Authority Consultation Paper" in October 2012 to invite comments before 26 January 2013 on the key legislative amendments to ICO for the establishment of the IIA. Among other things, the key legislative proposals include the functions and governance structure of the IIA and its regulatory power, licensing regime of insurance intermediaries, and levies and fees on market participants. For insurers, the fees structure proposed include:

- licence fees of HK$300,000 and a variable licence fee of 0.0039% calculated on the basis of individual liabilities, collected in an incremental approach in the first 5 years after establishment of the IIA;

- user fees for certain specific services provided by the IIA, such as application for authorisation, notification in relation to changes of particulars of insurers; and

- a levy of 0.1% on insurance premiums for all insurance policies from policyholders via insurers/insurance intermediaries (adopting an incrementing approach in the first 5 years after establishment of the IIA), while reinsurance contracts should be exempted from the levy.

In addition, the OCI published the "Proposed Establishment of a Policyholders' Protection Fund Consultation Conclusion" in January 2012 which concludes general public and industry support for setting up a policyholder protection fund to be utilised in the event of insurer insolvencies.

Peak Reinsurance does not offer products and services in relation to retirement schemes, which are governed under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) ("**MPFSO**") and the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong) ("**ORSO**"), both administered by the Mandatory Provident Fund Schemes Authority, and investment-linked products, MPFSO and ORSO retirement schemes, securities dealing and investment advisory services which are governed by the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**"), administered by the Hong Kong Securities and Futures Commission (the "**SFC**").

2. Insurance Authorisation

2.1 Types of Insurance Business under the ICO

The ICO defines two main types of business as follows:

- long-term business covers those types of insurance business in which policies are typically in place for long periods and includes life and annuity, linked long-term, permanent health and retirement scheme management policies; and

- general business covers all business other than long-term business, including accident and sickness, fire, property, motor vehicle, general liability, financial loss and legal expenses insurance.

Both types of business defined in the ICO include reinsurance as well as direct insurance business. An insurer that undertakes both long-term and general business is referred to by the OCI as a composite business insurer. In addition to these main types of business, the ICO imposes further requirements on insurers conducting insurance business relating to liabilities or risks in respect of which persons are required by law to be insured ("**Statutory Business**"), including employees' compensation insurance and third-party insurance in respect of motor vehicles.

2.2 Peak Reinsurance's authorisation

Peak Reinsurance is authorised under section 8 of the ICO to carry on reinsurance business of the following classes of general business in or from Hong Kong:

Class	Type of reinsurance business (general business only)
1	Accident
2	Sickness
3	Land vehicles
4	Railway rolling stock
6	Ships
7	Goods in transit
8	Fire and natural forces
9	Damage to property

Class	Type of reinsurance business (general business only)
10	Motor vehicle liability
12	Liability for ships
13	General liability
14	Credit
15	Suretyship
16	Miscellaneous financial loss
17	Legal expenses

The authorisation of Peak Reinsurance is subject to the condition that it is authorised in respect of reinsurance business only and that Peak Reinsurance is not authorised to issue any direct policies of insurance in respect of any of the above classes of general business. Due to the aforesaid condition, Peak Reinsurance is not authorised to issue any insurance business relating Statutory Business.

2.3 Authorisation under the ICO

Companies carrying on insurance business in or from Hong Kong must obtain authorisation from the OCI. Authorisation will be granted only to insurers meeting certain requirements set out in section 8 of the ICO, which focuses on, among other things, the following items:

- paid-up capital;
- solvency margin;
- fitness and properness of directors and controllers; and
- adequacy of reinsurance arrangements.

In addition, an insurer must meet certain other criteria contained in the authorisation guidelines issued by the OCI, which are intended to ensure that the insurer is financially sound and competent to provide an adequate level of services to the insured public. These conditions continue to apply to an insurer after its authorisation.

2.4 Minimum Paid-Up Capital

Section 8(3)(b) of the ICO sets the following minimum paid up capital requirements for insurers depending on the type of business they intend to undertake. For Peak Insurance which only carries on reinsurance of general business (other than Statutory Business), the minimum paid up capital requirement is HK$10 million.

2.5 Solvency Margin

Pursuant to sections 8(3)(a) and 35AA of the ICO, an insurer is required to maintain at all times an excess of assets over liabilities of not less than a required solvency margin. The objective is to provide a reasonable safeguard against the risk that the insurer's assets may be inadequate to meet its liabilities arising from unpredictable events, such as adverse fluctuations in its operating results or the value of its assets and liabilities.

For general business insurers which do not carry on Statutory Business, the ICO stipulates an absolute minimum solvency margin of HK$10 million. Peak Reinsurance has also undertaken to the OCI that it will maintain at all times a solvency margin of not less than 200%. Solvency margins are calculated on the basis of the greater of an insurer's relevant premium income (defined as the greater of gross premium income after deduction of reinsurance premium payments or 50% of gross premium income) or relevant outstanding claims (defined as the sum of unexpired risks plus the greater of 50% of claims outstanding before deduction of sums recoverable from reinsurers or the amount of claims outstanding after deduction of sums recoverable from reinsurers) as follows:

- 20% of premium income/outstanding claims up to HK$200 million; and

- 10% of premium income/outstanding claims in excess of HK$200 million.

To determine whether a general business insurer meets the solvency margin requirement, its assets are valued in accordance with the Insurance Companies (General Business) (Valuation) Regulation (Chapter 41G of the Laws of Hong Kong) (the "**Valuation Regulation**"). The Valuation Regulation prescribes the valuation methods for different types of assets commonly found on an insurer's balance sheet. To ensure a prudent diversification of investments, the Valuation Regulation also stipulates admissibility limits for different categories of assets. The admissibility limits, however, do not apply to determination and reporting value of assets maintained in Hong Kong pursuant to section 25A of the ICO as described below.

2.6 Fit and Proper Directors and Controllers

Section 8(2) of the ICO requires that all directors and controllers of an insurer must be "fit and proper" persons to hold such positions. Section 9 of the ICO defines an insurer's controllers as including, among others, a managing director of the insurer or its corporate parent, a chief executive officer of the insurer or its corporate parent (only if the parent is also an insurer), a person in accordance with whose directions or instructions the directors of the insurer or its corporate parent are accustomed to act or who, alone or with any associate or through a nominee, is entitled to exercise, or control the exercise of, 15% or more of the voting power at any general meeting of the insurer or its corporate parent. Further, sections 13A and 13B stipulates that appointment of controllers of an insurer requires prior "notice of no objection" from the OCI and section 14 requires notification to the OCI of any change in the directors or controllers of an authorised insurer.

Although the term “fit and proper” is not defined further in the ICO, the OCI has issued a guidance note which sets out those factors that the OCI will take into account in applying the “fit and proper” test to the directors or controllers of an insurer. These factors include a director’s or controller’s financial status, character, reputation, integrity, reliability, qualifications and experience regarding the functions to be performed by such director or controller and ability to perform such functions efficiently, honestly and fairly.

In the case of a shareholder controller which is a body corporate, the Insurance Authority will, among other factors, take into account whether the controller’s financial resources is sufficient to support the operations of the insurer, and whether the business plan for the insurer is realistic and viable.

2.7 Adequate Reinsurance Arrangements

Section 8(3)(c) of the ICO requires all insurers to have adequate reinsurance arrangements in force in respect of the risks of those classes of insurance business they carry out, or to justify why such arrangements are not necessary. In considering the adequacy of reinsurance arrangements of an insurer, the OCI will take into account the following factors:

- the type of reinsurance treaties;
- the maximum retention of risks by the insurer;
- the security of the reinsurers; and
- the spread of risks among participating reinsurers.

With regard to the spread of risks among reinsurers, the OCI considers that additional risks arise where a reinsurer is a related company of the insurer. To address this concern, in 2003 the OCI issued a guidance note on reinsurance with related companies, which sets out the criteria to be used in determining the adequacy of such arrangements. The OCI will consider a related reinsurer to have provided adequate security if any of the following requirements are met:

- the particular reinsurer is itself authorised under the ICO;
- the particular reinsurer or any one of its direct or indirect holding companies has received an adequate rating from a credit rating agency (currently the OCI specifies an Insurer Financial Strength Rating of “AA-” or above by S&P, “Aa3” or above by Moody’s or “A+” or above by A.M. Best, or equivalent rating); or
- the particular reinsurer or any one of its direct or indirect holding companies is otherwise considered by the OCI as having a status comparable to the above.

In the event that none of these requirements is met by a related reinsurer, the Insurance Authority will restrict the amount of net reinsurance recoverable from that reinsurer when assessing the ceding party's ability to withstand financial vulnerabilities posed by such reinsurer, unless it determines that acceptable collateral security, such as an irrevocable and permanently renewable letter of credit, is in place in respect of the arrangement with that reinsurer.

2.8 Maintenance of Assets

Section 25A of the ICO requires insurers carrying on general business to maintain assets in Hong Kong in respect of the liabilities arising from their Hong Kong business. The minimum amount of assets to be maintained is calculated on the basis of an insurer's net liabilities and the proportion of its solvency margin requirement attributable to its general business in Hong Kong, taking into account the level of reinsurance that has been entered into by the insurer in respect of its liabilities.

2.9 Accounting and Reporting Requirements

The ICO requires insurers to maintain proper books of accounts which must exhibit and explain all transactions entered into by them in the course of their business. Insurers must submit information including audited financial statements, a directors' report and statistics relating to the valuation of their insurance business and outstanding claims to the OCI on an annual basis.

2.10 Corporate Governance of Authorised Insurers

The OCI has issued a guidance note on the corporate governance of authorised insurers, which aims to enhance the integrity and general well being of the insurance industry by providing assistance to authorised insurers for the evaluation and formulation of their internal practices and procedures. The guidance note sets out the minimum standard of corporate governance expected of authorised insurers and covers the following key items:

- structure of senior management;
- roles and responsibilities of the board of directors;
- board matters;
- board committees;
- internal controls;
- compliance with laws and regulations; and
- servicing of clients.

2.11 Asset Management

In order to ensure that an insurer will meet its contractual liabilities to policyholders, its assets must be managed in a sound and prudent manner taking into account the profile of liabilities and risks of the insurer. The OCI has issued a guidance note on asset management by authorised insurers which is adopted from the paper “Supervisory Standard on Asset Management By Insurance Companies” as approved by the International Association of Insurance Supervisors in 1999. The guidance note provides guidance on how insurers should control the risks associated with their investment activities on the following key items:

- investment process, policy and procedures;
- overall asset management strategies;
- investment mandate given by the board of directors to senior management;
- audit in respect of the insurer’s asset management functions;
- risk management functions; and
- internal controls.

In order to assess how insurers control the risks associated with their investment activities, the OCI may periodically request information from insurers, including accessing information through on-site inspections and discussion with insurers.

2.12 Outsourcing

Outsourcing of business activities by an insurer, although permissible, does not diminish the legal and regulatory obligations of the insurer and its directors and management. To ensure insurers adopt a sound and responsive management framework in formulating and monitoring their outsourcing arrangements, the Insurance Authority issued a guidance note to set out issues in relation to outsourcing arrangements that an insurer should take into account, including:

- the insurer should develop an outsourcing policy which sets out, among other things, the objective, evaluation framework, assessment of risks, monitoring and control framework of outsourcing arrangements;
- assessment on materiality of outsourcing arrangements taking into account financial position, business operation and reputation of the insurer, impact on internal controls and costs;
- risk assessment on financial, operational, legal and reputation aspects;

- due diligence and care to be exercised in choosing service providers and the terms of the outsourcing agreement with the service provider;

- information confidentiality protection in the outsourcing arrangements;

- on-going monitoring and controls on the service providers; and

- contingency plans in case of business disruption due to failure of service providers.

An insurer is also required to notify the Insurance Authority when it is planning to enter into a new or significantly vary an existing material outsourcing arrangement three months before the day on which the new outsourcing arrangement is to be entered into.

2.13 Power of Intervention

The OCI is empowered under Part V of the ICO to intervene in an insurer's business and take appropriate actions in the following circumstances:

- where the OCI considers that the exercise of this power is desirable for protecting the interests of existing and potential policyholders against the risk that the insurer may be unable to meet its liabilities or to fulfil the reasonable expectations of existing or potential policyholders;

- where it appears to the OCI that the insurer or its corporate parent has failed to satisfy any of its obligations under the ICO;

- where it appears to the OCI that the insurer has furnished misleading or inaccurate information to it for the purposes of the ICO;

- where the OCI is not satisfied as to the adequacy of the insurer's reinsurance arrangements;

- where the OCI is not satisfied with the financial condition of the insurer or its compliance position with the prescribed regulatory benchmark or requirements in respect of, among other things, its assets and liabilities matching position; or

- where the insurer fails its ongoing authorisation conditions or requirements imposed by the OCI, any financial undertakings provided by its corporate controller or any “fitness and properness” requirement on its directors and controllers.

The OCI may also intervene in an insurer's business, whether or not any of the above circumstances exist, at any time during the five year period following authorisation of the insurer or a person becoming a controller of an insurer.

The actions that the OCI may take in intervening in an insurer's business include without limitation:

- restrictions on the effecting of new business;
- restrictions on types of investments an insurer may make, or requirements that the insurer realise certain types of investments within a specified period;
- requirements that an insurer maintain assets in Hong Kong equal to the whole or a specified portion of the liabilities arising from its Hong Kong business, and that these assets be held in the custody of a trustee approved by the OCI;
- the appointment of a trustee to hold assets of an insurer;
- limits on the amount of premium income an insurer may receive during a specified period in respect of certain classes of business; and
- requirements to furnish documents and information at specified times or intervals.

2.14 Undertakings to the Insurance Authority

Peak Reinsurance has undertaken to the Insurance Authority that it will:

- not underwrite any financial reinsurance unless with the Insurance Authority's written approval;
- top up any deficiency in premium liabilities and/or claims liabilities as identified in the actuarial review; and
- observe and comply with all requirements prescribed in guidance notes and circular letters issued by the Insurance Authority.

Pursuant to section 31 of Part V of the ICO, Peak Reinsurance has undertaken to the Insurance Authority to ensure that the aggregate of the gross premium income (as defined in sections 10(4)(c) and 10(5) of the ICO) received or receivable by Peak Reinsurance in consideration of its undertaking, during each financial year (commencing from the financial year ending 31 December 2013), of liabilities in the course of carrying on general business shall not exceed US$266 million (or HK$2,075 million).

Further, pursuant to section 35(1) of Part V of the ICO, Peak Reinsurance has undertaken to the Insurance Authority:

1. to ensure that all insurance business and all transactions with any "specified person" (which includes Peak Reinsurance's, directors, controllers, shareholders (and relatives of the above if such persons are natural persons) and associates or group companies) are on normal commercial terms;

2. that it will not place any deposit with or transfer assets (except for normal insurance transactions) or provide financial assistance to any "specified person" without first obtaining written consent from the Insurance Authority;

3. to inform the Insurance Authority as soon as practicable of any circumstances which may put the interest of policyholders or potential policyholders at risk; and

4. not to acquire a new controller who, alone or with any associate or through a nominee, is entitled to exercise, or control the exercise of, 15% or more of the voting power at their general meetings or the general meetings of their parent companies without first obtaining written consent from the Insurance Authority.

Among other consequences, the undertakings as set out in 1 to 3 above place restrictions on the ability of Peak Reinsurance to engage in capital related transactions with specified persons including payment of dividends to its parent companies, and limit its ability to engage in intercompany transactions with specified persons, such as payment of intercompany service fees, without first obtaining written consent from the Insurance Authority.

Fosun International Limited, being the indirect holding company and a controller (as defined under the ICO) of Peak Insurance, has undertaken to the Insurance Authority that in so far it remains the controller of Peak Reinsurance, it will:

- provide continuous financial support to Peak Reinsurance for pre-financing its business operations and for maintaining Peak Reinsurance's solvency at all times so as to enable it to meet promptly its insurance obligations and liabilities and to comply with the requirements of the ICO;

- increase the paid-up share capital of Peak Reinsurance, or provide such financial resources to Peak Reinsurance as may be required by the Insurance Authority to maintain the acceptable level of solvency; and

- notify the Insurance Authority if, among other things, it foresees that there will occur any event of default in respect of a banking facility the purpose of which is to fund its capital contribution in Peak Reinsurance.

2.15 The Code of Conduct for Insurers

As part of the self-regulatory initiatives taken by the industry, the HKFI has published The Code of Conduct for Insurers (the "**Code of Conduct**"). The Code seeks to:

- set out the expected standard of good insurance practice in the establishment of insurance contracts and claims settling;

- promote the disclosure of relevant and useful information to customers;

- facilitate the education of customers about their rights and obligations under insurance contracts;

- foster a high professional standard in the transaction of insurance business; and

- encourage insurers to promote and enhance the industry's public image and standing.

The Code of Conduct applies to all general insurance members and life insurance members of the HKFI and applies to insurance effected in Hong Kong by individual policyholders resident in Hong Kong and insured in their private capacity only. The Code of Conduct will therefore applies to Peak Insurance as and when it becomes a member of HKFI. As a condition of membership of the HKFI, all general insurance members and life insurance members undertake to abide by the Code of Conduct and use their best endeavours to ensure that their staff and insurance agents observe its provisions.

2.16 Regulation of Insurance Intermediaries

(i) General Provisions

Insurance intermediaries are defined under the ICO as either insurance agents or insurance brokers. The key difference between the two types of insurance intermediaries is that insurance agents act as agents or subagents of insurers, while insurance brokers act as agents of policyholders and potential policyholders. Both are subject to a self-regulatory system supported by provisions contained in Part X of the ICO.

Under the ICO, a person is prohibited from holding itself out as an insurance agent or insurance broker unless such person is properly appointed or authorised. A person is also prohibited from holding itself out as an appointed insurance agent and an authorised insurance broker at the same time. It is also an offence under the ICO for an insurer to effect a contract of insurance through, or accept insurance business referred to it by, an insurance intermediary who has not been properly appointed or authorised.

In the proposal an IIA, the IIA should have more effective supervisory oversight over insurance intermediaries through the introduction of a licensing regime and assume responsibility for the supervision from the self-regulatory organisations.

(ii) Registration and Administration of Appointed Insurance Agents

To act as an insurance agent, a person is required to be appointed by an insurer and registered with the Insurance Agents Registration Board established by the HKFI. Under Section 66 of the ICO, an insurer is required to keep a register of appointed insurance agents and to make such register available for public inspection at its registered office (or principal place of business) in Hong Kong or the registered office of the HKFI. An insurer is also required to give the Insurance Authority details of the registration or removal of its appointed insurance agents within seven days of such registration or removal.

An insurer is required to comply with the Code of Practice for the Administration of Insurance Agents (the "**Conduct of Practice**") issued by the HKFI and endorsed by the OCI pursuant to section 67 of the ICO. The Code of Practice specifies the rules and procedures governing the registration and de-registration of insurance agents, the power of the Insurance Agents Registration Board to handle complaints and to require insurers to take disciplinary actions against their insurance agents, the "fit and proper" criteria for insurance agents and the minimum requirements of agency agreements. An insurer is responsible for the actions of its appointed insurance agents in their dealings with clients in respect of the issue of insurance contracts and related insurance business. The OCI has the power to direct the de-registration of an appointed insurance agent.

(iii) Registration and Administration of Insurance Brokers

A person intending to act as an insurance broker shall either seek authorization from the Insurance Authority or apply to become a member of a body of insurance brokers approved by the Insurance Authority, namely the HKCIB and PIBA. An insurance broker who is directly authorized by the Insurance Authority or is a member of an approved body of insurance brokers is subject to the same statutory requirements.

For an insurance broker who is a member of an approved body of insurance brokers, he is also subject to the membership regulation of his own professional body which is approved by the Insurance Authority.

Pharmaceuticals and Healthcare Business

Regulatory Framework

The following are the major statutes applicable to the pharmaceuticals industry:

- PRC Law on the Administration of Pharmaceuticals (中華人民共和國藥品管理法), which was promulgated by the Standing Committee of the NPC on September 20, 1984 and amended on February 28, 2001.

- PRC Implementation Provisions on the Administration of Pharmaceuticals (中華人民共和國藥品管理法實施條例), which were promulgated by the State Council on 4 August 2002 and became effective on 15 September 2002.

- Measures on the Registration Administration of Medicines (藥品注冊管理辦法), which were promulgated by SFDA on July 10, 2007 and became effective on October 1, 2007.

- Rules on the Quality Control for Clinical Trial of Medical (藥物臨床試驗質量管理規範), which were promulgated by SFDA on August 6, 2003 and became effective on September 1, 2003.

- Regulations on the Supervision of Medical Equipment (醫療器械監督管理條例), which were promulgated by the State Council on January 4, 2000 and became effective on April 1, 2000.

- Administrative Measures on the Supervision of Medicine Circulation (藥品流通監督管理條例), which were promulgated by SFDA on January 31, 2007 and became effective on May 1, 2007.

The following are the major administrative agencies in the pharmaceuticals industry:

- *SFDA.* SFDA is a successor to the State Drug Administration ("SDA"). SDA was established in 1998 to assume the supervisory and administrative functions then carried out by MOH and the State Administration Bureau for Pharmaceuticals. Pursuant to the Notice of the State Council Regarding the Government Organizations, SFDA was established on April 16, 2003 to assume the powers and duties of SDA in matters concerning the pharmaceuticals industry and to regulate the safety of food, healthcare and cosmetic products.

- *MOH.* MOH is a ministerial department under the direct supervision of the State Council. Prior to the formation of SFDA, MOH also had the responsibility to monitor and supervise matters in the pharmaceuticals industry and to promulgate rules and formulate policies in such matters. Following the establishment of SFDA, MOH focuses primarily on public health matters (except matters concerning the pharmaceuticals industry). MOH performs a variety of regulatory roles, including the establishment of healthcare institutions and acting as a conduit to facilitate communications between foreign healthcare companies and the PRC Government.

- *MOFCOM.* MOFCOM is a ministerial-level government agency overseeing the pharmaceutical wholesale sector in China. It is responsible for formulating plans, policies and standards concerning the development of the pharmaceutical distribution industry, enhancing the structural adjustment of the industry, guiding the reform of the industry and promoting the development of a modern pharmaceutical distribution industry in China.

- *NDRC.* NDRC is responsible for the macro-guidance and management of the healthcare industry's development planning, technological upgrading, approval of investment programs and the economic operation status of pharmaceutical enterprises, the supervision and management of the pricing of drugs and formulating the national unified retail prices for certain drugs falling under the National Medical Insurance Drugs Catalogue and for drugs the production and distribution of which are monopolized.

Manufacturing of Pharmaceutical Products

The following are the major licenses and permits required for the manufacturing of pharmaceutical products:

- *Manufacturing Operations.* Each pharmaceutical manufacturing enterprise is required to obtain a pharmaceutical manufacturing license (藥品生產許可證), a business license, and for each product it manufactures (other than Chinese medicines and Chinese capsules), a medicine approval document (藥品批准文號). The pharmaceutical manufacturing license is issued by local drugs administrative authority at the provincial level. The license is issued only after the relevant production facilities have been inspected and their sanitary conditions, quality assurance systems, management structure and equipment standards have been found to fulfill the required standards. According to the Regulations of Implementation of the Law of the People's Republic of China on the Administration of Pharmaceuticals (中華人民共和國藥品管理法實施條例), which became effective on 15 September 2002, and the Measures on the Supervision and Administration of the Manufacture of Pharmaceuticals (藥品生產監督管理辦法), which became effective on 5 August 2004, each pharmaceutical manufacturing license is generally valid for five years. The pharmaceutical manufacturing enterprise must apply for an extension of six months prior to the license's expiration, and extension is only granted after re-evaluation by the relevant authority. The business license is issued by the administrative agency in charge of industry and commerce. The medicine approval document is issued by the relevant department of the State Council.

- *Product Launch.* Registration of new pharmaceutical products (i.e. products not previously available in the PRC) is governed by the Measures on the Registration Administration of Medicines (藥品註冊管理辦法), which were promulgated by SFDA on July 10, 2007 and became effective on October 1, 2007. Pharmaceutical products packaged in different physical forms or designed for different methods of administration are treated as new products. Registration is administered by SFDA. Manufacturers are required to lodge their registration applications to their local administrative agencies and submit all the relevant information and product samples to such agencies. Local agencies are established by SFDA to standardize the application procedures and to evaluate the completeness and accuracy of the applications. The research and development of a new pharmaceutical product is divided into four phases: pre-clinical research, Phase I Clinic Test (preliminary pharmacology and human safety trials), Phase II Clinic Test (testing the curative effects of the medicine), and Phase III Clinic Test (final tests on curative effects and safety). A new product is allowed for registration only if the product has passed all such research and clinical tests, the relevant manufacturer has met the relevant production standards and import criteria (if applicable), and the product meets all relevant safety, functional and quality standards. After the product launch, a Phase IV Clinic Test is conducted so that the product's curative effects and side effects can be studied further. In January 2009, the SFDA issued the Provisions on Special Approval for the Registration of New Drugs (新藥註冊特殊審批管理規定) that created a fast track review process for the approval of certain new drugs.

- *GMP (Good Manufacturing Practice)*. Each production line is required to carry a GMP certificate. GMP is a set of detailed guidelines on practices governing the production of pharmaceutical products. Formulated by the WHO, the guidelines were designed to protect consumers by minimizing production errors and the possibility of contamination. The concept of GMP was introduced into the PRC in 1982 and was published in the Guidelines on the Implementation of GMP Standards（藥品生產質量管理規範實施指南）among pharmaceutical manufacturing enterprises in 1985. In 1988, MOH promulgated the first version of GMP standards, which was subsequently amended in 1992, 1999 and 2010. On January 17, 2011, SFDA published the current version of GMP Standards (2010 revised edition), which became effective on March 1, 2011.

- *Medical Equipment.* In accordance with the Regulations on the Supervision and Administration of Medical Device（醫療器械監督管理條例）which became effective on April 1, 2000, the manufacturing of medical equipment shall be subject to the product manufacturing registration procedure. The validity term of a product registration license of medical equipment is four years, and the enterprise holding such license shall apply for the re-assessment six months prior to the expiry date. If any enterprise ceases to manufacture medical equipment for more than two years, its product manufacturing registration license shall automatically expire. Anyone who intends to set up Category I medical equipment manufacturing enterprise shall go through archivism procedure with pharmaceuticals administration authority. And if anyone intends to set up Category II, III medical equipment manufacturing enterprise shall go through an approval procedure with pharmaceuticals administration authority and be issued with the License for Medical Equipment Manufacturing Enterprise. Without the License for Medical Equipment Manufacturing Enterprise, the Administration of Industry and Commerce shall not issue business license to the enterprise. The validity term of the License for Medical Equipment Manufacturing Enterprise is five years. Upon the expiry, a new license shall be issued. Medical equipment manufacturing enterprise is entitled to manufacture medical equipment after obtaining a product manufacturing registration license for the medical equipment.

Product Liability

The Tort Law of the PRC（《中華人民共和國侵權責任法》）was adopted by the Standing Committee of the National People's Congress on December 26, 2009 and became effective on July 1, 2010. According to the Tort Law and the Product Quality Law of the People's Republic of China（中華人民共和國產品質量法）, product liability claims may be brought against either the manufacturer or the seller of the defective products. In case of defective medical products, such as drugs and medical devices, damages can also be sought against healthcare institutions that provide such products.

With no definition of the term "defective" under the Tort Law, and by referring to Article 46 of the Product Liability Law, "defective products" shall mean those products that may impose unreasonable danger and cause personal injury or property damage; in particular, if there are any applicable national standards or standards in the industry for protection of health, personal and property safety, failure to comply with such standards would constitute being "defective."

Manufacturers and sellers are obligated to take mitigating actions, such as warning or recall, for their products that are already put in the market and found defective. Failure to timely or to effectively take mitigating actions may subject the manufacturers or the sellers to liability for damages, to the extent they are at fault. Manufacturers or sellers will be held liable for punitive damages if they have knowingly produced or sold defective products which have caused human injury or death. However, the Tort Law does not have any criteria as to how the punitive damages are to be calculated.

The Tort Law has a separate chapter addressing "medical liability", which defines the liabilities of healthcare institutions and healthcare professionals for damages caused by their fault. In general, healthcare professionals and healthcare institutions are at fault if they fail to exercise reasonable care comparable with the then prevailing medical standards; and they can be presumed "at fault" in the event that they (i) violate law, administrative regulations or relevant practice guidelines, (ii) conceal or refuse to provide relevant medical records, or (iii) forge, falsify or destroy medical records.

The Law of the People's Republic of China on the Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法), which was promulgated on 31 October 1993 and became effective on 1 January 1994, protects consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. In extreme situations, pharmaceutical manufacturers and operators may be subject to criminal liability if their goods or services lead to the death or injuries of customers or other third parties.

Foreign Investment in Manufacturing and Distribution of Pharmaceutical Products

According to the Foreign Investment Catalogue, as well as the World Trade Organization Commitment of PRC, foreign investors are permitted to set up foreign invested enterprise engaging in manufacturing and trading of pharmaceutical products.

Distribution of Pharmaceutical Products

The following are the major licenses and permits required for the distribution of pharmaceutical products:

- *Wholesale and Retail Operations.* Retailers and wholesalers of pharmaceutical products are required to obtain pharmaceuticals trading permits (藥品經營許可證). The permit is issued by drugs administrative authority at provincial level. The permit is issued only after the entity's internal regulations have been reviewed, the entity's licensed pharmacists or professionals are found to be in possession of the relevant qualifications, and that the entity's storage premises for drugs and equipment are found to have met the standards. According to the Measures for the Administration of Pharmaceutical Trading Permit (藥品經營許可證管理辦法), which became effective on April 1, 2004, each pharmaceuticals trading permit is valid for five years. The permit holder must apply for an extension six months prior to the license's expiration and extension is only granted after re-evaluation by the authority which issued the previous license.

- *GSP (Good Supplying Practice).* Each distributor of pharmaceutical products is required to obtain a GSP license. GSP is a set of quality guidelines on the distribution of pharmaceutical products. The license is issued to the distributor (as opposed to its branches) only after authentication of its operation by the relevant administrative authorities. According to the Administrative Measures for Certification of Good Supply Practice（藥品經營質量管理規範認證管理辦法）issued on April 24, 2003 by SFDA, each GSP license is valid for five years. The license holder must apply for an extension three months prior to the license's expiration and extension is only granted after re-evaluation by the relevant authority.

- *Medical Equipment.* The research, manufacturing, distribution, utilization, supervision and use of medical equipment are governed by the Regulations on the Supervision of Medical Equipment（醫療器械監督管理條例）, which were promulgated by the State Council on January 4, 2000 and became effective on April 1, 2000. Under such regulations, medical equipment is "any appliance, equipment, item, material or other substance used solely or jointly by a natural person for medical purposes." Medical equipment is classified into three categories: equipment assured safe and effective under regular use; equipment that needs to be controlled for safe and effective use; and medical equipment that needs to be strictly controlled because it is designed for implantation into the human body, is used for the purpose of sustaining lives, or creates potential hazards to human beings. Any medical equipment trading enterprise is required to obtain medical equipment trading enterprise license（醫療器械經營企業許可證）. The medical equipment trading enterprise license is issued by the drugs administrative authority at provincial level. The validity term of the medical equipment trading enterprise license is five years.

- *Supervision and Management of Drug Distribution.* To strengthen drug supervision and management and maintain orderly circulation and quality of drugs, SFDA issued the Method of Supervision and Management of Drug Distribution（藥品流通監督管理辦法）on 31 January 2007, which became effective from 1 May 2007. Detailed requirements are imposed on a variety of matters such as the purchase, sale, transportation and storage of drugs by pharmaceutical production and operation enterprises as well as the purchase and storage of drugs by pharmaceutical institutions.

Price Controls

Pursuant to the Opinion Regarding Reforms on Price Administration of Pharmaceutical Products（國家計委印發關於改革藥品價格管理的意見的通知）issued by the National Development and Planning Commission (the predecessor of NDRC) on July 20, 2000, prices of pharmaceutical products are either determined by the government or by market conditions.

Pharmaceutical products subject to government price control mainly relate to those included in the National Medical Insurance Drugs Catalogue and those whose production or trading tend to create monopolies. The government sets a price ceiling for the retail prices of such products based on the average production cost of the pharmaceutical manufacturers and the market demand and supply of such products while allowing some room for adjustment from time to time.

If a particular pharmaceutical manufacturer has an advantage over efficacy, safety, treatment cycle and treatment costs of its product, such pharmaceutical manufacturer may apply for an approval for exemption from price control, subject to a public hearing held by the government.

With respect to pharmaceutical products whose prices are determined by market conditions, the pharmaceutical manufacturers are able to determine the retail price of their products based on their production cost and market demand and supply for the relevant product. Wholesalers and retailers of such products are permitted to determine the actual retail price to the end users provided that such price does not exceed the retail price determined by the manufacturers. The pharmaceutical manufacturers are required to adjust the retail prices from time to time based on their production cost and the market demand and supply for the relevant product.

On November 9, 2009, NDRC, MOH and the Ministry of Labor and Social Security jointly promulgated the Notice on Issuing Opinions on Reforming the Price Formation System of Medicine and Medical Services (關於印發改革藥品和醫療服務價格形成機制的意見的通知). According to the notice, in addition to drugs included in the National Drugs Catalogue, Provincial Drugs Catalogue and certain drugs whose production or trading tend to create monopolies, drugs listed in the National List of Essential Drugs are subjected to government price control. The prices of other drugs are still determined by the market conditions and not subject to government price control.

On March 5, 2010, NDRC promulgated the Notice on Relevant Issues Regarding the Revising of the Catalogue of Medicine Subject to NDRC Price Control (關於調整《國家發改委定價藥品目錄》等有關問題的通知), which issued the new version of the Catalogue of Medicine Subject to NDRC Price Control (國家發改委定價藥品目錄).

Tendering Requirements for Hospital Purchases of Medicines

The Guiding Opinions concerning the Urban Medical and Health System Reform 《(關於城鎮醫藥衛生體制改革的指導意見)》, which was promulgated on 21 February 2000 by the State Commission for Restructuring Economic Systems and seven other ministries and commissions in the PRC, require public hospitals and healthcare institutions to purchase medicines through a centralized tendering process. Ministry of Health and other relevant government authorities have promulgated a series of regulations and releases in order to implement the tendering requirements. On 12 November 2001, Ministry of Health and five other ministries and commissions jointly promulgated the Working Regulations of Medical Institutions for Purchase of Medicines by Centralized Tendering and Price Negotiations (Trial) 《(醫療機構藥品集中招標採購和集中議價採購工作規範(試行))》, or the Working Regulations, to implement the tendering process requirements and ensure the requirements are followed uniformly throughout the country. In November 2001, MOH also promulgated the Sample Document for Medical Institutions for Purchase of Medicines by Centralized Tendering and Price Negotiations (Trial) 《(醫療機構藥品集中採購和集中議價採購文件範本(試行))》, or the Sample Document, as the operational document of the Working Regulations. The Working Regulations and the Sample Document provide rules for the tendering process and negotiations of the prices of pharmaceutical products, operational procedures, a code of conduct and standards or measures of evaluating bids and negotiating prices. On 23 September 2004 and 17 January 2009, MOH and the other relevant government authorities promulgated the Provisions on Further Regulating Purchase of Medicines by Medical

Institutions through Centralized Tendering《(關於進一步規範醫療機構藥品集中招標採購的若干規定)》and the Opinions concerning Further Regulating Purchase of Medicines by Medical Institutions through Centralized Tendering《(關於進一步規範醫療機構藥品集中採購工作的意見)》, respectively, to modify and improve the tendering process system.

In accordance with Notice on Issuing Certain Regulations on the Trial Implementation of Centralized Procurement of Pharmaceutical Products by Medical Organizations《(關於印發醫療機構藥品集中招標採購試點工作若干規定的通知)》promulgated on 7 July 2000 and the Notice on Further Improvement on the Implementation of Centralized Procurement of Pharmaceutical Products by Medical Organizations《(關於進一步做好醫療機構藥品集中招標採購工作的通知)》 promulgated on 8 August 2001, non-profit medical institutions established by the PRC government at the county level or above are required to implement a centralized tender system for the procurement of pharmaceutical products. Public hospitals and healthcare institutions at the county level or above must comply with the centralized tendering process requirements. The tendering process is operated and organized by provincial and municipal government agencies such as provincial or municipal health departments. The centralized tendering process is conducted at most twice every year in the relevant province or city in the PRC. With the exception of medicines included in the National List of Essential Drugs and certain other special medicines, public hospitals and healthcare institutions that participate in the tendering process in principle shall use medicines included in the provincial medicine purchasing catalogs, as formulated by the relevant provincial and municipal government authorities. These public hospitals and healthcare institutions must only purchase these medicines through a public tender, online price bids, centralized price negotiations and direct online price listings, including through implementation of government–mandated price controls. The Sample Document must be included in the tendering documents prepared in relation to the centralized tendering process and may not be modified. To increase the transparency of medicine purchases, public hospitals and healthcare institutions are required to make their purchases of medicines through an online platform established by each provincial and municipal government authority.

The manufacturers of medicines that are on the medical institutions' formularies and are otherwise in demand by these hospitals are invited to bid and participate in the centralized tender process, which they must do directly by themselves. These manufacturers may, however, be advised by pharmaceutical distribution companies and they may use pharmaceutical distribution companies to distribute the medicines to the hospitals and healthcare institutions. A duly organized bid-evaluation committee, which is composed of pharmaceutical experts and clinical medical experts who will be randomly selected from a database of experts established by the relevant competent government authority, is responsible for bid evaluations. The selection is based on a number of factors, including bid price, quality, clinical effectiveness, and manufacturer's reputation and service quality.

Other Regulations

- *Trial Period for New Products.* Pursuant to Measures on Registration Administration of Medicines (藥品註冊管理辦法), with respect to a newly registered pharmaceutical product, SFDA may prescribe a trial period not exceeding five years on the grounds of public health. During this period, product use is closely supervised and monitored, and no other enterprise is allowed to produce or import such product.

- *Protection of Chinese Traditional Medicine.* Pursuant to the Regulations on the Protection of Chinese Traditional Medicine (中藥品種保護條例) promulgated by the State Council in 1992, some traditional Chinese medicines enjoy special protections. The degree of protection generally falls into one of the two categories. For category I products, the protection period is 30 years, 20 years or 10 years. For category II products, the protection period is 7 years. During the protection period, holder of the certificate enjoys the exclusive right to manufacture the Chinese traditional medicines covered thereunder.

- *Advertising Control*. An enterprise seeking to advertise its pharmaceutical products must apply for an advertising approval code. The code is issued by the relevant local administrative authority. Prescription drug may only be advertised in medical or pharmaceuticals publications approved by both MOH and the relevant department of the State Council. Prescription drugs may not be advertised in the mass media or promoted to the public by any means.

- The national medical insurance drugs, industrial injury insurance drugs and maternity insurance drugs catalogue. On November 27, 2009, the Ministry of labor and Social Security of the PRC published the National Medical Insurance Drugs Catalogue to renew the national medical insurance drugs catalogue, and requested the provinces, autonomous regions and municipalities throughout the PRC to issue the provincial catalogues on 31 March 2010. More medical products were included in this catalogue. The catalogue will be modified from time to time.

Property Business

Regulatory Framework

The following are the major statutes applicable to the property development industry:

- PRC Land Administration Law (中華人民共和國土地管理法), which was adopted on June 25, 1986 by the Sixteenth Session of the Standing Committee of the Sixth NPC and amended on December 29, 1988 by the Fifth Session of the Standing Committee of the Seventh NPC, on August 29, 1998 by the Fourth Session of the Standing Committee of the Ninth NPC and on August 28, 2004 by the Eleventh Session of the Standing Committee of the Tenth NPC.

- PRC Interim Regulations on the Assignment and Transfer of the Right to Use State-owned Land in Urban Areas (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例), which were promulgated on May 19, 1990 by the State Council.

- PRC Law on the Administration of Urban Real Estate (中華人民共和國城市房地產管理法), which was adopted on July 5, 1994 by the Eighth Session of the Standing Committee of the Eighth NPC and amended on August 30, 2007 by the Twenty-ninth Session of the Standing Committee of the Tenth NPC.

- Regulations on the Development and Administration of Urban Real Estate (城市房地產開發經營管理條例), which were promulgated on July 20, 1998 by the State Council.

- Provisions on Administration of Qualifications of Real Estate Developers (房地產開發企業資質管理規定), which were promulgated on March 29, 2000 by the Ministry of Construction.

The following are the major administrative agencies in the property development industry:

- *PRC Ministry of Land and Resources*. The PRC Ministry of Land and Resources is primarily responsible for the supervision on the proper use of land, mineral, oceanic and other natural resources. The Ministry was established pursuant to reforms initiated by the State Council, which were adopted by the First Session of the Ninth NPC. The Ministry has combined several ministries of the central government, including the Ministry of Geological and Mineral Resources, the State Land Administration, the State Oceanic Administration, and the State Bureau of Surveying and Mapping.

- *PRC Ministry of Construction*. The PRC Ministry of Construction is primarily responsible for the supervision of, and the formulation of policies and promulgation of rules and regulations for, urban planning, construction projects, township construction, residential real estate development, the surveying, design and consulting industries, and municipal utilities. The Ministry was established pursuant to the institutional reforms initiated by the State Council, which were adopted by the First Session of the Ninth NPC.

Recent Macroeconomic Measures

On January 7, 2010, the General Office of the State Council promulgated the Circular of the General Office of the State Council on Accelerating the Stable and Smooth Development of Real Estate Market (國務院辦公廳關於促進房地產市場平穩健康發展的通知), which provides, (i) efforts should be made to increase the construction of smaller-sized low and medium pricing apartments while increasing land supply for residential housing projects; (ii) increase the amount of down-payment to 40% of the property price for the purchase of the second property; (iii) strengthen the risk management for real estate project loans and market supervision, increase the extent of investigation of the phenomenon of covering plate and hoarding houses by reluctant sellers; (iv) cities in China, especially those with high and excessively rising housing prices, should increase efforts to build more affordable or low-rent housing for low and medium income families; (v) local governments should increase efforts on the renovation of "shanty towns" and increase low-rent houses and affordable houses to low-income families.

On April 7, 2010, the State Council promulgated the Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities (國務院關於堅決遏制部分城市房價過快上漲的通知), which provides, (i) in those areas where property prices have escalated and property supply is tight, commercial banks may, depending on the level of risk, suspend granting mortgage loans to buyers purchasing their third or more residential properties or to those non-local residents who cannot provide documentation evidencing their payment for over one year of local tax or social security in the locality; (ii) increase the amount of down-payment to 50% of the property price for the purchase of the second property and the mortgage interest rate to be no less than 1.1 times the benchmark rate in the PRC; (iii) first-home buyers have to pay more than 30 percent of property prices if the floor area of the house is above 90 sq.m..

On January 26, 2011, the General Office of State Council promulgated the Circular on Relevant Issues Regarding Doing Well the Work on Real Estate Market Control (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知), which provides, (i) for a second-time home buyer, the minimum amount of down payment shall be no less than 60% of the purchase price of the underlying property and the minimum mortgage loan interest rate shall be no less than 110% of the relevant PBOC benchmark lending interest rate; (ii) in municipalities, provincial capitals, cities specifically designated in the state plan and cities in which the housing prices are too high, or rise rapidly, (a) purchasing of a third-time home is prohibited, and (b) for the non-permanent residents, purchasing of a second-time home is prohibited and only those who can provide proof of a certain number of years of local taxes or social insurance contributions are allowed to purchase a unit of housing.

Land Use Rights

All land in the PRC is either state owned or collectively owned, depending on location. All urban land is state owned, and all rural land (including land adjacent to cities and towns) is collectively owned, unless requisitioned by the government and converted into state owned land or otherwise specified by law. The law on eminent domain gives the State the right to condemn selected land parcels on public interest grounds. Although all land in the PRC is owned by the State or by collectives, natural persons and corporate entities with land use rights are permitted to hold, lease and develop the land covered by such rights.

In April 1988, the NPC amended the PRC Constitution to legalize the transfer of land use rights. In December 1988, the Land Administration Law was amended to include procedures for the transfer of land use rights to natural persons and corporate entities for consideration. The Provisional Regulations Concerning the Grant and Assignment of the Right to Use State land in Urban Areas (城鎮國有土地使用權出讓和轉讓暫行條例) (the "Urban Land Regulations") were promulgated on 19 May 1990. Under the Urban Land Regulations, local governments at or above county level have the power to grant land use rights to natural persons and corporate entities for specific uses over a definite period of time, so long as the grant is made upon the payment of a premium and its terms are reflected in a written contract. The Rules Regarding the Grant of State-owned Land Use Rights by Way of Tender, Auction and Putting up for Bidding (招標拍賣掛牌出讓國有土地使用權規定) were promulgated by Ministry of Land and Resource on May 9, 2002, which became effective on July 1, 2002. Under the Rules, if a piece of land is to be used for commercial, tourism, entertaining and residential purposes, the land use rights for such land must be granted through a tender, auction or bidding process. The Guidelines on Grant of State-owned Land Use Rights by way of Tendering, Auction and Putting-up for Bidding (Trial) (招標拍賣掛牌出讓國有土地使用權規範)(試行) effective from August 1, 2006, further specified that, other than the lands for commercial, tourism, entertainment and commodity residential housings, the industrial land under competitive demand and the land use right in some other circumstances are also subject to tendering, auction or bidding procedures. According to the Regulation on the Grant of State-Owned Land Use Rights by Way of Tender, Auction or Listing-for-Sale amended by the Ministry of Land and Resources, effective November 1, 2007, with respect to the land for industry, commerce, tourism, entertainment, commercial housing or other business operations, or with respect to land for which there are two or more prospective land users, the grant of land use rights shall be conducted through tender, auction or listing-for-sale.

Under the Provisions on the Assignment of State-owned Construction Land Use Right through Bid Invitation, Auction and Quotation (2007 Revision) (招標拍賣掛牌出讓國有建設用地使用權規定)(2007修訂), which became effective on November 1, 2007, with respect to the land for industry, commerce, tourism, entertainment, commercial housing or other business operations, or on which there are two or more intended land users, the assignment thereof shall be conducted through invitation to bid, auction or quotation.

A grantee of land use rights has the right to transfer, lease or mortgage such rights for a term not exceeding the term of grant, subject to any restrictions imposed by the government. Under the Law of the People's Republic of China on Urban Real Estate Administration (2007 Amendment) (中華人民共和國城市房地產管理法(2007修正)), which became effective on August 30, 2007, the transfer of real estate with the right of land use shall comply with the following conditions: (1) All the fees in concern with the lease of the right of land use have been paid in accordance with provisions prescribed by the contract for the lease and the certificate of the right to use the land has been obtained; (2) Investment and development have been done in accordance with the provisions prescribed by the contract for the lease; for housing construction projects, 25 percent of the total investment has gone through; for development of large tracts of land, land has been available for the construction of industrial or other projects. When a real estate is transferred with a finished building, title certificate for the building is also needed.

A grantee of land use rights also has the right to lease the land and properties constructed on it, subject to the Urban Land Regulations and other applicable regulations. For example, under the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法), which became effective on February 1, 2011, lessors are required to codify their lease arrangements in a written contract and register the contract with the relevant local authority within 30 days.

Idle Land

The concern of the MLR on handling idle land began in 1999. On April 28, 1999, the MLR promulgated the Measures on Handling of Idle Land《閒置土地處理辦法》which determines the scope and definition of idle land and sets out the corresponding punishment measures, including payment of idle land fee and repossession of idle land without compensation.

On September 8, 2007, the MLR promulgated the Notice on Strengthening the Handling of Idle Land《關於加大閒置土地處置力度的通知》. This notice lays down the principles of dealing with idle land. Prior to granting land use rights, issues relating to the ownership of land, the compensation and the settlement regarding land shall be properly dealt with. The notice also provides that the land use right certificate shall not be issued before the land premium for the acquisition of land has been paid in full, nor shall it be issued separately according to the proportion of payment of land premium.

On January 3, 2008, the State Council issued the Notice on Promoting Saving and Intensification of Use of Land《關於促進節約集約用地的通知》. This notice requires strict enforcement of the policies concerning dealing with idle land. If a parcel of land has been idle for two years or more, it must be resolutely taken back without making any compensation and be rearranged for other uses. If the land does not meet the statutory conditions for repossession, it must be dealt with in a timely manner and fully used after changing its original use, replacement by parity value, and arrangement of a temporary use or incorporation into governmental land reserves. If a parcel of land has been idle for more than one year but less than two years, an idle land fee must be charged, which shall be 20% of the land grant price. If the land premium has not been fully paid, no land certificate shall be granted. In addition, the grant of the land certificate by dividing the land based on the proportion of the paid land premium is prohibited. The system of granting industrial land and commercial land by tender, auction or listing-for-sale shall be strictly implemented. For industrial land and commercial land for business, tourism, entertainment, commodity houses and other purposes for business operation (including ancillary office, research and training space), or a land parcel on which there are two or more intended users, the land grant must be conducted by way of tender, auction or listing-for-sale.

On March 8, 2010, the MLR issued the Notice on Certain Issues on Strengthening Land Supply and Supervision of Read Estate《關於加強房地產用地供應和監管問題的通知》. Pursuant to this notice, the land price must not be less than 70% of the standard land grant fee for the applicable grade of land. Parties to the land grant must execute a land grant contract within 10 business days of completing the tender, auction or listing-for-sale process. Any property developers who fail to comply with the reporting requirement during the property development period are prohibited from acquiring land for at least one year.

On September 21, 2010, the Ministry of Construction and the MRL jointly promulgated the Notice on Further Strengthening Land Use and Construction Management Control of Real Estate《關於進一步加強房地產用地和建設管理調控的通知》. Pursuant to the notice, the land use rights granted to a property development enterprise must be withdrawn and be re-granted through a new tender, auction or listing-for-sale if such property development enterprise fails to commence the construction of a project on the land involved within the prescribed time limit due to its application for adjustment of construction planning conditions. To participate in a tender, auction or listing-for-sale, a bidder must, in addition to providing the relevant identification documents and deposit, provide a bank credit reference and a letter confirming that the deposit it pays for such tender, auction or listing-for-sale does not come from a bank loan, shareholder loan, re-lending and fund-raising. If the land is left idle for more than one year by the property development enterprise, the property development enterprise and its controlling shareholder shall be prohibited from taking part in the tender, auction or listing-for-sale for the grant of the land use rights. Furthermore, property development enterprises must commence the construction of a housing project within one year from the date of delivery of the land as stipulated on the land grant contract, and complete the construction within three years from the commencement date of the construction.

On June 1, 2012, the MLR revised and promulgated the Measures for the Disposal of Idle Land《閒置土地處置辦法》which further clarified the scope and definition of idle land, and the corresponding punishment measures compared to the old version. Pursuant to the new Measures for the Disposal of Idle Land, under the following circumstances, a parcel of land shall be defined as "idle land":

- any State-owned land for construction use, of which the holder of the land use right fails to start the construction and development thereof within one year after the commencement date of the construction and development work as agreed upon and prescribed in the contract for fee-based use of State-owned land for construction use, or the decision on allocation of State-owned land for construction use;

- any State-owned land for construction use of which the construction and development have been started but the area of land that is under construction and development is less than one third of the total area of land that should have been under construction and development or the invested amount is less than 25% of the total investment, and the construction and development of which has been suspended for more than one year.

If a parcel of land is deemed as idle land by competent department of land and resources, unless otherwise prescribed by the new Measures for the Disposal of Idle Land, the land shall be disposed of in the following ways:

- Where the land has remained idle for more than one year, the competent department of land and resources at the municipal or county level shall, with the approval of the people's government at the same level, issue the Decision on Collecting Charges for Idle Land to the holder of the right to use the land and collect the charges for idle land at the rate of 20% of the land assignment or allocation fee; and the said charges for idle land shall not be included in the production cost by the holder of the land use right;

- Where the land has remained idle for more than two years, the competent department of land and resources at the municipal or county level shall, with the approval of the people's government having the jurisdiction to approve thereof, issue a Decision on Taking Back the Right to Use the State-owned Land for Construction Use to the holder of the right to use the land and take back the right to use the land without compensation; and if any mortgage is created on the idle land, a copy of the Decision on Tracking back the Right to Use the State-owned Land for Construction Use shall be sent to each mortgage thereof.

Development Rights

Property development projects consist of two categories: single projects and large tract development projects. A single project involves the construction of buildings on a plot of land and the sale of property units constructed on it. A large tract development project involves the development of an area for industrial or commercial use, which entails initial leveling of the land, installation of infrastructure such as water, electricity, road and communications facilities, erection of buildings and sale of property units constructed. In a large tract development project, the developer has the option either to assign the construction work to one or more third parties or to undertake some or all of the construction work itself.

Generally, a property developer needs to procure a variety of permits and licenses, including the following:

- Before land use rights are granted, the developer must procure a certificate for construction and land use from the relevant real estate planning authority.

- After obtaining this certificate for construction and land use, the developer shall organize the necessary planning and design work in accordance with planning and design requirements and apply for a permit for construction project planning from the urban planning authority and shall apply for a Construction Commencement Permit from the construction administrative authority under the local people's government above the county level.

- The developer must possess a valid qualification certificate on real estate development. Before construction work begins, such qualification must have been verified and approved by the relevant agency. The standards are prescribed by the Regulations on the Development and Administration of Urban Real Estate promulgated by the State Council and the Regulations on Administration of Qualification of Real Estate Development Enterprises（房地產開發企業資質管理規定）promulgated by the Ministry of Construction. Administrative matters are handled, at the national level, by the relevant department of the State Council and, at regional levels, the relevant department of the local government.

New Rules of Foreign Investment in the PRC Real Estate Market

On July 11, 2006, the Ministry of Construction, MOFCOM, NDRC, the People's Bank of China, the State Administration for Industry of Commerce and the State Administration of Foreign Exchange promulgated the Regulation on the Access to and Administration of Foreign Investment in the Real Estate Market（關於規範房地產市場外資准入和管理的意見）(the "171 Opinion"). Under the 171 Opinion, a foreign investor investing in real estate in the PRC must establish an FIE and if its total investment amount is over US$10 million, the registered capital of the FIE is required to be at least 50% of the total investment amount. A real property FIE is not allowed to obtain loans (domestic or overseas) unless its registered capital has been fully paid up, the Land Use Right Certificate has been obtained or at least 35% of the total project investment has been injected as the initial capital fund of the project. The 171 Opinion also contains restrictions on the purchase of properties located in the PRC by foreign individuals and entities. It provides that branches and representative offices (except for those that are approved to conduct the real estate business) of foreign institutions in the PRC and foreign individuals who work or study in the PRC for more than one year may purchase real property to satisfy their personal or institutional needs but not for any other purpose. Foreign institutions with no branches or representative offices in the PRC or foreign individuals who work or study in the PRC for less than one year are prohibited from buying any real property in the PRC. Residents of Hong Kong, Macau and Taiwan and foreigners of Chinese origin are not subject to the one-year residency requirement and may purchase real property within a limited GFA in a certain limited area in the PRC for their own residential purpose.

On September 1, 2006, SAFE and the Ministry of Construction jointly issued the Notice in respect of Standardization of Issues Relating to Management of Foreign Exchange of Real Estate Market (關於規範房地產市場外匯管理有關問題的通知). This notice provides, among other things, the specific procedures for purchasing houses by branches and representative offices established in the PRC by foreign institutions, foreign individuals who work or study in the PRC for more than one year, and residents of Hong Kong, Macau and Taiwan as well as foreigners of Chinese origin.

On May 23, 2007, MOFCOM and SAFE promulgated the Circular on Further Reinforce and Standardize the Examination and Supervision on Foreign Direct Investment in Real Estate Industry (關於進一步加強、規範外商直接投資房地產業審批和監管的通知) (the "Circular"). The Circular provides stricter controlling measures as following:

- Foreign investment in the real estate sector in the PRC relating to high-end properties is to be strictly controlled.

- Prior to obtaining approval for the establishment of an FIE of real estate, either (i) both the Land Use Right Certificates and Property Ownership Certificates must have been obtained, or (ii) contracts for obtaining land use rights or property ownership must have been entered into; if the above requirements have not been satisfied, the approval authority will not approve the application.

- FIEs need to obtain approval before expanding their business scope into the real estate sector and FIEs which have been established for real estate development purposes need to obtain approvals to expand their real estate business scope.

- Acquisition of or investment in domestic real estate enterprises by way of round trip investment (including by the same actual controlling person) is to be strictly regulated. Overseas investors may not avoid the necessity of securing approvals for foreign investment in real estate by way of changing the actual controlling person of a domestic real estate enterprise from a domestic person to a foreign person. If the foreign exchange authority finds that the foreign-invested real estate enterprise has been established by false representation, it will take actions against the enterprise's conduct of remittance of capital and interest accrued without approval, and the enterprise shall bear the liability for the evasion of foreign exchange.

- A foreign-invested real property enterprise is prohibited from engaging in fixed return agreement or agreements with the same effect.

- The local SAFE administrative authority and designated foreign exchange banks may not perform the foreign exchange purchase and settlement process for any foreign-invested real property enterprises who fail to satisfy the filing requirement of the MOC or fail to pass its annual inspections.

On July 10, 2007, SAFE issued the Notice Regarding the Publication of the List of the First Batch of Foreign-Invested Property Development Projects that Have Filed with MOFCOM (國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產專案名單的通知). This notice restricts foreign invested real estate enterprises from lending shareholder loans offshore. The notice provides that, among other things:

- SAFE will no longer process foreign debt registrations or applications for purchase of foreign exchange for foreign-invested real estate enterprises that obtained their authorization certificate from and completed their filing with MOFCOM on or after June 1, 2007.

- SAFE will no longer process foreign exchange registrations (or change in such registrations) or applications for the sale and purchase of foreign exchange for foreign-invested real estate enterprises that obtained their approval certificates from local commerce departments on or after June 1, 2007 but have not completed their filing with MOFCOM.

Under the Catalogue of Guidance on Industries for Foreign Investment (外商投資產業指導目錄(2011年修訂)) promulgated by MOFCOM and NDRC in December 2011:

- the development of a whole land lot, including primary development of a land site such as construction of infrastructure and installation of utility supplies, solely by foreign investors falls within the category of industries in which foreign investment is prohibited.

- the development of a whole land lot jointly with PRC partners and the construction and operation of high-end hotels, villas, premium office buildings, international conference centers, golf courses and large theme parks fall within the category of industries in which foreign investment is subject to restrictions.

- other real estate development falls within the category of industries in which foreign investment is permitted.

On June 18, 2008, MOFCOM issued the Circular on Better Implementation of the Filing of Foreign Investment in the Real Estate Industry (關於做好外商投資房地產業備案工作的通知), under which MOFCOM has delegated its authority over verification of the filings in relation to foreign investment in real estate to the provincial MOFCOM authorities and require the verification results to be reported to MOFCOM; the verification materials would be kept in record by the provincial MOFCOM authorities.

Land Appreciation Tax

Under the Provisional Regulations of the PRC on Land Appreciation Tax《中華人民共和國土地增值稅暫行條例》promulgated by the State Council on 13 December 1993 and became effective on 1 January 1994 and its implementing rules which were promulgated by the Ministry of Finance on 27 January 1995, the LAT applies to both domestic and foreign investors in real estate in China, irrespective of whether they are corporate entities or individuals. The tax is payable by a taxpayer on the appreciation value derived from the transfer of land use rights, buildings or other facilities on such land, after deducting certain "deductible items" that include the following:

- Payment made to acquire land use rights;
- Costs and charges incurred in connection with land development;
- Construction costs and charges in the case of newly constructed buildings and facilities;
- Assessed value in the case of old buildings and facilities;
- Taxes paid or payable in connection with the transfer of land use rights, buildings or other facilities on such land; and
- Other items allowed by the Ministry of Finance.

The tax rate is progressive and ranges from 30% to 60% of the appreciation value net of the "deductible items".

On 28 December 2006, the State Administration of Taxation promulgated the Notice on the Settlement Management of Land Appreciation Tax on Real Estate Enterprises《關於房地產開發企業土地增值稅清算管理有關問題的通知》, effective on 1 February 2007. According to the notice, the LAT assessment amount shall be derived from the entire value of the real estate development project of the project was approved by the relevant authority as a unit; and for a project developed in stages, the LAT assessment amount shall be derived from the value of each individual stage of the project.

A taxpayer should pay the LAT of one of the following circumstances occurs:

- A construction project has been completed and its commodity houses have been sold;
- An uncompleted real estate development project is transferred; or
- A direct transfer of a land use right.

The tax authority may require the taxpayer to pay the LAT in one of the following circumstances:

- The GFA of the real estate sold is in excess of 85% of the saleable GFA of the entire project or, if the proportion is less than 85%, the residual saleable GFA has been leased out or is held for self-use;
- The pre-sale permit has been held for three years, but not all of the commodity houses of the project have been sold;

- The taxpayer applies for cancellation of tax registration but has yet to carry out the procedures for the LAT settlement; or

- Other circumstances provided by tax authorities at the provincial level.

On 12 May 2009, the State Administration of Taxation issued the Regulations of Land Appreciation Tax Settlement Administration《土地增值稅清算管理規程》, effective on 1 June 2009 with the aim of strengthening the imposition of the LAT by specifically regulating the acceptance, review of LAT settlement and tax imposition procedures.

On 19 May 2010, the State Administration of Taxation promulgated the Notice on Issues Regarding Land Appreciation Tax Settlement《關於土地增值稅清算有關問題的通知》, which provides further clarifications and guidelines on LAT Settlement, income recognition, deductible expenses, timing of assessment and other related issues.

On 25 May 2010, the State Administration of Taxation promulgated the Notice on Strengthening the Levy and Administration of Land Appreciation Tax《關於加強土地增值稅徵管工作的通知》to impose further requirements on the collection of LAT. The notice provides that, except for social security housing, the minimum LAT prepayment rate shall be no less than 2% for properties in Eastern China, no less than 1.5% for properties in Central and Northeastern China and no less than 1% for properties in Western China. The LAT prepayment rate shall be determined by the local authorities based on different property types in the locality.

Steel Business

Regulatory Framework

The PRC Government formulates policies for the iron and steel industry from time to time. NDRC is responsible for examining and approving investment projects in steel and iron industry.

Recent Macroeconomic Measures

To prevent over-capacity in the industry, on November 19, 2003, NDRC, the Ministry of Land and Resource(國土資源部), MOFCOM, the State Environmental Protection Administration(國家環境保護總局) and the China Banking Regulatory Commission (中國銀行業監督管理委員會) ("CBRC") jointly promulgated the Several Opinions Concerning the Prohibition of Irrational Investment in Iron and Steel Industry(關於制止鋼鐵行業盲目投資的若干意見)("the Opinions"). The Opinions have increased the minimum amount applicable to investors in the iron and steel industry and imposed more restrictive criteria on iron and steel producers in matters concerning production capacity, land use, environmental protection measures, credit management and manufacturing technology. Pursuant to the Decisions of the State Council on the Reform of Investment System(國務院關於投資體制改革的決定)dated July 16, 2004 and the Catalogue of Investment Project Requiring Approval by the Government (2004)(政府核准的投資項目目錄(2004年本)), any steel producer seeking to increase the production capacities of its iron-smelting, steel-smelting and steel rolling plants must obtain prior approval from NDRC. Any investment in an iron ore mine is also subject to NDRC approval (if the mine has a verified deposit of more than 50 million tones) or approval by the relevant provincial branch of NDRC.

To regulate investment activities in the industry, on April 30, 2004, NDRC, PBOC and CBRC jointly promulgated the Notice of Relevant Issues for Further Strengthening the Coordination of Industry Policy and Credit Policy to control Credit Risk (關於進一步加強產業政策和信托政策協調配合控制信貸風險有關問題的通知) (the "Notices") and the Catalogue on Refraining Overlapped and Low-level Repeated Constructions in Several Industries (當前部份行業制止低水平重複建設目錄) (the "Catalogue"). The Catalogue has classified some investment projects as "prohibited" and some others as "restricted." Under the Notices, operators of prohibited projects must cease construction work immediately and close down their existing operations and may not borrow additional bank loans in connection with such projects. Operators of restricted projects must withdraw their application for examination and approval of such projects and cease construction work immediately.

To offer guidance on the long-term development of domestic steel and iron industry, the Policies on Development of Steel and Iron Industry (鋼鐵產業發展政策) (the "New Policies") were promulgated in July 2005 by NDRC with the authorization of the State Council. The New Policies seek to encourage the growth of the industry as China becomes a major steel and iron producer in the world and to increase the industry's competitiveness in the global market. Under the New Policies:

- Any changes in the geographical distribution of steel and iron producers shall take into account of various factors, such as the availability of mineral, energy and water resources, infrastructures on communication and transportation, environmental issues, market demand and dependence on foreign resources. Large steel and iron enterprises are expected to concentrate along costal regions.

- Specific standards apply to the quality of production equipment and the efficiency of technology processes. Existing manufacturers are required to comply with the specified standards through technological improvements and replacement of outdated production equipment and technologies. Manufacturers are required to, subject to changes in the industry cycles, improve their manufacturing processes in order to use energy resources more efficiently, recycle materials where applicable, and minimize pollution.

- The number of steel and iron enterprises is expected to decrease with the emergence of conglomerates, resulting in an industry that is more concentrated. Strategic alliances are encouraged, such as collaboration between entities, mergers and restructurings, and reciprocal shareholdings, in order to enhance the overall structure of the industry and to facilitate the technological upgrade within enterprises.

To guide industrial investment, NDRC promulgated the Guidance Catalogue of the Adjustment of Industrial Structure (2011) (產業結構調整指導目錄)(2011) (the "Adjustment Catalogue") published on March 27, 2011, and the State Council promulgated the Tentative Rules on the Promotion of Adjustment of Industrial Structure (促進產業結構調整暫行規定) (the "Tentative Rules") published on December 2, 2005. The Adjustment Catalogue classified a broad range of industrial activities into "encouraged", "restricted" and "suppressed" categories. Under the Tentative Rules, new investment in industrial activities in either the "restricted" or "suppressed" categories are prohibited. Businesses operating in "suppressed" industrial activities are required to cease operation immediately or within the stipulated period.

On June 14, 2006, NDRC, MOFCOM, PRC Ministry of Land and Resources, State Environmental Protection Administration, PRC General Administration of Customs, PRC General Administration of Quality Supervision, Inspection and Quarantine, CBRC, CSRC jointly published "The Notice on Total Output Controlled, Backwardness Eliminated, Structure Adjustment Acceleration of Iron and Steel Industry "(關於鋼鐵工業控制總量淘汰落後加快結構調整的通知). The notice sets the aims to cut about 100 millions tons of outdated iron production capacity during period of "the eleventh five year plan", and 55 millions tons of outdated steel production capacity before 2007. In particular, according to this notice, blast furnace (高爐) below the capacity of 200m3 and converters (轉爐)/electric furnace (電爐) below the capacity of 20 tons shall be eliminated by 2007; blast furnace below the capacity of 300m3 shall be eliminated by 2010. It emphasizes, in terms of adjustment of surplus, the importance of stable development without drastic fluctuations, a full-range of administration measures and raises the principle of setting up a long-term effective mechanism in order to improve the control of iron and steel output, reduce the outdated production capacity and accelerate structural adjustment. However, the notice encourages the technical improvement and innovation by the iron and steel producers and investments and acquisitions among large iron and steel producers to concentrate the iron and steel industry.

On March 20, 2009, the General Office of the State Council promulgated the Plans for Adjusting and Revitalization of the Steel Industry (鋼鐵產業調整和振興規劃), which provides, by 2011, (i) that the output of crude steel reaches 500 million tons or so and the apparent consumption reaches 450 million tons or so, the ratio of industrial added value in the GDP remains at 4% level. (ii) Eliminate 72 million tons of backward iron smelting capacity and 25 million tons of backward steel-making capacity. (iii) Form several extremely large enterprises with strong independent innovation capability and international competitiveness, the proportion which the top five domestic steel companies' production capacity accounted for domestic production capacity can reach more than 45%. (iv) Large and medium-sized steel enterprises require more than 60% of physical quality products reach the international advanced level, one million kilowatts of thermal power and nuclear power with extra-thick steel plate and high-pressure boiler tubes, more than 250,000 kVA transformer with high magnetic sense of orientation of low iron loss silicon steel and other products to achieve self-reliance, the key steel varieties of self-sufficiency rate of over 90%, 400MPa and above the use of hot-rolled ribbed steel bars for more than 60% ratio. (v) Further enhance the independent innovation capability and technical level of the equipment through import, digestion, absorption and innovation of overseas technologies. (vi) Energy-saving and emission-reduction achieve noticeable results.

Foreign Investment

Foreign investment in the PRC iron and steel industry is generally permitted. Under the New Guidance on Foreign Industrial Investment (amended in 2011) (外商投資產業指導目錄)(2011年修訂) promulgated by MOFCOM and NDRC on December 24, 2011, however, some foreign investment projects, such as the smelting of gold mines with low quality or difficult to beneficiate, have been moved from the "encouraged" class into the "permitted" class. Furthermore, under the New Policies, foreign investors are generally not allowed to acquire controlling interests in domestic iron and steel enterprises.

Steel Production

The issuance of licenses to steel manufacturers is governed by the PRC Regulations on the Administration of Production License for Industrial Products (中華人民共和國工業產品生產許可證管理條例) and its detailed implementation rules, which were promulgated by the State Council and the PRC General Administration of Quality Supervision, Inspection and Quarantine in July 2005 and September 2005 respectively. Such measures prescribe a national licensing system for the manufacturing of important industrial products with emphasis on homeland security, health and safety of the public and animals and environmental protection. In connection with such measures, the central government has compiled and published the Catalogue of Products Subject to Manufacturing License for Industrial Products (實施工業產品生產許可證制度的產品目錄) (the "Catalogue"), and a manufacturer of products listed in the Catalogue is required to comply with the measures. For example, such manufacturer is required to obtain from the General Administration of Quality Supervision, Inspection and Quarantine a manufacturing license, and the products must comply with the labeling requirements.

To minimize harm to the environment and to ensure public safety, some operations are prohibited. The types of prohibited operations are specified in the Notice of Relevant Issues regarding Further Cooperation on Industry Policy and Credit Policy and Control of Credit Risk (關於進一步加強產業政策和信貸政策協調配合控制信貸風險有關問題的通知), which was jointly published by NDRC, PBOC and CBRC on April 30, 2004, and the Catalogue on Refraining Overlapped and Low-level Constructions in Several Industries (當前部份行業制止低水平重覆建設目錄). They include projects that seriously endanger production safety, cause serious environment pollution, generate products with qualities that fall short of the relevant national standards, result in excessive raw material or energy consumption, or involve items that are prohibited under the Catalogue or other applicable laws. Iron and steel producers engaged in such projects are required to close down the related operations and are not permitted to apply for bank loans in connection with such operations.

On January 1, 2012, the Ministry of Industry and Information Technology promulgated the Standards for Iron and Steel Industry (Amended in 2012) (鋼鐵行業規範條件(2012年修訂)), laying down specific standards for production quality, environmental protection, energy consumption and comprehensive utilization of resources, technology and equipment, production scale, safety, health and social responsibility of iron and steel enterprises.

Mining Business

Regulatory Framework

The major statutes applicable to the gold mining industry are as follows:

- The PRC Law of Mineral Resources (中華人民共和國礦產資源法), which was adopted on March 19, 1986 by the Fifteenth Session of the Sixth Standing Committee of the NPC and became effective on October 1, 1986. The Law was revised on August 29, 1996 by the Twenty-first Session of the Eighth Standing Committee of the NPC and became effective on January 1, 1997.

- The PRC Detailed Rules for Implementation of the Law of Mineral Resources (中華人民共和國礦產資源法實施細則), which were promulgated on March 26, 1994 by the State Council and became effectively immediately.

- The Management Measures on Mineral Resources Exploitation Registration (礦產資源開採登記管理辦法), which were promulgated on February 12, 1998 by the State Council and became effective immediately.

- The Management Measures on Registration of Tenement of Mineral Resources Exploration and Survey (礦產資源勘察區塊登記管理辦法), which were promulgated on February 12, 1998 by the State Council and became effective immediately.

Principal Regulations

According to the "The PRC Law of Mineral Resources" (中華人民共和國礦產資源法), the "The Management Measures on Mineral Resources Exploitation Registration" (礦產資源開採登記管理辦法) and the "The Management Measures on Registration of Tenement of Mineral Resources Exploration and Survey" (礦產資源勘察區塊登記管理辦法), before the exploration and mining activities relating to mineral resources can commence, the project company must first obtain the exploration permits and the mining permits, which generally entitle the project company to the exploration and mining rights attached to the relevant mining project.

Gold mining is governed by the Regulations on the Administration and Processing of the Letters of Approval on Gold Mining (辦理開採黃金礦產批准書管理規定), which were promulgated on December 17, 2003 by NDRC and became effective on January 1, 2004. Under such regulations, gold mining activities must be examined and approved by NDRC. An operator is required to procure a letter of approval from NDRC, and the effective period of the letter depends on the scale of the relevant gold mine. For instance, the effective period is 15 years for gold mines with daily processing of gold ores of more than 500 tons. In addition, a gold mining operator is required to obtain one or more mining licenses from the central and/or local land resource administration authorities.

Pursuant to the Decision of the State Council on the Reform of Investment System (國務院關於投資體制改革的決定) dated July 16, 2004 and the Catalogue of Investment Project Requiring Approval by the Government (2004) (政府核准的投資項目目錄(2004年本)), the development project of iron ore with the exploited industrial reserves scale above 50 million tons shall be approved by NDRC and the other development project of iron ore shall be approved by the governmental authority in charge of investment at provincial level.

Acquisition of mining rights is governed by the Regulations on the Administration of Bidding, Auctioning and Listing of Mineral Exploitation Rights and Mining Rights (trial implementation)(探礦權採礦權招標拍賣掛牌管理辦法(試行)), which were promulgated on June 11, 2003 by the Ministry of Land and Resources and became effective on August 1, 2003. Under such regulations, new mineral exploitation rights and mining rights that fall within the specified categories may only be sold through selected procedures, such as auctions and biddings, by the relevant departments of mineral resources.

Ministry of Land and Resource promulgated the Circular of Further Administration of Grant of Mining Right (國土資源部關於進一步規範礦業權出讓管理的通知) on January 24, 2006, with the attachment of the Catalogue of Category of Mineral Exploitation and Mining(礦產勘察開採分類目錄). The circular specifies: (1) in what circumstances where listing, bidding or auction procedure shall be applied for grant of mineral exploitation or mining right; (2) in what circumstances where grant of mineral exploitation or mining right by agreement with certain approval is allowed; and (3) in what circumstances where the mineral exploitation right can be granted upon application and registration.

Retail, Services, Finance and Other Investments Business

Retail Business

Regulatory Framework

The retail industry is mainly governed by the PRC Law against Unfair Competition(中華人民共和國反不正當競爭法). The Law was adopted on September 2, 1993 by the Third Session of the Eighth Standing Committee of the NPC and became effective on December 1, 1993.

The following are the major administrative agencies in the retail business:

- *MOFCOM.* MOFCOM is a ministry under the direct control of the State Council and is responsible for the supervision of domestic and foreign trade as well as international economic cooperation. It formulates policies relating to such matters, promulgates laws and regulations, administers the import and export of commodities and technologies, and monitors foreign investment activities in China.

- *SAIC.* The State Administration for Industry and Commerce of the PRC ("SAIC") is also a ministry under the direct control of the State Council. SAIC is responsible for market supervision and administration as well as the related administrative law enforcement. It formulates guidelines and policies related to industrial and commercial matters, regulates the registration of corporate entities and other associations, natural persons and representative offices of foreign enterprises in China, monitors market competition, and supervises market practices.

Principal Regulations

In connection with China's entry into the WTO, the PRC Government has undertaken that it would open up its commercial sectors to allow participation by foreign investors. As a result of this undertaking, the Administration Measures on Foreign Investment in the Trade Industry（外商投資商業領域管理辦法）(the "Measures") were promulgated by MOFCOM on April 16, 2004. The Measures govern foreign investment in various commercial sectors, such as the wholesale, retail, commission agency and franchising businesses.

Under the Measures, foreign investors have the right to engage in retail operations through wholly-owned foreign enterprises, the geographical areas in which such investors may conduct these operations have increased, and the minimum amount of investment for new investors has been reduced. Foreign investors may apply to establish both business entities and store branches at the same time by following relatively straight-forward procedures and clear guidelines.

Under the PRC Law against Unfair Competition, operators are prohibited from tying practices or raising other unreasonable conditions in connection with their sale of goods. They are also prohibited from using other unfair trade practices in connection with their trading of goods, such as the use of bribes and dumping strategy (i.e. the sale of products at a price lower than its costs for the single purpose of squeezing out their competitors).

Regulations Relating to Security Companies

Approval of CSRC is required for the following activities of a securities firm: establishment as a corporate entity, opening and closing of branches, alteration on the scope of business, changes in registered capital, amendment to the articles of association, mergers, divisions and alterations in corporate structure, and dissolution.

Investment in a securities firm is governed by the PRC Securities Law and under the Regulation on the Supervision and Administration of Securities Companies（證券公司監督管理條例）, any qualified investors intending to hold more than 5% interest in a securities company must be verified and approved by CSRC.

Businesses run by the securities firm and its domestic branch should be approved by the securities regulatory agency under the State Council. No business without approval is allowed. If two or more securities firms are controlled by one agency or person, or have controlling relationship with each other, they shall not run the same securities business, except for otherwise prescribed by the securities regulatory agency under the State Council.

Under the PRC Securities Law, a securities firm must conduct its investment banking, proprietary trading, asset management businesses and securities research work separately. For instance, appropriate measures must be imposed to segregate staff members, information flow and accounts of the different departments. Customer funds for trading and settlement must be deposited into special accounts kept at designated commercial banks and be segregated from the accounts of the firm. A securities firm may not invest in any other entities or in any assets not for its own use (except with regulatory approval), offer financing to its customers for securities trading, offer guarantee to its customers on their investment returns, or agree to indemnify its customers on their investment losses.

Under the Provisions on the Classified Supervision and Administration of Securities Companies (證券公司分類監管規定), the CSRC shall, based on the risk control capability of securities companies and in line with market competition capability and sustainable compliance with provisions, categorize and implement differing policies on various types of securities companies. The China Securities Regulatory Commission shall, in accordance with market development and the principle of prudential supervision, formulates and timely adjusts the assessment indicators and standards for securities companies on the basis of soliciting industrial opinions. The assessment indicators includes Capital adequacy, Corporate governance and compliance management, Dynamic risk control, Safety of information system, Protection of clients' rights and interests, Information disclosure.

Regulations relating to Finance Companies of Enterprise Groups

The major regulations relating to finance companies of enterprise groups are the Banking Supervision Law of the People's Republic of China (as amended on October 31, 2006) (《中華人民共和國銀行業監督管理法》), Measures for the Administration of Finance Companies of Enterprise Groups (as amended on October 31, 2006) (《企業集團財務公司管理辦法》), the Operating Rules for Applying for the Establishment of Financial Companies of Enterprise Groups (as amended on January 26, 2007) (《申請設立企業集團財務公司操作規程》) and Measures of China Banking Regulatory Commission for the Implementation of Administrative Licensing Matters Concerning Non-bank Financial Institutions (promulgated on August 3, 2007) (《中國銀行業監督管理委員會非銀行金融機構行政許可事項實施辦法》).

Finance companies of enterprise groups are non-bank financial institutions providing financial management services to members of enterprise groups (hereafter referred to as "Group Members") with the aim of strengthening centralized management of the funds of enterprise groups and increasing the efficiency of utilization of the funds of enterprise groups. Group Members include the parent company and subsidiaries in which the parent company holds over 51% of the equity interest, i.e. subsidiaries, companies in which the parent company holds or subsidiaries separately or jointly hold over 20% of the equity interest, or companies in which such shareholding is less than 20% but represents the controlling interest and public institutional legal persons or social organization legal persons (事業單位法人或者社會團體法人) under the parent company or subsidiaries. A finance company's registered capital shall be primarily raised from Group Members. It may also accept funds from certain qualified institutional investors. The establishment, change, or dissolution of a finance company and the business scope of a finance company shall be approved by the China Banking Regulatory Commission.

A finance company shall meet the following criteria: (i) it shall be established to meet the need for centralized management of enterprise funds of the enterprise group and can reach a certain business scale based on reasonable estimation; (ii) it shall have articles of association in compliance with the PRC Company Law and other regulations; (iii) it shall have a minimum registered capital of more than RMB100 million; (iv) it shall have qualified directors and senior management personnel and a stipulated ratio of working personnel as set out by the China

Banking Regulatory Commission and qualified specialists in key posts such as risk management and intensive management of funds; (v) it shall have sound systems for corporate governance, internal control, business operation and risk management; (vi) it shall have the required business premises, security preventive measures and other facilities; and (vii) other conditions as stipulated by the China Banking Regulatory Commission.

Finance companies must meet the statutory requirements of the asset-liability ratio, and the China Banking Regulatory Commission has the right to adjust the asset-liability ratio requirements based on circumstances. Finance companies are required to satisfy the deposit reserve requirement of the People's Bank of China and make provisions for losses and write off losses; they are also required to comply with the relevant requirements of the People's Bank of China on interest rate management; if engaging in foreign exchange business, they shall also comply with SAFE's requirements.

The establishment of a financial company can be divided into two stages. The parent company shall apply to the local branch of the China Banking Regulatory Commission for the establishment of a finance company. After preliminary examination by the local branch, the China Banking Regulatory Commission will further review and grant the approval if appropriate. The preparation for the establishment of a financial company is required to be completed within six months of the date of the approval from the China Banking Regulatory Commission. It may apply for an extension, but the extended period shall not exceed three months. Before the commencement of operation of a financial company, the parent company shall apply to the China Banking Regulatory Commission for permission to commence operation. Once approved, the parent company shall apply for the business license. A financial company is required to commence operation within six months of the date of its business license.

A finance company may engage in part or all of the following types of business: (i) finance and financing consultancy, credit verification and related consultancy and agency business for Group Members; (ii) assistance to Group Members in effecting receipt and payment of funds; (iii) insurance agency business subject to approval; (iv) provision of guarantees to Group Members; (v) commissioning of loans and investments between Group Members; (vi) acceptance and discounting of bills for Group Members; (vii) settlement of internal transfers among Group Members and design of plans for related settlements and clearances; (viii) acceptance of deposits from Group Members; (ix) providing loans and lease financing for Group Members; (x) interbank borrowings; and (xi) other businesses as approved by the China Banking Regulatory Commission.

A finance company which fulfill certain criteria may apply to the China Banking Regulatory Commission to engage in the following types of business: (i) issue of finance company bonds subject to approval; (ii) underwriting enterprise bonds issued by Group Members; (iii) equity investment in financial institutions; (iv) investment in negotiable debt securities; and (iv) provision of consumer credit, purchaser credit and lease financing to purchasers of products of Group Members. Such criteria include being established for at least one year and being in good operating condition; having a registered capital of no less than RMB300 million, or registered capital of no less than RMB500 million for finance companies providing consumer credit, purchaser credit and lease financing for Group Members' products; having comparatively comprehensive investment decision mechanisms, risk control systems, operating procedures and corresponding management information systems; and other criteria stipulated by the China Banking Regulatory Commission. Finance companies shall not engage in offshore business (other than permitted business), and any form of cross-border financial business, or industrial investment, trading and other non-financial businesses.

Asset Management Business

Regulatory Framework

The major statutes applicable to the financial services industry are as follows:

- PRC Securities Law (中華人民共和國證券法), which was adopted on 29 December 1998 by the Sixth Session of the Ninth Standing Committee of the NPC. The Law was revised on August 28, 2004 and October 27, 2005.

- Regulation on the Supervision and Administration of Securities Companies (證券公司監督管理條例), which was promulgated on April 23, 2008 by the State Council and became effectively on June 1, 2008.

- Regulation on the Risk Disposal of Securities Companies (證券公司風險處置條例), which was promulgated on April 23, 2008 by the State Council and became effective immediately.

- the Banking Supervision Law of the People's Republic of China (中華人民共和國銀行業監督管理法), which was first published in 2003 and as amended on December 23, 2003 and October 31, 2006.

- The Measures of China Banking Regulatory Commission for the Implementation of Administrative Licensing Matters Concerning Non-bank Financial Institutions (中國銀行業監督管理委員會非銀行金融機構行政許可事項實施辦法), which was promulgated on August 3, 2007.

- Provisions on the Classified Supervision and Administration of Securities Companies (證券公司分類監管規定), which were promulgated on May 26, 2009 and amended on May 14, 2010.

CSRC is one of the major regulators in the financial services industry, which is responsible for regulating the securities markets in the PRC, including operations of securities firms.

Regulations Relating to Partnership Enterprises

Under the Partnership Enterprise Law of the People's Republic of China (2006 Revision) (中華人民共和國合伙企業法(2006修訂)) which was first published in 1997 and amended on August 27, 2006, partnership enterprise refers to the general partnership enterprises and limited liability partnership enterprises. A limited liability partnership enterprise shall be formed by general partners and limited partners. The general partners shall bear unlimited joint and several liabilities for the debts of the limited liability partnership enterprise. The limited partners bear the liabilities for its debts to the extent of their capital contributions. According to the Measures of the People's Republic of China for the Registration of Partnership Enterprises (2007 Revision)（中華人民共和國合伙企業登記管理辦法(2007修訂)）, which was first published in 1997 and amended on May 9, 2007, administrations for industry and commerce are the registration organs for partnership.

According to the Partnership Enterprise Law of the People's Republic of China (2006 Revision), the partnership affairs of a limited partnership enterprise shall be executed by the general partners. The partner to execute the partnership shall regularly report to the other partners about the execution of the relevant affairs, the business operations and financial status of the partnership enterprise. Where any of the partnership enterprise registration items is changed, the partners executing the partnership affairs shall apply to the enterprise registration organ for modifying the registration within 15 days after they make a decision of change or after the change occurs. If the partners executing the partnership affairs fail to timely go through the registration modification formalities, it shall compensate for any loss incurred therefrom to the partnership enterprise, other partners or bona fide third persons. Where any partner executing the partnership affairs or any practitioner of a partnership enterprise, by taking the advantage of his position, usurps any benefit which should attribute to the partnership enterprise, occupy any property of the partnership enterprise by other illegal means, the partner shall return the benefit or property to the partnership enterprise. If the partner's act causes any loss to the partnership enterprise or to other partners, he shall bear the compensation liabilities. If the partner conducting any improper act in executing the partnership affairs, a resolution may be made to remove the said partner upon the unanimous consent of the other partners.

Under the Administrative Measures for the Establishment of Partnership Enterprises within China by Foreign Enterprises or Individuals（外國企業或者個人在中國境內設立合伙企業管理辦法）which was promulgated on November 25, 2009 and became effective on March 1, 2010, foreign-funded partnership enterprise refers to the partnership enterprise established by two or more foreign enterprises or individuals in China as well as the one established by foreign enterprises or individuals together with Chinese nature persons, legal persons and other organizations. The State Administration for Industry and Commerce shall be in charge of the administration on registration of the foreign-funded partnership enterprises. The Provisions on the Registration of Foreign-funded Partnership Enterprises（外商投資合伙企業登記管理規定）which was promulgated on January 29, 2010 and became effective on March 1, 2010, further regulates the process for formation, registration of change and cancellation of registration of foreign-funded partnership enterprises.

Directors and Senior Management

Our Company's board of directors consists of 11 directors, four of which are independent non-executive directors. The following table sets forth certain information concerning the directors and senior management of our Group.

Directors

Name	Age	Position
Mr. Guo Guangchang	45	Chairman and Executive Director
Mr. Liang Xinjun	44	Vice Chairman, Chief Executive Officer and Executive Director
Mr. Wang Qunbin	43	President and Executive Director
Mr. Fan Wei	43	Co-President and Executive Director
Mr. Ding Guoqi	43	Senior Vice President, Chief Financial Officer and Executive Director
Mr. Qin Xuetang	49	Senior Vice President and Executive Director
Mr. Wu Ping	48	Senior Vice President and Executive Director
Mr. Zhang Shengman	55	Independent Non-Executive Director
Mr. Andrew Y. Yan	55	Independent Non-Executive Director
Mr. Zhang Huaqiao	50	Independent Non-Executive Director
Mr. David T. Zhang	50	Independent Non-Executive Director

Other Senior Management

Name	Age	Position
Mr. Chen Qiyu	40	Vice President of our Company, Chairman and Executive Director of Fosun Pharma
Mr. Yao Fang	43	Vice Chairman, General Manager and Executive Director of Fosun Pharma
Mr. Qiao Zhicheng	40	Senior Vice General Manager, Chief Financial Officer and Secretary of Board of Directors of Fosun Pharma
Mr. Zhang Hua	47	Chairman of Forte
Mr. Chen Zhihua	46	President of Forte
Mr. Ye Jiansheng	38	Vice President and Chief Financial Officer of Forte
Mr. Yang Siming	59	Chairman and Chief Executive Officer of Nanjing Nangang, Chairman of Nanjing Iron & Steel, Director and General Manager of Nanjing Steel United
Mr. Lü Peng	50	Director and General Manager of Nanjing Nangang, Vice Chairman of Nanjing Iron & Steel and Director and General Manager of Nanjing Steel United
Mr. Wang Jiafu	47	Chief Accountant of Nanjing Nangang, Director of Nanjing Iron & Steel, Vice General Manager and Chief Accountant of Nanjing Steel United
Mr. Chen Guoping	55	Chairman and Party Deputy Secretary of Hainan Mining
Mr. Liu Mingdong	45	Director, General Manager and Party Deputy Secretary of Hainan Mining
Mr. Feng Yilin	54	Vice General Manager and Chief Financial Officer of Hainan Mining
Ms. Sze Mei Ming	35	Secretary of our Company

Executive Directors

Guo Guangchang, aged 45, is an Executive Director and Chairman of the Company. Mr. Guo was a co-founder of the Group and is chairman of Fosun Group since its establishment in November 1994. Mr. Guo is vice chairman of Nanjing Nangang and was appointed director of Forte in February 2012, non-executive director of Fosun Pharma in October 2012 and non-executive director of China Minsheng Banking Corp., Ltd. in December 2012. Mr. Guo was a non-executive director of Sinopharm from December 2009 to May 2010. Mr. Guo is a director of Club Med since March 2011. Mr. Guo is a deputy to the Tenth and Eleventh National People's Congress of the PRC and a member of the Ninth National Committee of Chinese People's Political Consultative Conference, and was appointed policy consultant to the Shanghai municipal government from 2001 to 2002. Mr. Guo has been vice chairman of the Shanghai Federation of Industry and Commerce since 2002 and became vice president in November 2007. Mr. Guo has been chairman of the Zhejiang Chamber of Commerce in Shanghai since 2004 and became honorary chairman in July 2011. Mr. Guo was appointed vice council chairman of China Foundation for Glory Society in May 2012. In 2003, Mr. Guo was named one of the "Top Ten Leaders in Future Economy of China" and "Top Ten New Private Entrepreneurs in 2003". In 2004, Mr. Guo was named one of the "CCTV People of Financial Year 2004". In 2005, Mr. Guo obtained the nationwide "Outstanding Entrepreneur in Private Sector on Staff Caring" award. In 2006, Mr. Guo was "Industry & Commerce Category Winner" of "Ernst & Young Entrepreneur of the Year". In April 2009, Mr. Guo obtained "Award of Outstanding Contribution to Guangcai Program" issued by China Society for Promotion of the Guangcai Program. In November 2010, Mr. Guo was the Awardee for Directors of the Year Awards 2010 (Non Hang Seng Index Constituents) issued by The Hong Kong Institute of Directors. Mr. Guo was awarded "Outstanding Zhejiang Entrepreneur Award" at "The First World Zhejiang Entrepreneurs Convention" in October 2011. Mr. Guo was awarded one of the "Top 25 Most Influential Enterprise Leaders 2011" at "The Tenth China Entrepreneur Summit" in December 2011. Mr. Guo received a bachelor's degree in philosophy in 1989 and a master's degree in business administration in 1999, both from Fudan University.

Liang Xinjun, aged 44, is an Executive Director, Vice Chairman and Chief Executive Officer of the Company. Mr. Liang was a co-founder of the Group. Mr. Liang was vice chairman of Fosun Group since its establishment in November 1994. Mr. Liang was a director of Yuyuan from December 2007 to June 2010. Mr. Liang is also a non-executive director and vice chairman of Zhaojin Mining and an independent director of Shanghai Oriental Pearl (Group) Co., Ltd. (listed on the Shanghai Stock Exchange with stock code: 600832). Mr. Liang is a member of the Eleventh Shanghai Committee of Chinese People's Political Consultative Conference; vice chairman of the China Young Entrepreneurs Association; executive vice council chairman of China Science and Technology Private Entrepreneurs Association; executive vice president of the Chamber of the Metallurgy Industry of All-China Federation of Industry and Commerce; chairman of the Taizhou Chamber of Commerce in Shanghai and executive chairman of the Shanghai Fudan University Alumni Association. Mr. Liang was awarded "the First Session Innovation Award of Shanghai Science and Technology Entrepreneur", "Outstanding Entrepreneur of China's Science and Technology Private Enterprise", "Innovation Management Award for Young Entrepreneur in China", "Top Ten Outstanding Youth of Shanghai", "Chinese Business Leader of the Year" at the Seventh Horasis Global China Business Meeting in Spain and “Top Ten PE Capitalists in China” by Zero2IPO Group in December 2012. Mr. Liang received a bachelor’s degree in genetic engineering in 1991 from Fudan University and a master’s degree in business administration in 2007 from Cheung Kong Graduate School of Business.

Wang Qunbin, aged 43, is an Executive Director and President of the Company. Mr. Wang was a co-founder of the Group. Mr. Wang has been a director of Fosun Group since its establishment in November 1994. Mr. Wang has been director of Fosun Pharma since its establishment and was appointed non-executive director of Fosun Pharma in October 2012. Mr. Wang has been non-executive director of Sinopharm since January 2003 and was appointed vice chairman of Sinopharm from June 2010. Mr. Wang has been a director of Henan Lingrui Pharmaceutical Co., Ltd. (listed on the Shanghai Stock Exchange with Stock Code: 600285) since May 2003 and was appointed director of Nanjing Nangang since September 2011. Mr. Wang was appointed director of Forte since February 2012. Mr. Wang was a director of Shanghai Friendship Group Incorporated Company (listed on the Shanghai Stock Exchange with stock code: 600827) from September 2000 to June 2010. Prior to joining Fosun Group, Mr. Wang was a lecturer at the Genetic Research Institute of Fudan University. Mr. Wang holds various positions including honorary chairman of the Shanghai Biopharmaceutics Industry Association, vice chairman of the China Pharmaceutical Industry Association, chairman of the Huzhou Chamber of Commerce in Shanghai and vice chairman of China Chamber of International Commerce. Mr. Wang was named “Young Global Leader Honoree 2009” of World Economic Forum, Chinese Pharmaceutical “60 Years, 60 People”, “Top Ten Professional Managers in China Pharmaceutical Industry in 2004” and was awarded “The Fourth Session Technology Innovation Prize of China Outstanding Youth”. Mr. Wang was accredited “Outstanding Technical Experts Allowance by State Council” in 2007. Mr. Wang received a bachelor’s degree in genetic engineering from Fudan University in 1991.

Fan Wei, aged 43, is an Executive Director and Co-President of the Company. Mr. Fan was a co-founder of the Group. Mr. Fan has been a director of Fosun Group since its establishment in November 1994. Mr. Fan has been director of Forte since 1998. Mr. Fan is chairman of the Housing Industry Association of Shanghai Federation of Industry and Commerce, vice chairman of the Shanghai Real Estate Trade Association and vice council chairman of the Institute of Real Estate Shanghai Academy of Social Sciences. In 2005, Mr. Fan obtained the “Top 100 Property Entrepreneur in China in 2005” award and was named “the First Session of Outstanding Young Entrepreneur of Shanghai in Property Sector”. Mr. Fan received a bachelor’s degree in genetic engineering from Fudan University in 1991.

Ding Guoqi, aged 43, is an Executive Director, Senior Vice President and Chief Financial Officer of the Company. Mr. Ding is also a director of Nanjing Nangang. Mr. Ding has been chief financial officer of Fosun Group since 1995 and a director of Fosun Group since 2003. Mr. Ding was a director of Forte from September 2001 to September 2008 and was re-appointed director of Forte since February 2012. Since January 2007, Mr. Ding has been director of Shanghai Ganglian E-Commerce Holdings Co., Ltd. (the shares of which were listed on the Shenzhen Stock Exchange with stock code: 300226 in June 2011). Prior to joining the Group in 1995, Mr. Ding worked in the accounting department of Shanghai Jinshan Petrochemical Construction Company. Mr. Ding received a bachelor’s degree in accounting from Shanghai University of Finance and Economics in 1991.

Qin Xuetang, aged 49, is an Executive Director and Senior Vice President of the Company. Mr. Qin resigned as a director of Nanjing Nangang in September 2011 and was appointed supervisor of Forte since February 2012. Mr. Qin has been a director of Fosun Group since June 2004. Mr. Qin was the secretary of the board of directors of Fosun Pharma from August 1998 to May 2004. Mr. Qin was the legal affairs director of Fosun Group from August 1995 to July 1998. Mr. Qin was a lecturer at the law department of Fudan University from August 1985 to July 1995. Mr. Qin received a bachelor's degree in laws in 1985 from the Southwest University of Political Science and Law and was admitted to practise law in the PRC in 1990.

Wu Ping, aged 48, is an Executive Director and Senior Vice President of the Company. Mr. Wu has been director of Fosun Group since August 2003. Mr. Wu has been chairman of Yuyuan since December 2001 and became vice chairman since August 2011; director of Shanghai Friendship Group Incorporated Company (listed on the Shanghai Stock Exchange with stock code: 600827) since May 2003; non-executive director of Zhaojin Mining from April 2004 to February 2010; director of Shanghai Friendship Fosun (Holding) Co., Ltd. since 2006. Mr. Wu has been vice chairman of Shanghai Shopping Centre Association since December 2004. Mr. Wu obtained his bachelor's degree in enterprise management from Shanghai Second Polytechnic University in July 1990.

Independent Non-Executive Directors

Zhang Shengman, aged 55, has been an Independent Non-Executive Director of the Company since December 2006. Mr. Zhang is chairman of Asia Pacific of Citigroup (listed on the New York Stock Exchange with stock code: C), before that he was president of Asia Pacific of Citigroup. Mr. Zhang joined Citigroup in February 2006 as chairman of the Public Sector Group. He was an independent director of Cabot Corporation (listed on the New York Stock Exchange with stock code: CBT) from July 2006 to March 2010. Mr. Zhang worked in the PRC Ministry of Finance as deputy director and vice secretary from 1994 to 1995. From 1994 to 1995, Mr. Zhang was the executive director for China at the World Bank. From 1995 to 1997, Mr. Zhang was vice president and chief secretary of the World Bank. From 1997 to 2001, Mr. Zhang was senior vice director of the World Bank. Mr. Zhang was a managing director of the World Bank and chairman of World Bank's operations committee, the sanctions committee and the corporate committee on fraud and corruption policy from 2001 to 2005. Mr. Zhang received a bachelor's degree in English literature in 1978 from Fudan University and a master's degree in public administration in 1985 from University of the District of Columbia. Mr. Zhang completed the Harvard Advanced Management Program in 1997.

Andrew Y. Yan, aged 55, has been an Independent Non-Executive Director of the Company since March 2007. He is currently the Founding Managing Partner of SAIF Partners. Prior to joining SAIF Partners, he was the Managing Director and Head of Hong Kong Office of Emerging Markets Partnership, responsible for investment in Northeast Asia and Greater China from 1994 to 2001. From 1989 to 1994, he worked in the World Bank, the Hudson Institute and the US Sprint International Corporation as an Economist, Research Fellow and Director for Asia respectively. From 1982 to 1984, he was the Chief Engineer at the Jianghuai Airplane Corp.. Mr. Yan received a bachelor's degree in engineering from Nanjing Aeronautic Institute in 1982. He studied in the Master Program in Department of Sociology of Peking University from 1984 to 1986 and received a Master of Arts degree from Princeton University in International Political

Economy in 1989. Currently, Mr. Yan is also the Chairman and Non-executive director of NVC Lighting Holding Limited (stock code: 02222); an Independent Non-executive Director of China Resources Land Limited (stock code: 01109) and China Petroleum & Chemical Corporation (stock code: 00386); Non-executive Director of Digital China Holdings Limited (stock code: 00861), MOBI Development Co., Ltd. (stock code: 00947), China Huiyuan Juice Group Limited (stock code: 01886), eSun Holdings Limited (stock code: 00571) and Guodian Technology & Environment Group Corporation Limited (stock code: 01296), all of which are listed on the Main Board of the Hong Kong Stock Exchange. He is also an Independent Director of Giant Interactive Group Inc., (listed on the New York Stock Exchange with stock code: GA); Director of Acorn International Inc. (listed on the New York Stock Exchange with stock code: ATV), ATA Inc. (listed on Nasdaq with stock code: ATAI) and Eternal Asia Supply Chain Management Ltd. (listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange with stock code: 002183). He was a Director of Global Education & Technology Group Limited (the shares of which were withdrawn from listing on the Nasdaq USA in December 2011) from March 2007 to December 2011; a Director of China Digital TV Holding Co. Ltd. (listed on the New York Stock Exchange with stock code: STV) from May 2004 to September 2008; an Independent Non-executive Director of China Oilfield Services Limited (listed on the Hong Kong Stock Exchange with stock code: 02883) from September 2002 to June 2009 and an Independent Non-executive Director of Stone Group Holdings Limited (the shares of which were withdrawn from listing on the Hong Kong Stock Exchange in November 2009) from June 2001 to November 2009.

Zhang Huaqiao, aged 50, has been chairman of Guangzhou Huadu Wansui Micro Credit Co., Ltd. since June 2011, a non-executive director of Boer Power Holdings Ltd. (listed on the Hong Kong Stock Exchange with stock code: 01685) since November 2011 and non-executive director of Oriental City Group Holdings Limited (listed on the Hong Kong Stock Exchange with stock code: 08325). From July 1986 to January 1989, Mr. Zhang was employed at the People's Bank of China in Beijing and from June 1999 to April 2006, Mr. Zhang worked at the Equities Department of UBS AG, Hong Kong Branch at which he first served as the head of the China research team and later became the co-head of the China research team. Mr. Zhang was the chief operating officer from March 2006 to September 2008 and executive director from May 2006 to September 2008 of Shenzhen Investment Limited (listed on the Hong Kong Stock Exchange with stock code: 00604). From September 2008 to June 2011, he was deputy head of China Investment Banking at UBS Securities Asia Limited. Mr. Zhang was an executive director and chief executive officer of Man Sang International Limited (listed on the Hong Kong Stock Exchange with stock code: 00938) from September 2011 to April 2012._Mr. Zhang graduated from the Graduate School of the People's Bank of China with a master's degree in economics in 1986; and from the Australian National University with a master's degree in economics in January 1991.

David T. Zhang, aged 50, is a partner of Kirkland & Ellis LLP, a leading international law firm. Admitted to the practice of law in the State of New York, USA and based in Hong Kong, Mr. Zhang specialises in securities offerings and M&A transactions. He has extensive experience representing Chinese issuers and leading investment banks in US initial public offerings, Hong Kong initial public offerings and other Rule 144A and Regulation S offerings of equity, debt and convertible securities. Additionally, Mr. Zhang has represented a number of leading private equity funds, multinational corporations and sovereign wealth funds in connection with their investments and M&A transactions in the Greater China region and Southeast Asia. Mr. Zhang has been rated as a top capital markets attorney by Chambers Global, Legal 500 Asia Pacific, IFLR1000 and Chambers Asia Pacific. Prior to joining Kirkland & Ellis LLP in August 2011, Mr. Zhang was a partner of Latham & Watkins LLP, another leading international law firm, for eight years. Mr. Zhang graduated from Beijing Foreign Studies University in 1981 and received his J.D. from Tulane University Law School in 1991.

Senior Management of Fosun Group, Fosun Pharma, Forte, Nanjing Nangang and Hainan Mining

Fosun Group

Chen Qiyu, aged 40, is Vice President of the Company, the chairman of Fosun Pharma. Mr. Chen has been non-executive director of Sinopharm, vice chairman of Tianjin Pharmaceuticals Group Company Ltd. and director of Zhejiang D.A. Medical Treatment Holdings Ltd.. Mr. Chen resigned as non-executive director of Forte in February 2012. Mr. Chen joined Fosun Pharma in 1994, worked as manager in the industry development department of Fosun Group, and vice general manager, chief financial officer, secretary of the board of directors, executive vice general manager and general manager of Fosun Pharma. Prior to joining Fosun Group, Mr. Chen worked in the research and development department of Shanghai RAAS Blood Product Co., Ltd. Mr. Chen is chairman of Shanghai Biopharmaceutical Industry Association, council member of the Shanghai Society of Genetics, and vice council chairman of the Fourth Council of China Medicinal Biotechnology Association. Mr. Chen received a bachelor's degree in genetics in 1993 from Fudan University and an EMBA degree in 2005 from China Europe International Business School.

Fosun Pharma

Chen Qiyu, aged 40, is the chairman of Fosun Pharma. Details of Mr. Chen's biography are set out in the biographical details of senior management of Fosun Group.

Yao Fang, aged 43, is vice chairman and general manager of Fosun Pharma. In January 2011, Mr. Yao was appointed as supervisor of Sinopharm and non-executive director of Biosino Bio-Technology and Science Incorporation ("Biosino"). Mr. Yao served successively as assistant general manager of international business department of Shanghai International Securities Company, general manager of Shanghai S.I. Capital Co., Ltd., general manager of SIIC Management (Shanghai) Ltd., managing director of Shanghai Industrial Pharmaceutical Investment Co. Ltd., chairman of Shanghai Overseas Company, executive director of Shanghai Industrial Holdings Limited, etc. from 1993 to 2009.

Qiao Zhicheng, aged 40, is the senior vice general manager, chief financial officer and secretary of board of directors of Fosun Pharma. Mr. Qiao was appointed non-executive director of Biosino in January 2011. Mr. Qiao served successively as project manager of Beijing Yongjin Financial Adviser Co., Ltd., business director of Beijing Zhijin Technology Investment Co., Ltd., general manager of Beijing Yongjin Financial Adviser Co., Ltd. and vice general manager Yongjin Group, Inc. from 1998 to 2003. Mr. Qiao was investment director in 2004, general manager from

December 2004 to August 2010, and vice chairman from July 2009 to August 2010 of ZhuZhou QianJin Pharmaceutical Co., Ltd.. Mr. Qiao has been appointed secretary of board of directors of Fosun Pharma since February 2011.

Forte

Zhang Hua, aged 47, is the chairman of Forte. Mr. Zhang joined Forte in 1999 and was appointed chairman of Forte in December 2010. Mr. Zhang is State Certified Real Estate Appraiser and Engineer. Mr. Zhang has worked in the production and infrastructure department of Shanghai No.2 Commerce Bureau and Shanghai Shanglian Real Estate Co., Ltd.. Mr. Zhang has been vice general manager of Shanghai Puhua Real Estate Development Co., Ltd., general manager of Shanghai Forte Zhibao Real Estate Development Co., Ltd. and regional general manager of Shanghai Northern Region of Forte. Mr. Zhang received a bachelor's degree in management from Tongji University in 2003.

Chen Zhihua, aged 46, is the president of Forte. Mr. Chen joined Forte in December 2012 as an executive vice president and was appointed president of Forte in June 2012. Mr. Chen was previously employed by Tongji University, Shanghai Nuclear Engineering Research and Design Institute, Shanghai New Changning (Group) Co. Ltd.. In March 2008, he joined Greenland Group as a general manager of Beijing and Tianjin real estate business division and assistant to the president. Mr. Chen successfully helped Greenland Group to penetrate the Beijing markets. Mr. Chen received a bachelor's degree of engineering from Tongji University in 1988.

Ye Jiansheng, aged 38 is the vice president and chief financial officer of Forte. Mr. Ye joined Forte in April 2012. Mr. Ye previously worked for China Guangfa Bank, Hopson Development Holdings Limited, Excellence Group and Kaisa Group Holdings Limited. Mr. Ye received a master's degree in business administration from Hong Kong University of Science and Technology in 2004.

Nanjing Nangang

Yang Siming, aged 59, has been chairman and chief executive officer of Nanjing Nangang. Since June 1991, Mr. Yang held several positions in Nanjing Iron & Steel Group Co., Ltd., including vice general manager, director, general manager and party deputy secretary. He worked as director and general manager of Nanjing Steel United since April 2003. Since September 2008, Mr. Yang worked as chairman of Nanjing Iron & Steel Group Co., Ltd. and Nanjing Iron & Steel. Mr. Yang was named researcher level senior engineer by the government's Department of Personnel in September 2002. Mr. Yang received a doctorate in management from the University of Nanjing in June 2007.

Lü Peng, aged 50, is director and general manager of Nanjing Nangang. Mr. Lü joined Fosun Group in June 2003 and worked as vice general manager of the iron and steel division of Fosun Group from June 2003 to November 2005, and was vice general manager of Nanjing Steel United from November 2005 to September 2008. Since 2008, Mr. Lü worked as director and general manager of Nanjing Steel United and vice chairman of Nanjing Iron & Steel. Prior to joining Fosun Group, Mr. Lü held various positions in the Shanghai Institute of Iron & Steel Technology from July 1985 to August 1995. Mr. Lü worked as vice general manager of Shanghai

No. 3 Steel Factory from 1995 to 1996. Mr. Lü was vice general manager of Bao Steel Group Shanghai Pudong Steel Limited Company from 1996 to 2003. Mr. Lü received a bachelor's degree in steel and metallurgy in 1982 from the University of Science & Technology Beijing. Mr. Lü also received a master's degree in steel and metallurgy from the University of Science & Technology Beijing in 1985.

Wang Jiafu, aged 47, is chief accountant of Nanjing Nangang. Mr. Wang worked as vice general manager and chief accountant of Nanjing Steel United since January 2012. Since April 2012, Mr. Wang worked as director of Nanjing Iron & Steel. Before that, Mr. Wang worked as section chief of accounting section of financial department and vice minister of financial department of Shanghai Steel Tube Co., Ltd., financial director of Shanghai Zhaohui Pharmaceutical Co., Ltd. and Tangshan Jianlong Industrial Co., Ltd.. Mr. Wang was chief accountant of Nanjing Steel United from April 2003 to April 2008. After that, he worked as vice chairman and vice general manager of Jiangsu New Huafa Group Co., Ltd. from April 2008 to March 2010. He worked as vice chairman and financial director of Jiangsu Prosperity Steel Co., Ltd. from April 2010 to December 2011. Mr. Wang graduated from Shanghai University of Technology in 1991 and received a degree of MBA from Macau University of Science and Technology in 2009.

Hainan Mining

Chen Guoping, aged 55, is the chairman and party deputy secretary of Hainan Mining. Since November 2009, Mr. Chen has been a non-executive director of Zhaojin Mining. Mr. Chen joined Fosun Group in September 2003 and worked as chief technology officer and vice general manager of the iron and steel division of Fosun Group from September 2003 to August 2007. He has been the chairman and party deputy secretary of Hainan Mining since August 2007, general manager of the mineral resources division of Fosun Group since June 2009, and has been appointed senior assistant to the president of Fosun Group since January 2010. Prior to joining Fosun Group, Mr. Chen held various positions in Shanghai Pudong Iron and Steel Company from June 1983 to July 1998. He was the technology marketing manager of Shanghai Krupp Stainless Co., Ltd. from July 1998 to September 2003. Mr. Chen is a deputy to the fourth People's Congress of Hainan Province. Mr. Chen obtained a bachelor's degree in engineering from Shanghai University of Technology in 1988 and qualified as a senior engineer in 1997.

Liu Mingdong, aged 45, is the director, general manager and party deputy secretary of Hainan Mining. Mr. Liu held various positions such as head of planning department, head of financial planning department, assistant to general manager and vice general manager in Hainan Iron & Steel Company from August 1989 to July 2007. He was appointed the general manager and party deputy secretary of Hainan Mining in August 2007. Mr. Liu received a master's degree in engineering from University of Science & Technology Beijing in 1996 and qualified as a senior economist in February 2001.

Feng Yilin, aged 54, is the vice general manager and chief financial officer of Hainan Mining. Mr. Feng joined Fosun Group in May 2003. He was the chief investment officer of Fosun Group from May 2003 to August 2007, the supervisor of Hainan Mining from August 2007 to April 2008, and was appointed the vice general manager and chief financial officer of Hainan Mining in May 2008. Before joining the Fosun Group, Mr. Feng had worked in Shanggong Co., Ltd. for over

20 years. He was also the chief financial officer of the medical appliances department of Fosun Pharma, the vice general manager and chief financial officer of Shanghai Forever Co., Ltd. and the general manager of Shanghai Fortune ACT S&T Co., Ltd. from January 1999 to April 2003. Mr. Feng obtained a bachelor's degree in industrial accounting from the Shanghai University of Finance and Economics in July 1985 and qualified as an accountant in April 1997.

Company Secretary

Sze Mei Ming, aged 35, was appointed Company Secretary of our Company on March 11, 2009. Ms. Sze joined our Company in November 2007. Ms. Sze holds a bachelor's degree in Arts from the University of Hong Kong, a bachelor's degree in laws from the University of London and a master's degree in Chinese and Comparative Law from the City University of Hong Kong. Ms. Sze has experience in the company secretarial industry for years and is an associate member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Board Committees

Audit Committee

Our audit committee comprises four independent non-executive Directors, namely, Mr. Zhang Shengman (Chairman), Mr. Andrew Y. Yan, Mr. Zhang Huaqiao and Mr. David T. Zhang. The main duties of the Audit Committee are to review and monitor our financial reporting procedures and internal control system, to provide recommendations and advice to the Board and to perform other duties and responsibilities assigned by the Board.

Remuneration Committee

Our remuneration committee comprises four members, namely, Mr. Andrew Y. Yan (Chairman), Mr. Liang Xinjun, Mr. Zhang Shengman and Mr. David T. Zhang and the majority of them are Independent Non-Executive Directors.

The primary objectives of our remuneration committee include making recommendations and approving the remuneration policy and structure and remuneration packages of the Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which will be determined by reference to the performance of the individual and our Company as well as market practice and conditions.

Nomination Committee

The Nomination Committee comprises four members, namely Mr. Zhang Huaqiao (Chairman), Mr. Wang Qunbin, Mr. Zhang Shengman and Mr. Andrew Y. Yan and the majority of them are Independent Non-Executive Directors.

The primary objectives of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes; identifying individuals suitably qualified to become Board members and nominating and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of Independent Non-Executive Directors; and making recommendations to the Board on relevant matters relating to the appointment or reappointment of directors and succession planning for Directors in particular the Chairman and the Chief Executive Officer.

Corporate Governance and Internal Controls

We are committed to achieving high standards of corporate governance to enhance corporate value and accountability. As a company listed on the Hong Kong Stock Exchange, we apply and are in compliance with the Corporate Governance Code contained in the listing rules of the Hong Kong Stock Exchange. Our Board evaluates and supervises risk management by means of our corporate governance and financial, business and audit controls.

Compensation of Directors

Our Directors receive compensation in the form of salaries, bonuses, housing allowances and other benefits-in-kind, including our contribution to the pension plan on their behalf. For each of the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, the aggregate remuneration paid to our Directors was approximately RMB12.8 million, RMB19.9 million and RMB33.0 million and RMB13.6, respectively.

For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, the aggregate remuneration and benefits in kind paid by us to the five highest paid individuals of our Group was RMB8.5 million, RMB13.7 million, RMB23.8 million and RMB9.7 million, respectively.

Share Option Scheme

Our Company adopted its share option scheme on June 19, 2007 (the "Share Option Scheme"). The major terms of the Share Option Scheme are as follows:

- The purpose of the Share Option Scheme is to provide incentive and/or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of our Group.

- The participants of the Share Option Scheme are any Director (including Independent Non-Executive Director), employee (whether full-time or part-time), consultant or advisor who in the sole discretion of the Board has contributed or will contribute to our Group.

- The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not exceed 30% (or other percentage as stipulated in the listing rules of the Hong Kong Stock Exchange) of the Shares in issue from time to time.

- Subject to the aforesaid limit, the total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes must not, in aggregate, exceed 643,750,000 Shares, being 10% of the issued share capital of our Company as at July 16, 2007, the date of listing of our Shares on the Hong Kong Stock Exchange, unless separate shareholders' approval has been obtained.

- The maximum entitlement of each participant under the Share Option Scheme is 1% of the issued share capital of our Company unless such grant has been duly approved by resolution of the shareholders of our Company in general meeting.

- The exercise period of any option granted under the Share Option Scheme must not be more than ten years commencing on the date of grant.

- The acceptance amount for the option is determined by the Board from time to time.

- The exercise price determined by the Board shall be at least the highest of (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (ii) the average of the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet for the five business days immediately preceding the offer date; and (iii) the nominal value of a Share.

- Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period to be determined and notified by the Board to the grantee during which the option may be exercised and in any event shall not be more than 10 years commencing on the date on which the offer in relation to such option is deemed to have been accepted in accordance with the terms of the Share Option Scheme and expiring on the last day of the ten-year-period.

Since the adoption of the Share Option Scheme, no share option has been granted.

PRINCIPAL SHAREHOLDERS

The following table sets forth, to the best of our knowledge, certain share ownership information as of June 30, 2012 with respect to the holders of record of our share capital.

Name	Number of Shares directly or indirectly held	Approximate percentage of Shares in issue
Fosun Holdings	5,078,198,000	79.08%
Fosun International Holdings[(1)]	5,078,198,000[(2)]	79.08%

Notes:

(1) Fosun International Holdings is owned as to 58%, 22%, 10% and 10% by Messrs. Guo Guangchang, Liang Xinjun, Wang Qunbin and Fan Wei, respectively.

(2) Fosun International Holdings is the beneficial owner of all the issued shares in Fosun Holdings. Mr. Guo Guangchang is the sole director of Fosun Holdings and Fosun International Holdings.

RELATED PARTY TRANSACTIONS

We enter into transactions with certain of our subsidiaries, associates and other related parties in the ordinary course of business. It is our policy to conduct these transactions on an arm's-length basis on commercial terms similar to those offered to unrelated parties in the ordinary course of business of the relevant companies.

The following table sets forth certain related party transactions for the three years ended December 31, 2009, 2010 and 2011:

Name of related parties	Nature of transactions	2009	2010	2011
		RMB'000	RMB'000	RMB'000
Sales of goods				
Sinopharm	Sales of pharmaceutical products	96,610	182,849	316,474
Shanghai Lianhua Fosun Pharmacy Chain Operation Co., Ltd.(1)	Sales of pharmaceutical products	26,896	27,275	24,834
Suzhou Laishi Transfusion(1) Equipment Co., Ltd	Sales of pharmaceutical products	6,268	6,924	—
Shanghai Liyi Pharmacy Co., Ltd. (1)	Sales of pharmaceutical products	5,103	3,023	3,386
Guilin Auspicious Pharmaceutical industrial Ltd.(1)	Sales of pharmaceutical products	581	—	1,338
Shanghai Transfusion Technology Co., Ltd.(3)	Sales of pharmaceutical products	16,135	3,680	—
Beijing Jinxiang(1)	Sales of pharmaceutical products	—	359	22,182
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd.(2)	Sales of scrap material	—	—	64,067
Shanghai Yaofang Co., Ltd.(1)	Sales of pharmaceutical products	7,148	7,106	12,205
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd.(1)	Sales of pharmaceutical products	—	—	7,694
Shanghai Huifeng Fomei Pharmacy Co., Ltd.(2)	Sales of pharmaceutical products	2,922	5,577	4,651
Zhejiang Crystal-Optech Co., Ltd.	Sales of pharmaceutical products	—	—	225
Total sales of goods		161,663	236,793	457,056

Name of related parties	Nature of transactions	2009	2010	2011
		RMB'000	RMB'000	RMB'000
Purchases of goods				
Sinopharm	Purchases of pharmaceutical products	10,095	97,308	119,350
Suzhou Laishi Transfusion Equipment Co., Ltd.	Purchases of pharmaceutical products	3,660	3,652	—
Hainan Iron and Steel Co., Ltd.(3)	Purchases of iron ore products	21,005	41,504	44,290
Shanjiaowulin(1)	Purchases of coking coal products	92.257	113,455	47,498
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd.(2)	Purchase of utility	—	—	51,482
Beiijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd.(1)	Purchase of pharmaceutical products	—	—	8,136
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd.(1)	Purchase of pharmaceutical products	—	—	8,000
Shanghai Yaofang Co., Ltd.(1)	Purchase of pharmaceutical products	8,514	2,153	1,923
Total purchases of goods		135,531	258,072	280,679
Service income				
Wuxi Forte(2)	Consulting services provided to the related company	—	993	—
Fuyang Furun Property Co., Ltd.(2)	Consulting services provided to the related company	—	—	5,325
Jianlong Group(1)	Consulting services provided to the related company	32,035	—	—
Wuxi Forte(2)	Sales agency services provided to the related company	877	—	—
Total service income		32,912	993	—
Interest income				
Shaanxi Jianqin(2)	Interest income	13,740	23,191	45,066
Nanjing Dahua Investment Development Co., Ltd.(1)	Interest income	—	10,507	—
Total interest income		13,740	33,698	45,066
Interest expense				
Shanghai Yuyuan Mart Real Estate Development Co., Ltd.(1)	Interest expense	6,690	13,984	22,027

Name of related parties	Nature of transactions	2009	2010	2011
		RMB'000	RMB'000	RMB'000
Other expenses				
Shanghai Foreal Property Management Co., Ltd.(1)	Property management services provided by the related company	13,392	12,765	28,597
Nanjing Xinwu Shipping Co., Ltd.(1)	Transportation fees	69,987	82,028	105,877
Nanjing Steel Group(3)	Operating lease in respect of office buildings leased from the related company	3,023	4,677	—
Beiijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd.(1)	Operating lease in respect of office buildings leased from the related company	—	—	3,000
Shanghai Yinping Investment Management Co., Ltd.(1)	Operating lease in respect of office buildings leased from the related company	—	—	1,600
Hainan Iron and Steel Co., Ltd.(3)	Operating lease in respect of land lease from the related company	15,776	16,548	16,971
Total other expenses		102,178	116,018	156,045
Underlying notional interest of loans from related companies				
Wuxi Forte(2)	Notional interest	5,206	5,562	5,943
Yangzte Tianjin Limited	Notional interest	5,840	5,553	—
Tianjin Binhai Auto Parts Industry Base Co., Ltd.(1)	Notional interest	—	1,384	1,322
Total notional interest		11,046	12,499	7,265
Loans from related companies				
Tianjin Binhai Auto Parts Industry Base Development Co., Ltd(1)	Loan provided by the related company	28,000	—	—
Shanghai Yuyuan Mart Real Estate Development Co., Ltd.(1)	Loan provided by the related company	247,792	150,000	—
Wuxi Forte Real Estate Development Co., Ltd.(2)	Loan provided by the related company	—	—	65,000
Chengde Jingfukang Pharmaceutical Co., Ltd.(1)	Loan provided by the related company	—	—	10,000
Total loans from related companies		275,792	150,000	75,000

Name of related parties	Nature of transactions	2009	2010	2011
		RMB'000	RMB'000	RMB'000
Guarantees of bank loans				
Nanjing Steel Group[3]	Bank loans guaranteed by the related company	3,272,288	3,852,500	2,835,405
Nanjing Xinwu Shipping Co., Ltd.[1]	Guarantees granted for bank loans of the related company	53,000	30,000	71,000
Jianlong Group[1]	Guarantees granted for bank loans of the related company	200,000	170,000	150,000
Shanjiaowulin[1]	Guarantees granted for bank loans of the related company	52,800	110,800	134,800
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd.[2]	Guarantees granted for bank loans of the related company	—	175,000	160,000
Beijing Yuquanxincheng Property Development Co., Ltd.[1]	Guarantees granted for bank loans of the related company	100,000	100,000	—
Beijing Hehua Property Development Co., Ltd.[1]	Guarantees granted for bank loans of the related company	441,000	441,000	441,000
Loans to related companies				
Shaanxi Jianqin [2]	Entrusted loan provided to the related company	220,000	110,000	500,000
Haizhimen[1]	Shareholder loan provided to the related company	—	4,218,482	291,000
Sinopharm Industrial Investment Co., Ltd.[1]	Entrusted loan provided to the related company	—	—	98,000
Chengdu Meijili Business Services Co., Ltd.[2]	Shareholder loan provided to the related company	—	—	66,000
Show All Limited	Shareholder loan provided to the related company	—	219,810	—
Total loans to related companies		220,000	4,548,292	955,000

Note:

(1) associates of our Group.

(2) jointly-controlled entities of our Group.

(3) non-controlling shareholders of the subsidiaries of our Group.

The following table sets forth certain related party transactions for the six months ended June 30, 2011 and 2012:

	For the six months ended 30 June	
	2012	**2011**
	RMB'000	**RMB'000**
	(Unaudited)	**(Unaudited)**
Associates:		
Sales of pharmaceutical products	237,789	174,617
Purchase of pharmaceutical products	85,921	41,537
Purchase of coking coal products	5,978	47,006
Service income	350	—
Service fee	6,272	8,324
Transportation fee	65,500	66,866
Rental fee	1,650	—
Interest income	4,140	—
Interest expense	10,706	10,247
Notional interest	—	714
Shareholder loan provided	—	266,000
Loan provided by the related company	168,000	—
Bank loan guarantees provided	802,910	365,000
	1,389,216	980,311
Non-controlling shareholders of the subsidiaries of the Group:		
Rental fee	7,911	7,639
Purchase of iron ore products	22,039	27,964
Bank loan guarantees received	2,006,049	2,584,246
	2,035,999	2,619,849
Other related parties:		
Sales of pharmaceutical products	2,804	2,323
Sales of other products	54,893	34,597
Purchase of other products	101	26,004
Shareholder loan provided	—	124,595
Entrusted bank loan provided	—	70,000
Interest income	19,856	17,961
Service income	—	8,381
Notional interest	2,871	2,947
Bank loan guarantees provided	175,000	175,000
	255,525	461,808

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our investment in and the operations of our business segments and finance our working capital requirements, we and our subsidiaries had entered into financing agreements with various financial institutions. As of June 30, 2012, our total bank loans and other borrowings amounted to RMB52,252.4 million and we had a total of approximately RMB41,756.8 million unutilized banking facilities. Set forth below is a summary of our major bank and other borrowings by our Company and each of our business segments.

OTHER MATERIAL INDEBTEDNESS OF FOSUN INTERNATIONAL

Banking Facilities

Our Company has from time to time entered into loan facility agreements with various offshore financial institutions, including, among others, Standard Chartered Bank (Hong Kong) Limited, China Development Bank Corporation, Hong Kong Branch. These loans typically are used for project financing or working capital for general corporate purpose.

As of June 30, 2012, our Company had total available loan facilities of RMB6,317.2 million (US$998.3 million), of which our Company had drawn down RMB4,795.8 million (US$758.2 million).

The interest rates under these term loan facilities are typically specified as a fixed margin percentage of not more than 3.2% plus LIBOR, HIBOR, or lender's cost of funds, as agreed with the relevant financial institutions. Our Company's payment obligations under these term loan facilities typically rank at least *pari passu* with other unsecured and unsubordinated claims. Except for the one-year term loan facilities, these term loan facilities are subject to various customary covenants, including without limitation, (i) ratio of total debt to total assets, (ii) minimum amount of the consolidated tangible net worth, (iii) ratio of consolidated net borrowing to consolidated tangible net worth, (iv) ratio of consolidated net borrowings to consolidated EBITA, (v) ratio of consolidated EBITDA to consolidated net interest expense, and (vi) ratio of consolidated pledged assets to consolidated total assets.

If our Company fails to satisfy these financial ratios, it, among other things, cannot incur additional indebtedness and will trigger the event of default under these loan agreements.

After June 30, 2012 and up to the date of this offering memorandum, our Company has not entered into any additional material loan agreements except for the US$35 million loan agreement with Bank of China, Macau Branch.

Guarantees by Fosun International

Our Company has also given guarantees under various loan agreements with financial institutions. Consequently, our Company is subject to various customary covenants, including satisfying certain financial tests and notifying the relevant financial institutions under certain circumstances.

OTHER MATERIAL INDEBTEDNESS OF OUR SUBSIDIARIES

Certain of our subsidiaries have entered into loan agreements, including PRC loan agreements and offshore loan agreements, with various banks and financial institutions, including, among others, China Development Bank Corporation, Agricultural Bank of China, China Construction Bank, Industrial and Commercial Bank of China, Bank of Communication, China Merchants Bank Co., Ltd., Wing Lung Bank Limited, Bank of China, The Hongkong and Shanghai Banking Corporation Limited, and Standard Chartered Bank (Hong Kong) Limited. These loans typically are for financing the construction of our projects, working capital, property development or trading activities and have terms ranging from six months to ten years. In compliance with the restrictive covenants under some of these loan agreements, we or our subsidiaries may need to notify the relevant banks of the issuance of the Notes. In addition, some of our subsidiaries agreed not to distribute any dividends unless certain conditions are met, including seeking prior written consent from banks and having fully paid any amounts due under the loan agreements.

As of June 30, 2012, the outstanding loans and other borrowings for our consolidated subsidiaries were as follows:

	Amount outstanding as of June 30, 2012		
Borrowers	**Total**	**Short-term**	**Long-Term**
	(RMB in millions)		
Fosun Group	5,288.6	4,074.0	1,214.6
Fosun Pharma	6,100.5	1,445.5	4,655.0
Forte	11,406.0	1,804.9	9,601.1
Nanjing Nangang	18,778.2	10,748.4	8,029.8
Hainan Mining	390.0	10.0	380.0
Other consolidated subsidiaries	3,619.7	3,470.0	149.7
Total	45,583.0	21,552.8	24,030.2

Some of our borrowings are secured by our assets and properties, including, among other things, land and buildings, plant and machinery, investment properties, completed properties for sale and properties under development and shares of subsidiaries and associates. As of June 30, 2012, of the RMB45,583.0 million, RMB12,048.6 million was secured by properties or other assets and RMB33,534.4 million was guaranteed by our company or its subsidiaries or other related parties.

Loans and Other Borrowings Incurred by Fosun Group

As of June 30, 2012, Fosun Group, on a non-consolidated basis, had total outstanding debt obligations of RMB5,288.6 million, all of which are PRC term loans. These loans mostly bear interest at floating rates, the resulting effective rates of which range generally from 5.76% to 7.26% per annum, and have a term between ten months and three years.

Covenants

Some of the PRC term loans incurred by Fosun Group are under bank facilities with a term of typically one year. These bank facility agreements contain customary covenants, including the following:

- without the prior consent of the lenders, the borrower may not undertake any restructuring or reorganization, transfer any equity, sell, transfer, lend, lease out or otherwise dispose of a material part of its assets, substantially increase the indebtedness, provide guarantees in favour of any third party, grant a security interest in its material assets, or make offshore investments;

- a change of control may not occur in the borrower;

- the borrower must comply with certain financial covenants by observing certain financial ratios specified under the relevant loan facilities, including debt ratio, current ratio, and return on assets;

- without the written approval of the lenders, the borrower may not change its articles of association or scope of business in any material manner;

- the borrower must disclose to the lenders any transaction between Fosun Group and any of its affiliates with transaction value equal to or more than 10% of its net assets; and

- lenders may ask for additional collateral or guarantees if they reasonably believe that the borrower's security and guarantees for the PRC term loan in question may be adversely affected.

Most of the above bank facilities are generally renewable upon expiration. Fosun Group may be subject to prepayment penalties under some of these facilities if it elects to terminate a facility before its expiration date.

Loans and Other Borrowings Incurred by Fosun Pharma and its Subsidiaries

As of June 30, 2012, Fosun Pharma together with its subsidiaries, on a consolidated basis, had total outstanding debt obligations of RMB6,100.5 million under its term loans, including PRC term loans and offshore term loans. These loans mostly bear interest at floating rates, the resulting effective rates of which range from 1.89% to 8.53% per annum, and mature between six months and 15 years.

Covenants for PRC Term Loans

Some of the PRC term loans incurred by Fosun Pharma and its subsidiaries contain customary covenants, including but not limited to the following:

- without the prior consent of the lenders, the borrower may not undertake any restructuring or reorganization, transfer any equity, sell, transfer, lend, lease out or otherwise dispose of a material part of its assets, substantially increase its indebtedness, provide guarantees in respect of indebtedness of any third party, grant security interests over its material assets, or make investments to third parties;

- lenders may require early repayment of the borrower's PRC term loans upon the occurrence of any event that materially and adversely affects the lenders' rights; and

- lenders may demand additional collateral or guarantees if they reasonably believe that the security and guarantees for the PRC term loans in question may be adversely affected.

Covenants for Offshore Term Loans

Some of the offshore term loans incurred by Fosun Pharma's subsidiaries contain customary covenants, including but not limited to the following:

- the borrower shall meet certain financial tests before it incurs additional debt;

- the borrower shall not create or permit to exist any security interest over certain assets; and

- the borrower shall ensure that obligations under the loans will rank at least *pari passu* with other present and future similar obligations.

Loans and Other Borrowings Incurred by Forte and its Subsidiaries

As of June 30, 2012, Forte together with its subsidiaries, on a consolidated basis, had total outstanding debt obligations of RMB11,406.0 million under its term loans, inlcuding PRC term loans and offshore term loans. A majority of these loans are project loans to finance the construction of our projects. These loans generally bear interest at floating rates, the resulting effective rates of which range from 2.50% to 12.18% per annum, and mature between nine months and 10 years.

Guarantees and Security

Term loans incurred by Forte and its subsidiaries in the amount of RMB7,508.1 million were secured by, among other things, their land use rights, investment properties, buildings and properties under development, with an aggregate net book value of RMB11,500.7 million as of June 30, 2012.

Customer Guarantees

Forte acts as the guarantor for mortgages secured by properties that it sells. Its obligation as a guarantor generally expires upon the delivery of the relevant certificates on the underlying property to the bank. The maximum guarantee period normally does not exceed 18 months. See "Business — Property Business — Property Development Projects — Stages of a Property Development Project — Sales and marketing" in this offering memorandum. As of June 30, 2012, Forte had approximately RMB2,743.5 million of customer guarantees outstanding.

Covenants for PRC Term Loans

Some of the PRC term loans incurred by Forte and its subsidiaries contain customary covenants. Among others, Forte and its subsidiaries may not, without the prior consent of the lenders, undertake any restructuring or reorganization, transfer any equity, sell, transfer, lend, lease out or otherwise dispose of a material part of its assets, substantially increase their indebtedness, provide guarantees in favor of any third party, grant security interests in their material assets, or make investments to third parties.

Covenants for Offshore Term Loans

Some of the offshore term loans incurred by Forte's subsidiaries contain customary covenants, including but not limited to the following:

- the borrower or guarantor has to meet certain financial tests before it incurs additional debt or provide guarantees;

- the borrower or guarantor shall not create or permit to subsist any security over any of its assets, and not sell, transfer or otherwise dispose of any of its assets unless certain conditions are met;

- the obligations under the loan agreements will rank at least *pari passu* with other unsecured and unsubordinated claims; and

- the borrower shall not pay dividends unless certain conditions are met.

Loans and Other Borrowings Incurred by Nanjing Nangang and its Subsidiaries

As of June 30, 2012, Nanjing Nangang together with its subsidiaries, on a consolidated basis, had total outstanding debt obligations of RMB18,778.2 million under its term loans, including PRC term loans and offshore term loans. These loans mostly bear interest at floating rates, the resulting effective rates of which range from 1.67% to 7.57% per annum, and mature between six months and ten years.

Guarantees and Security

Term loans incurred by Nanjing Nangang and its subsidiaries in the amount of RMB2,588.5 million were secured by their assets, including property, plant and equipment, inventories and time deposits. These assets had an aggregate net book value of RMB3,114.1 million as of June 30, 2012.

Covenants for PRC Term Loans

Some of the PRC term loans incurred by Nanjing Nangang and its subsidiaries contain customary covenants, including but not limited to the following:

- without the prior consent of the lenders, the borrower may not undertake any restructuring or reorganization, transfer any equity, sell, transfer, lend, lease out or otherwise dispose of a material part of its assets, substantially increase the indebtedness, provide guarantees in favor of any third party, grant security interests in its material assets, or make outside investments;

- the borrower must observe certain financial ratios including asset-to-debt ratio, current ratio, operating income ratio and account receivables turnover specified under the relevant loan facilities agreement;

- without the written approval from the lenders, the borrower may not change its articles of association or scope of business in any material manner;

- the borrower must disclose to lenders any material transactions between the borrower and its affiliates; and

- lenders may demand additional collateral or guarantees from the borrower if they reasonably believe that the security and guarantees for the PRC term loans in question may be adversely affected.

Covenants for Offshore Term Loans

Some of the offshore term loans incurred by Nanjing Nangang's subsidiaries contain customary covenants, including but not limited to the following:

- the borrower shall meet certain financial tests before it incurs additional debt;

- the borrower shall not create or permit to subsist any security over any of its assets and shall not sell, transfer or otherwise dispose of any of its assets and receivables unless certain conditions are met; and

- the obligations under the loan agreements will rank at least *pari passu* with other unsecured and unsubordinated claims.

ENTERPRISE/CORPORATE BONDS

Nanjing Steel United Enterprise Bonds

On February 27, 2009, Nanjing Steel United completed an offering of RMB2,500 million seven-year domestic enterprise bonds, with a fixed an annual interest rate of 6.13%. On March 18, 2009, Nanjing Steel United's enterprise bonds were listed on the Shanghai Stock Exchange.

Nanjing Steel United's obligations under the enterprise bonds are guaranteed by Fosun Group, under which Fosun Group guarantees the payment of principal of, and interest on, the enterprise bonds. As of June 30, 2012 RMB2,500 million in principal amount of the enterprise bonds was outstanding.

Forte Corporate Bond

On September 25, 2009, Forte completed an offering of RMB1,900 million five-year domestic corporate bonds, with an annual interest rate of 7.3%. On November 3, 2009, Forte's corporate bonds were listed on the Shanghai Stock Exchange.

Forte's obligations under the corporate bonds are guaranteed by Fosun Group, under which Fosun Group guarantees the payment of principal of, and interest on, the corporate bonds. As of June 30, 2012 RMB1,900 million in principal amount of the corporate bonds was outstanding.

Fosun Group Enterprise Bonds

On December 24, 2010, Fosun Group completed an offering of RMB1,100 million seven-year domestic enterprise bonds, with an annual interest rate of 6%. On February 15, 2011, Fosun Group's enterprise bonds were listed on the Shanghai Stock Exchange.

Fosun Group's obligations under the enterprise bonds are guaranteed by Nanjing Steel Group, under which Nanjing Steel Group guarantees the payment of principal of, and interest on, the enterprise bonds. As of June 30, 2012 RMB1,100 million in principal amount of the enterprise bonds was outstanding.

Nanjing Iron & Steel Corporate Bonds

On May 6, 2011, Nanjing Iron & Steel completed an offering of RMB4,000 million seven-year domestic corporate bonds, with an annual interest rate of 5.8%. On May 17, 2011, Nanjing Iron & Steel's corporate bonds were listed on the Shanghai Stock Exchange.

Nanjing Iron & Steel's obligations under the corporate bonds are guaranteed by Fosun Group, under which Fosun Group guarantees the payment of principal of, and interest on, the corporate bonds. As of June 30, 2012, RMB4,000 million in principal amount of the corporate bonds was outstanding.

MEDIUM-TERM NOTES

Fosun Pharma First Phase of Medium-Term Notes

On November 10, 2010, Fosun Pharma completed an offering of RMB1,000 million principal amount of five-year medium-term notes with floating interest rate. As of June 30, 2012, RMB1,000 million in principal amount of the notes was outstanding. The notes are not guaranteed.

The interest on the medium-term notes comprises a benchmark interest rate and an interest margin. The benchmark interest rate is a floating rate determined by reference to the interest rate for one-year deposit in the PRC. The interest margin is a fixed margin of 2.4%.

Fosun Pharma Second Phase of Medium-Term Notes

On March 31, 2011, Fosun Pharma completed an offering of RMB1,600 million principal amount of five-year medium-term notes with floating interest rate. As of June 30, 2012 RMB1,600 million in principal amount of the five-year medium-term notes was outstanding. The notes are not guaranteed.

The interest on the medium-term notes comprises a benchmark interest rate and an interest margin. The benchmark interest rate is a floating rate determined by reference to the interest rate for one-year deposit in the PRC. The interest margin is a fixed margin of 2.9%.

On April 2012, Fosun Pharma issued corporate bonds with a maturity of five years in an aggregate amount of RMB1,500 million, which bear an annual interest rate at 5.53%. The interest is payable annually in arrears and the maturity date is April 25, 2017. The corporate bonds were listed on the Shanghai Stock Exchange on May 29, 2012 with a credit rating of AA+.

SENIOR NOTES

2011 Notes

On May 12, 2011, we entered into an indenture (as amended and supplemented from time to time, the "2011 Indenture") pursuant to which we issued US$300,000,000 principal amount of the 7.5% Senior Notes due 2016. As of June 30, 2012, we had a total of US$300,000,000 principal amount of the 2011 Notes outstanding.

Guarantee

The obligations pursuant to the 2011 Notes are guaranteed by our existing subsidiaries (the "2011 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2011 Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a 2011 Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2011 Indenture.

Each of the 2011 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2011 Notes.

Collateral

In order to secure the obligations under the 2011 Notes, the Company and the 2011 Subsidiary Guarantors under the 2011 Indenture pledged the capital stock of all such 2011 Subsidiary Guarantors for the benefit of the holders of the 2011 Notes (the "2011 Collateral").

The 2011 Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the 2011 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2011 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the 2011 Indenture.

Interest

The 2011 Notes bear an interest rate of 7.5% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2011 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

- entering into transactions with shareholders or affiliates; and

- effecting a consolidation or merger.

Events of Default

The 2011 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2011 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the 2011 Indenture. If an event of default occurs and is continuing, the trustee under the 2011 Indenture or the holders of at least 25% of the outstanding 2011 Notes may declare the principal of the 2011 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2011 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2011 Notes is May 12, 2016.

At any time on or after May 12, 2014, we may redeem the 2011 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth in the table below plus any accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on May 12 of each of the years indicated below:

Period	Redemption Price
2014	103.750%
2015	101.875%

At any time prior to May 12, 2014, we may redeem the 2011 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2011 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to May 12, 2014, we may redeem up to 35% of the aggregate principal amount of the 2011 Notes at a redemption price equal to 107.5% of the principal amount of the 2011 Notes plus any accrued and unpaid interest with the proceeds form sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the 2011 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2011 Notes at a redemption price equal to 100% of the principal amount of the 2011 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

RECENT DEVELOPMENT

Fosun Pharma Short-Term Notes

On December 19, 2012, Fosun Pharma completed an offering of RMB500 million principal amount of 180 days short-term notes with an annual interest rate of 4.75%. As of the date of this offering memorandum, RMB500 million in principal amount of the 180 days short-term notes was outstanding. The notes are not guaranteed.

Spinel Loan

Spinel Investment Limited (″Spinel″), a subsidiary of China Alliance, entered into a facility agreement on December 21, 2012. Pursuant to this facility agreement, China Development Bank Corporation, HK Branch granted a USD327,000,000 term loan facility to Spinel for the financing of its subscription for new shares in Peak Reinsurance. This loan bears interest at a fixed margin over LIBOR. The term of this facility is 84 months. The facility agreement contains customary covenants and events of default which we believe are typical for a facility of this kind.

SCB Loan

In December 2012, we entered into a facility agreement with Standard Chartered Bank (Hong Kong) Limited (“SCB”). Pursuant to this facility agreement, SCB granted two loan facilities in the aggregate amount of US$200,000,000 to us. These loans bear interest at a fixed margin over LIBOR, repayable within three months and six months of the respective utilization dates. The facility agreement contains customary covenants and events of default which we believe are typical for a facility of this kind.

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes", the term "Issuer" refers only to Sparkle Assets Limited and any successor obligor to the Notes, and the term "Parent Guarantor" refers only to Fosun International Limited and not to any of its subsidiaries. The Parent Guarantor's guarantee of the Notes is referred to as the "Parent Guarantee". Each Subsidiary of the Parent Guarantor which guarantees the Notes is referred to as a "Subsidiary Guarantor", and each such guarantee is referred to as a "Subsidiary Guarantee". Each Subsidiary of the Parent Guarantor that in the future provides a JV Subsidiary Guarantee (as defined below) is referred to as a "JV Subsidiary Guarantor".

The Notes are to be issued under an indenture (the "Indenture"), to be dated as of the Original Issue Date, among the Issuer, the Parent Guarantor, the Subsidiary Guarantors, as guarantors, and The Bank of New York Mellon, as trustee (the "Trustee").

The following is a summary of certain provisions of the Indenture, the Notes, the Parent Guarantee, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Intercreditor Agreement (as defined below). This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Parent Guarantee, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Intercreditor Agreement. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available on or after the Original Issue Date at the corporate trust office of the Trustee at The Bank of New York Mellon, 101 Barclay Street, Floor 4E, New York, NY 10286.

Brief Description of the Issuer

The Issuer:

- is a special-purpose financing vehicle established to issue Indebtedness; and
- has no operating activities other than acting as issuer of Indebtedness, including the Notes.

The Issuer does not have any operation activities or revenue. See "Risk Factors — The Issuer, the Parent Guarantor and the Subsidiary Guarantors are dependent upon cash flow from other members of the group to meet their obligations on the Notes, the Parent Guarantee and the Subsidiary Guarantees, respectively."

Brief Description of the Notes

The Notes are:

- general obligations of the Issuer;

- senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes;

- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Issuer (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);

- guaranteed by the Parent Guarantor, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described below under the captions "— The Parent Guarantee", "— The Subsidiary Guarantees" and in "Risk Factors — Risks Relating to the Parent Guarantee, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and the Collateral";

- effectively subordinated to the other secured obligations (if any, other than the 2011 Notes and any Permitted Pari Passu Secured Indebtedness) of the Issuer, the Parent Guarantor, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and

- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

The Notes will mature on January 30, 2020, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 6.875% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on January 30 and July 30 of each year (each an "Interest Payment Date"), commencing July 30, 2013. Interest on the Notes will be paid to Holders of record at the close of business on January 15 or July 15 immediately preceding an Interest Payment Date (each, a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Except as described under "Optional Redemption", "Redemption for Taxation Reasons" and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Issuer).

In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Paying Agent, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no interest on the Notes shall accrue for the period after such date.

The Indenture allows additional Notes to be issued from time to time (the "Additional Notes") having the same terms and conditions as the Notes (including the benefit of the Parent Guarantee, the Subsidiary Guarantees and JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions), subject to certain limitations described under "— Further Issues". Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes that are actually issued.

The Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Issuer at the office or agency of the Issuer maintained for that purpose in the Borough of Manhattan, The City of New York (which initially will be the corporate trust office of the Trustee currently located at The Bank of New York Mellon, 101 Barclay Street, Floor 4E, New York, NY 10286, and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, at the option of the Issuer, payment of interest may be made by check mailed (at the expense of the Issuer) to the address of the Holders as such address appears in the Note register maintained by the Note Registrar. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

The Parent Guarantee

The Parent Guarantee is:

- a general obligation of the Parent Guarantor;

- senior in right of payment to all future obligations of the Parent Guarantor expressly subordinated in right of payment to the Parent Guarantee;

- effectively subordinated to the secured obligations (if any, other than the 2011 Notes and any Permitted Pari Passu Secured Indebtedness) of the Parent Guarantor, to the extent of the value of the assets serving as security therefor; and

- at least *pari passu* with all unsecured, unsubordinated Indebtedness of the Parent Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

In addition, on the Original Issue Date, subject to the limitations described in "Risk Factors — Risks Relating to the Parent Guarantee, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and the Collateral", the Parent Guarantee will be secured by a pledge of the Collateral as described below under the caption "— Security" and will:

- be entitled to the benefit of a Lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) pledged by the Parent Guarantor, as described below under the caption "-Security", shared on a *pari passu* basis pursuant to the Intercreditor Agreement with (i) holders of the 2011 Notes and (ii) holders of other Permitted Pari Passu Secured Indebtedness, if any; and

- rank effectively senior in right of payment to the unsecured obligations of the Parent Guarantor with respect to the value of the Collateral pledged by the Parent Guarantor securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Parent Guarantor is a holding company that does not have significant operations. Under the Indenture, the Parent Guarantor will guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Parent Guarantor will (1) agree that its obligations under the Parent Guarantee will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive its right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer prior to exercising its rights under the Parent Guarantee. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Parent Guarantee will be reinstated with respect to such payments as though such payment had not been made. All payments under the Parent Guarantee are required to be made in U.S. dollars.

Release of the Parent Guarantee

The Parent Guarantee may be released in certain circumstances, including:

- upon repayment in full of the Notes; and

- upon a defeasance as described under "— Defeasance — Defeasance and Discharge".

The Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date are Billion Infinity Investment Limited, Fosun Financial Holdings Limited, Fosun Gold Holdings Limited, Fosun Industrial Holdings Limited, Fosun Property Holdings Limited, Laxton Investments Limited, Spread Grand Limited and Topper Link Limited which consist of all Restricted Subsidiaries of the Parent Guarantor other than (i) those Restricted Subsidiaries organized under the laws of the PRC (the "**PRC Non-Guarantor Subsidiaries**") and their Subsidiaries and (ii) Ample Up Limited, China Alliance Properties Limited, Easley Investments Limited, Fosun Equity Investment Ltd., Fosun Equity Investment Management Ltd., Fosun Industrial Co., Ltd., Garden

Plaza Capital SRL, Hong Kong Jinteng International Company Limited, Kapio Investments Limited, OMNI Pharmaceuticals (USA), Inc, Pramerica-Fosun China Opportunity Fund, L.P. and Skysail Investments Limited (the "Initial Other Non-Guarantor Subsidiaries").

The Subsidiary Guarantors are holding companies that do not have significant operations. None of the existing PRC Non-Guarantor Subsidiaries and their respective Subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date or at any time in the future. In addition, no future Restricted Subsidiaries organized under the laws of the PRC or any of their respective Subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Further, a publicly listed Restricted Subsidiary and its Subsidiaries will not provide a Subsidiary Guarantee on the Original Issue Date or at any time in the future so long as the Capital Stock of such Restricted Subsidiary is listed on The Stock Exchange of Hong Kong Limited, the Shanghai Stock Exchange or any other internationally recognized securities exchange. As of the Original Issue Date, the Parent Guarantor's publicly listed Restricted Subsidiaries include Fosun Pharma and Nanjing Iron & Steel. Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted Subsidiaries may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary (as defined below), the Non-Guarantor Subsidiaries will pay the holders of their debt, their trade creditors and preferred equity holders before they will be able to distribute any of their assets to the Parent Guarantor.

In the case of a Restricted Subsidiary (i) that is, or is proposed by the Parent Guarantor or any of its Restricted Subsidiaries to be, established or acquired after the Original Issue Date, (ii) that is incorporated in any jurisdiction other than the PRC and (iii) in respect of which the Parent Guarantor or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 5% of the Capital Stock of such Restricted Subsidiary and such Restricted Subsidiary remains as a Restricted Subsidiary immediately following such sale or (y) is proposing to purchase the Capital Stock of an Independent Third Party and such entity becomes a Restricted Subsidiary immediately following such purchase, the Parent Guarantor may, concurrently with the consummation of such sale, issuance or purchase, provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee (as defined below), no document exists that is binding on the Parent Guarantor or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Parent Guarantor or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (b) requiring the Parent Guarantor or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is purchased from, an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Parent Guarantor;

- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Parent Guarantor and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor;

- concurrently with providing the JV Subsidiary Guarantee, the Parent Guarantor shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:

  (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor (the "JV Subsidiary Guarantee") and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC or the Common Stock of which is not listed on a Qualified Exchange, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

  (ii) a duly executed Security Document that pledges in favor of the Collateral Agent the Capital Stock of such JV Subsidiary Guarantor held by the Parent Guarantor or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;

  (iii) an Officers' Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

  (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantors providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions).

As of June 30, 2012, the Parent Guarantor and the Subsidiary Guarantors had aggregate borrowings of RMB6,669.3 million (US$1,049.8 million).

As of June 30, 2012, the Non-Guarantor Subsidiaries had total liabilities (excluding liabilities due to the Parent Guarantor and the initial Subsidiary Guarantors) of approximately RMB83,383.4 million (US$13,125.0 million) and the Non-Guarantor Subsidiaries had capital commitments of approximately RMB9,466.9 million (US$1,487.0 million) and contingent liabilities of approximately RMB3,844.8 million (US$ 605.2 million).

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;

- is effectively subordinated to the secured obligations of such Subsidiary Guarantor (if any, other than its subsidiary guarantee provided for the 2011 Notes and any Permitted Pari Passu Secured Indebtedness), to the extent of the value of the assets serving as security therefor;

- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and

- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;

- will be enforceable only up to the JV Entitlement Amount;

- will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;

- will be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and

- will be limited to the JV Entitlement Amount, and will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

The Parent Guarantor will cause each of its future Restricted Subsidiaries (other than (i) Persons organized under the laws of the PRC and their respective Subsidiaries, (ii) Restricted Subsidiaries the Common Stock of which is listed on a Qualified Exchange, and their respective Subsidiaries, (iii) any Restricted Subsidiary (A) not less than 10% and not more than 49.9% of the Voting Stock of which is held by Persons other than the Parent Guarantor and its Wholly Owned Restricted Subsidiaries, (B) that holds itself out as an investment company and (C) that would be required to be registered as an investment company under the United States

Investment Company Act of 1940, as amended, if it were to Guarantee the payment of the Notes, and any Restricted Subsidiary of such Restricted Subsidiary other than those organized under the laws of the PRC, (iv) any Restricted Subsidiary the provision of a Subsidiary Guarantee or a JV Subsidiary Guarantee by which would be prohibited by any applicable laws or regulations or any applicable rules or policies of any applicable governmental or regulatory bodies or agencies or (v) any Restricted Subsidiary, directly or indirectly through one or more Restricted Subsidiaries, primarily engaging in the business of banking, insurance, trust, securities brokerage or trading, finance lease, pawning, fund management or related investment or other financial services (collectively, the "**Financial Service Subsidiaries**")), as soon as practicable but in any event within 30 days after such Person becomes a Restricted Subsidiary and to the fullest extent permitted by the laws of the jurisdiction of incorporation of such Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor, *provided*, however that the Parent Guarantor will not be required to cause a future Restricted Subsidiary to execute a supplemental indenture and provide such guarantee unless either (a) the Net Assets of such Restricted Subsidiary exceed US$3.0 million (or the Dollar Equivalent thereof) or (b) the aggregate Net Assets of all Restricted Subsidiaries which have not executed supplemental indentures and provided Guarantees of the Notes in reliance on this provision exceed US$15.0 million (or the Dollar Equivalent thereof) at the time of creation of the relevant Restricted Subsidiary, *provided*, further that if at any time the Common Stock of any Person exempted from providing a Subsidiary Guarantee or JV Subsidiary Guarantee under (x) clause (ii) above ceases to be listed for trading on a Qualified Exchange, (y) under clause (iv) above ceases to be prohibited by applicable laws or regulations or any applicable rules or policies of any applicable governmental or regulatory bodies or agencies from providing a Subsidiary Guarantee or a JV Subsidiary Guarantee, or (z) under clause (v) above ceases to be a Financial Service Subsidiary, such Person and each of its Restricted Subsidiaries (other than (a) those organized under the laws of the PRC and their respective Subsidiaries, (b) those the Common Stock of which is listed on a Qualified Exchange and their respective Subsidiaries, (c) those the provision of a Subsidiary Guarantee or a JV Subsidiary Guarantee by which would be prohibited by applicable laws or regulations or any applicable rules or policies of any applicable governmental or regulatory bodies or agencies and (d) those that are Financial Services Subsidiaries) shall as soon as practicable but in any event within 30 days after such Person ceases to be so listed or ceases to be so prohibited, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. The Restricted Subsidiaries that are not required to Guarantee the payments of the Notes pursuant to this paragraph, together with the PRC Non-Guarantor Subsidiaries, the Initial Other Non-Guarantor Subsidiaries and Unrestricted Subsidiaries are collectively referred to herein as the "Non-Guarantor Subsidiaries".

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantee is referred to as a "Future Subsidiary Guarantor" and upon execution of the applicable supplemental indenture to the Indenture will be a "Subsidiary Guarantor".

In addition, subject to the limitations described in "Risk Factors — Risks Relating to the Parent Guarantee, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and the Collateral", the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor:

- will be entitled to the benefit of a Lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption "— Security" shared on a *pari passu* basis pursuant to the Intercreditor Agreement (as defined below) with (i) holders of the 2011 Notes and (ii) holders of other Permitted Pari Passu Secured Indebtedness, if any; and

- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes, the Parent Guarantee or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer and the Parent Guarantor prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note, the Parent Guarantee or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and

- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV

Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If the Parent Guarantee, a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the Parent Guarantor, the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, the Parent Guarantor's ability on its Parent Guarantee, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Parent Guarantee, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and the Collateral — The Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or the JV Subsidiary Guarantees".

Release of the Subsidiary Guarantees and the JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;

- upon a defeasance as described under "— Defeasance — Defeasance and Discharge";

- upon the designation by the Parent Guarantor of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;

- upon the sale of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants under the captions "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries", "— Certain Covenants — Limitation on Asset Sales" and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Parent Guarantor's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture;

- upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or

- with respect to (i) a Subsidiary Guarantor or JV Subsidiary Guarantor the Common Stock of which becomes listed for trading on a Qualified Exchange in accordance with the terms of the Indenture and (ii) Subsidiaries of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, upon such listing.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released and replaced with a JV Subsidiary Guarantee following the sale or issuance by the Parent Guarantor or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 5% of the issued Capital Stock of the relevant Subsidiary Guarantor and such Subsidiary Guarantor remains as a Restricted Subsidiary immediately following such sale, *provided* that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Parent Guarantor or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Parent Guarantor or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (b) prohibiting the Parent Guarantor or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee, or (c) requiring the Parent Guarantor or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale or issuance is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Parent Guarantor;

- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Parent Guarantor and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor;

- concurrently with the release of such Subsidiary Guarantee, the Parent Guarantor shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:

(i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC or the Common Stock of which is listed on a Qualified Exchange and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

(ii) a duly executed Security Document that pledges in favor of the Collateral Agent the Capital Stock of such JV Subsidiary Guarantor held by the Parent Guarantor or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;

(iii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

(iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the "Limitation on Asset Sales" and "Limitation on Restricted Payments" covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Parent Guarantor (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of the Indenture, other than Golden Fleece Investment Limited, Fosun Great China Finance Company Limited, Luxuriant Century Limited, Primrose Treasure Limited, Luminary Talent Limited, Golden Corona Limited, Fosun Equity Investment Ltd., Fosun Equity Investment Management Ltd. and Speedy Clipper Investment Limited, all of the Parent Guarantor's Subsidiaries will be "Restricted Subsidiaries". However, under the circumstances described below under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries", the Parent Guarantor will be permitted to designate certain of its Restricted Subsidiaries as "Unrestricted Subsidiaries". The Parent Guarantor's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Parent Guarantor's Unrestricted Subsidiaries will not Guarantee the Notes.

Security

The Parent Guarantor has agreed to pledge, or cause the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of the initial Subsidiary Guarantors in order to secure the obligations of the Issuer under the Notes, the obligations of the Parent Guarantor under (x) the 2011 Notes and related indenture and (y) the Parent Guarantee and the Indenture and the obligations of such initial Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantee, in each case subject to Permitted Liens and the Intercreditor Agreement.

The initial Subsidiary Guarantor Pledgors are Fosun Financial Holdings Limited, Fosun Industrial Holdings Limited and Fosun Property Holdings Limited.

None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future. If any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned directly by the Parent Guarantor or any Subsidiary Guarantor will be pledged to secure the obligations of the Issuer under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Collateral Agent.

The Parent Guarantor has also agreed, for the benefit of the Holders, to pledge, or cause each Subsidiary Guarantor (other than a JV Subsidiary Guarantor, if any) to pledge (subject to Permitted Liens and the Intercreditor Agreement) the Capital Stock directly owned by the Parent Guarantor or such Subsidiary Guarantor of any Person that becomes a Subsidiary Guarantor or JV Subsidiary Guarantor after the Original Issue Date, as soon as practicable and in any event within 30 days after such Person becomes a Subsidiary Guarantor or JV Subsidiary Guarantor and to the fullest extent permitted by the laws of the jurisdiction of incorporation of such Subsidiary Guarantor or JV Subsidiary Guarantor (as the case may be) and any other applicable laws or regulations or any applicable rules or policies of any applicable governmental or regulatory bodies or agencies, to secure (subject to Permitted Liens and the Intercreditor Agreement) the obligations of the Parent Guarantor under the Parent Guarantee and the Indenture, and of each Subsidiary Guarantor Pledgor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges capital stock of a Restricted Subsidiary after the Original Issue Date is referred to as a "Future Subsidiary Guarantor Pledgor" and, upon giving such pledge, will be a "Subsidiary Guarantor Pledgor".

The Collateral will be shared on a *pari passu* basis pursuant to the Intercreditor Agreement by the holders of the Notes, the holders of the 2011 Notes and the holders of Permitted Pari Passu Secured Indebtedness. Accordingly, in the event of a default on the Notes or the other secured indebtedness subject to the Intercreditor Agreement and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the Holders with holders of secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness.

The proceeds realizable from the Collateral (as reduced by the obligations owed to share such proceeds pro rata with the other secured creditors under the Intercreditor Agreement) are unlikely to be sufficient to satisfy the Issuer's obligations under the Notes, the Parent Guarantor's and each of the Subsidiary Guarantor Pledgors' obligations under the Parent Guarantee and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and other Permitted Pari Passu Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture. See "— Release of Security" and "Risk Factors — Risks Relating to the Parent Guarantee, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and the Collateral — The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the Notes and other *pari passu* secured indebtedness".

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture, the Intercreditor Agreement and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Notes, the Parent Guarantee or the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, or under the Permitted Pari Passu Secured Indebtedness (if any). By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Parent Guarantor and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

Permitted Pari Passu Secured Indebtedness

On or after the Original Issue Date, the Issuer, the Parent Guarantor and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Issuer (including Additional Notes), the Parent Guarantor, or any Subsidiary Guarantor, and any Pari Passu Guarantee with respect to such Indebtedness (such Indebtedness of the Issuer, the Parent Guarantor, or any Subsidiary Guarantor, and any such Pari Passu Guarantee, "Permitted Pari Passu Secured Indebtedness"); *provided* that (1) the Issuer, the Parent Guarantor or such Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant under the caption "— Limitation on Indebtedness and Preferred Stock", (2) the holders of such Indebtedness (or their representative, trustee or agent) (other than Additional Notes) become party to the Intercreditor Agreement referred to below; and (3) the Issuer, the Parent Guarantor, and such Subsidiary Guarantor Pledgor deliver to the Collateral Agent and the Trustee an Opinion of Counsel and Officers' Certificate with respect to corporate and collateral matters in connection with the Security Documents, in form and substance as set forth in the Security Documents. The Collateral Agent and the Trustee will be permitted and authorized, without the consent of any Holder, to enter into any amendments to the Security Documents, the Intercreditor Agreement or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this paragraph and the terms of the Indenture (including, without limitation, the appointment of any intercreditor agent or collateral agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the Holders, the holders of the 2011 Notes and the holders of Permitted Pari Passu Secured Indebtedness).

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Parent Guarantor and its Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

Intercreditor Agreement

On or prior to the date of the Indenture, (i) the Issuer, (ii) the Parent Guarantor, (iii) the initial Subsidiary Guarantor Pledgors, (iv) The Bank of New York Mellon, as collateral agent (the "Collateral Agent"), (v) The Bank of New York Mellon, as trustee and security trustee with respect to the 2011 Notes and (vi) the Trustee will enter into an intercreditor agreement (as may be amended, supplemented or modified from time to time, the "Intercreditor Agreement") dated as of the Original Issue Date, pursuant to which the trustee with respect to the 2011 Notes and the Trustee shall agree (1) that the parties thereto shall share equal priority and pro rata entitlement in and to the Collateral; (2) to the conditions that are applicable to the release of or granting of any Lien on such Collateral; and (3) to the conditions under which they will enforce their respective rights with respect to such Collateral and the Indebtedness secured thereby.

Prior to the first Incurrence of any Permitted Pari Passu Secured Indebtedness (other than Additional Notes), the holders of such Permitted Pari Passu Secured Indebtedness (or their representative, trustee or agent) will accede to the Intercreditor Agreement to include the holders (or their representatives, trustees or agents) of such Permitted Pari Passu Secured Indebtedness as parties to the Intercreditor Agreement.

By accepting the Notes, each Holder shall be deemed to have consented to the execution of the Intercreditor Agreement, any supplements, amendments or modifications thereto, and any future intercreditor agreement that may be required under the terms of the Indenture.

Enforcement of Security

The Liens (subject to Permitted Liens and the Intercreditor Agreement) securing the Notes, the Parent Guarantee and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, will be granted to the Collateral Agent for itself and for the benefit of the Trustee and the Holders. The Collateral Agent, subject to the Intercreditor Agreement, will hold such Liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by the written instruction of any secured party to the Intercreditor Agreement to exercise remedies under the Security Documents in accordance with the terms of the Intercreditor Agreement. The Trustee has agreed to act as secured party on behalf of the Holders under the applicable Security Documents, to follow, or cause to be followed, the instructions provided to it under the Indenture, the Security Documents and the Intercreditor Agreement and to carry out certain other duties. The Trustee will give instructions to the Collateral Agent by itself or in accordance with instructions it will receive from the Holders under the Indenture.

The Indenture, the Intercreditor Agreement and/or the Security Documents principally provide that, at any time while the Notes are outstanding, the Collateral Agent has the right to manage, perform and enforce the terms of the Security Documents relating to the Collateral and to exercise and enforce all privileges, rights and remedies thereunder according to directions given by the secured parties to the Intercreditor Agreement, including to take or retake control or possession of such Collateral and to hold, prepare for sale, process, lease, dispose of or liquidate such Collateral, including, without limitation, following the occurrence of an Event of Default under the Indenture.

The Intercreditor Agreement will provide that the Collateral Agent will enforce the Collateral in accordance with a written instruction by any Secured Parties Representative to do so if it does not identify a conflict between the Secured Parties' instructions (in the event where two or more Secured Parties issue instructions), and in the case of conflicting instructions delivered by two or more Secured Parties Representatives, the Collateral Agent will only enforce the Collateral upon receiving written instructions from the Secured Parties Representatives representing holders of a majority of the outstanding principal amount of the Indebtedness secured by the Collateral. See "Risk Factors — Risks Relating to the Subsidiary Guarantees and the Collateral — The Intercreditor Agreement may limit the rights of holders of the Parent Guarantee to enforce the Collateral".

All payments received and all amounts held by the Collateral Agent in respect of the Collateral under the Security Documents will be, subject to the Intercreditor Agreement, applied as follows:

first, to the Collateral Agent to the extent necessary to reimburse the Collateral Agent for any expenses incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing their remedies under the Intercreditor Agreement and the Security Documents and preserving the Collateral and all amounts for which the Collateral Agent are entitled to indemnification under the Security Documents;

second, to the extent not reimbursed under the above paragraph, to the Trustee, the trustee for the 2011 Notes and other Secured Parties Representatives, to the extent necessary to reimburse the foregoing persons ratably for any unpaid fees, costs and expenses (including expenses of any paying agents, transfer agents, registrars or other agents in connection therewith appointed in connection with the foregoing and reasonable expenses of counsel) incurred under the Security Documents and the agreement governing the Notes, the 2011 Notes or any Permitted Pari Passu Secured Indebtedness (or any other document in connection with the foregoing that such paying agents, transfer agents, registrars or other agents are party to) in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing all available remedies under the Notes, the 2011 Notes and the agreement governing the Notes, the 2011 Notes or any Permitted Pari Passu Secured Indebtedness, the Intercreditor

Agreement, the Security Documents and preserving the Collateral and all indemnification payments for which the foregoing persons are entitled to under the Notes, the 2011 Notes and the agreement governing the Notes, the 2011 Notes or any Permitted Pari Passu Secured Indebtedness, the Intercreditor Agreement and the Security Documents;

third, ratably to each of the trustee for the 2011 Notes for the benefit of the holders of the 2011 Notes, the Trustee for the benefit of the holders of the Notes and, to the extent applicable, to other Secured Parties for the benefit of the holders of any Permitted Pari Passu Secured Indebtedness (to the extent not paid pursuant to the paragraphs above), inclusive of any reasonable fees and expenses of the foregoing persons and the principal, interest and premium thereon and for the benefit of the holders each thereof in accordance with the terms of the Notes, the 2011 Notes or the agreement governing the Notes, the 2011 Notes or any Permitted Pari Passu Secured Indebtedness, as the case may be; and

fourth, any surplus remaining after such payments will be paid to the Issuer, the Parent Guarantor or the Subsidiary Guarantor Pledgors or to whomever may be lawfully entitled thereto.

The Collateral Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security to its satisfaction. In addition, the Collateral Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Collateral Agent's Liens on the Collateral. None of the Collateral Agent, the Trustee nor any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, perfection, continuation, priority, sufficiency or protection of any of the Liens, for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

The Security Documents provide that the Parent Guarantor, the Issuer and the Subsidiary Guarantor Pledgors will indemnify the Collateral Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Collateral Agent arising out of the Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the gross negligence or willful misconduct of the Collateral Agent.

This section, "— Enforcement of Security", shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with "— Permitted Pari Passu Secured Indebtedness" above.

Release of Security

The security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon defeasance and discharge of the Notes as provided below under the caption "— Defeasance — Defeasance and Discharge";
- upon certain dispositions of the Collateral in compliance with the covenants under the captions "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" or "— Limitation on Asset Sales" or in accordance with the provision under the caption "— Consolidation, Merger and Sale of Assets";
- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture;
- in connection with and upon execution of a JV Subsidiary Guarantee to replace a Subsidiary Guarantee, with respect to all pledges of Capital Stock granted by such JV Subsidiary Guarantor in its direct and indirect Subsidiaries, and in accordance with the terms of the Indenture;
- with respect to (i) any pledge over any Capital Stock of a Subsidiary Guarantor or JV Subsidiary Guarantor the Common Stock of which becomes listed for trading on a Qualified Exchange in accordance with the terms of the Indenture and (ii) any pledge over any Capital Stock of the Subsidiaries of such Subsidiary Guarantor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the release of the Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, of such Subsidiary Guarantor or JV Subsidiary Guarantor in compliance with the terms of the Indenture; or
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the designation by the Parent Guarantor of (i) such Subsidiary Guarantor or JV Subsidiary Guarantor, or (ii) the Subsidiary Guarantor Pledgor pledging the Capital Stock of such Subsidiary Guarantor or JV Subsidiary Guarantor, as an Unrestricted Subsidiary in compliance with the terms of the Indenture.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Issuer may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Parent Guarantee, the Subsidiary Guarantees and JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest (or the date thereof, as the case maybe) on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "**Further Issue**") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; provided that the issuance of any such Additional Notes shall then be permitted under the "Limitation on Indebtedness and Preferred Stock" covenant described below.

Optional Redemption

At any time and from time to time on or after January 30, 2017, the Issuer may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on January 30 of each of the years indicated below.

Period	Redemption Price
2017	103.43750%
2018	101.71875%
2019 and thereafter	100.00000%

At any time prior to January 30, 2017, the Issuer may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Issuer will give not less than 30 days' nor more than 60 days' notice of any redemption.

At any time and from time to time prior to January 30, 2017, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Parent Guarantor in an Equity Offering at a redemption price of 106.875% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

The Issuer and the Parent Guarantor may acquire Notes by means other than a redemption, whether by tender offers, open market purchases, negotiated transactions or otherwise, in accordance with applicable laws, so long as such acquisition does not otherwise violate the terms of the Indenture.

Selection and Notice

The Issuer will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

(1) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Notes are listed; or

(2) if the Notes are not listed on any national securities exchange, on a pro rata basis by lot or such other method as the Trustee in its sole discretion shall deem to be fair and appropriate unless otherwise required by law or applicable stock exchange requirements.

A Note of US$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Issuer or the Parent Guarantor will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Issuer has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Issuer and the Parent Guarantor, it is important to note that if the Issuer or the Parent Guarantor is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it will continue to be prohibited from purchasing the Notes. In that case, the failure of either the Issuer or the Parent Guarantor to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes may also constitute an event of default under certain debt instruments of the Parent Guarantor and its Subsidiaries. Future debt of the Parent Guarantor or its Subsidiaries may also (1) prohibit the Issuer or the Parent Guarantor from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require the repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Issuer or the Parent Guarantor to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Issuer or the Parent Guarantor. The ability of the Issuer or the Parent Guarantor to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Issuer's, the Parent Guarantor's, the Subsidiary Guarantors' and the JV Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes upon a Change of Control Triggering Event".

The phrase "all or substantially all", as used with respect to the assets of the Parent Guarantor in the definition of "Change of Control", will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Parent Guarantor has occurred.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Issuer or the Parent Guarantor purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to the occurrence of a Change of Control Triggering Event has occurred and shall not be liable to any person for any failure to do so.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium (if any) and interest on the Notes or under the Parent Guarantee, the Subsidiary Guarantees and JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Issuer, the Parent Guarantor, a Surviving Person, or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, if applicable, the PRC (each, as applicable, a "Relevant Jurisdiction"), or the jurisdiction through which payments are made, unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Issuer, the Parent Guarantor, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

(a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction or the jurisdiction through which payments are made, other than merely holding such Note or the receipt of payments thereunder or under the Parent Guarantee, a Subsidiary Guarantee or a JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Issuer, the Parent Guarantor, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor, addressed to the Holder, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction or the jurisdiction through which payments are made, if and to the extent that due and timely compliance with such request is required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or

(iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction or the jurisdiction through which payments are made, unless such Note could not have been presented for payment elsewhere;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any withholding or deduction that is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directives; or

(d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction or the jurisdiction through which payments are made, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under the Parent Guarantee or any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Issuer or a Surviving Person, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Issuer or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment is proposed and becomes effective (i) with respect to the Issuer, the Parent Guarantor or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Issuer, the Parent Guarantor, a Surviving Person, or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Issuer, the Parent Guarantor, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer, the Parent Guarantor, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Notwithstanding anything to the contrary herein, the Issuer or a Surviving Person may not redeem the Notes in the case that Additional Amounts are payable in respect of PRC withholding tax at a rate of 10% or less solely as a result of the Issuer, the Parent Guarantor, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor being considered a PRC tax resident under the PRC Enterprise Income Tax Law.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer, the Parent Guarantor, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

(1) an Officers' Certificate stating that such change or amendment referred to in this section under the caption "Redemption for Taxation Reasons" has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the

Issuer, the Parent Guarantor, such Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in this section under the caption "Redemption for Taxation Reasons."

The Trustee is entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

(1) The Parent Guarantor will not Incur any Indebtedness (including Acquired Indebtedness), *provided* that the Parent Guarantor may Incur Indebtedness (including Acquired Indebtedness) if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 3.0 to 1.0. The Parent Guarantor will not permit any Restricted Subsidiary to issue Preferred Stock or Incur any Indebtedness (including Acquired Indebtedness), *provided* that its Restricted Subsidiaries may Incur Indebtedness (including Acquired Indebtedness) if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing, (y) the Fixed Charge Coverage Ratio would be not less than 3.0 to 1.0, and (z) the Offshore Liquid Asset to Offshore Debt Ratio would be not less than 1.0 to 1.0. Notwithstanding the foregoing, the Parent Guarantor will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Parent Guarantor or a Subsidiary Guarantor, so long as it is so held).

(2) Notwithstanding the foregoing, the Parent Guarantor and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):

(a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted Pari Passu Secured Indebtedness of the Parent Guarantor), the Parent Guarantee and each Subsidiary Guarantee and JV Subsidiary Guarantee;

(b) any Pari Passu Guarantees;

(c) Indebtedness of the Parent Guarantor or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d);

(d) Indebtedness of the Parent Guarantor or any Restricted Subsidiary owed to the Parent Guarantor or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Parent Guarantor or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Parent Guarantor is the obligor and none of the Issuer, the Subsidiary Guarantors and the JV Subsidiary Guarantors are the obligee on such Indebtedness, such Indebtedness must expressly be subordinated in right of payment to the Parent Guarantee, and if the Issuer, a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and none of the Parent Guarantor, the Issuer, the Subsidiary Guarantors and the JV Subsidiary Guarantors are the obligee, such Indebtedness must be expressly subordinated in right of payment to Notes, the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;

(e) Indebtedness ("Permitted Refinancing Indebtedness") issued in exchange for, or the net proceeds of which are used to refinance or refund, then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (o), (s) or (t) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance or refund the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes, the Parent Guarantee, a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes, the Parent Guarantee, a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes, the Parent Guarantee, such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes, the Parent Guarantee, a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes, the Parent Guarantee, such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes, the Parent Guarantee, such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded, (iii) in no event may Indebtedness of the Parent Guarantor, the Issuer, any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, and (iv) in no event may Indebtedness of the Parent Guarantor, the Issuer or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor;

(f) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Parent Guarantor or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation;

(g) Pre-Registration Mortgage Guarantees by the Parent Guarantor or any Restricted Subsidiary;

(h) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Parent Guarantor or such Restricted Subsidiary in the Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such assets, real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Parent Guarantor or such Restricted Subsidiary in the Permitted Business; *provided* that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (h) (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under this clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (s) or (t) below (together with any refinancings thereof, but excluding any Contractor Guarantee or Guarantees Incurred under clauses (s) or (t) to the extent the amount of such Contractor Guarantee or Guarantees Incurred is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 10% of Total Assets of the Parent Guarantor and its Restricted Subsidiaries;

(i) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds in the ordinary course of business (in each case other than for an obligation for borrowed money);

(j) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit or trade guarantees issued in the ordinary course of business to the extent that such letters of credit or trade guarantees are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Parent Guarantor or such Restricted Subsidiary of a demand for reimbursement;

(k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Parent Guarantor or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;

(l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business provided, however, that such Indebtedness is extinguished within five Business Days of Incurrence;

(m) Guarantees by the Parent Guarantor or any Restricted Subsidiary of Indebtedness of the Parent Guarantor or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the "Limitation on Issuances of Guarantees by Restricted Subsidiaries" covenant;

(n) Indebtedness of the Parent Guarantor or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock in a Restricted Subsidiary pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Parent Guarantor or such Restricted Subsidiary enters into such Staged Acquisition Agreement;

(o) Indebtedness of the Parent Guarantor or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US$50.0 million (or the Dollar Equivalent thereof);

(p) Amounts borrowed by Fosun Group Finance from a bank or other financial institution in the domestic PRC interbank market, *provided* that (i) such Indebtedness is repaid within such time limits prescribed by applicable laws, rules or regulations, and (ii) at the time of Incurrence of any such Indebtedness, the aggregate principal amount outstanding of all Indebtedness incurred under this clause does not exceed the paid-in capital of Fosun Group Finance at such time;

(q) Indebtedness of Fosun Group Finance in the form of deposits made by Qualified Finance Customers in accordance with Fosun Group Finance's business license and in compliance with rules and regulations issued by the China Banking Regulatory Commission governing non-bank financial institutions applicable to such deposit taking;

(r) Guarantees by the Parent Guarantor or any Restricted Subsidiary permitted to be provided under clause (18) or (20) of the definition of "Permitted Investment";

(s) Indebtedness Incurred or Preferred Stock issued by the Parent Guarantor or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a PRC Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness or issuance of Preferred Stock and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (s) (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under this clause (s) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all such Indebtedness Incurred under clause (h) or (t) (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h) or (t) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 10% of Total Assets of the Parent Guarantor and its Restricted Subsidiaries; and

(t) Bank Deposit Secured Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (t) (together with any refinancings thereof, but excluding any Contractor Guarantees or any Guarantees Incurred under this clause (t) to the extent the amount of such Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to clauses (h) or (s) (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees

Incurred under clauses (h) or (s) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 10% of Total Assets of the Parent Guarantor and its Restricted Subsidiaries.

(3) For purposes of determining compliance with this "Limitation on Indebtedness and Preferred Stock" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph of part (1), the Parent Guarantor, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness.

Limitation on Restricted Payments

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Parent Guarantor's or any of its Restricted Subsidiaries' Capital Stock (other than dividends or distributions payable or paid in shares of the Parent Guarantor's or any of its Restricted Subsidiaries' Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Parent Guarantor or any Wholly Owned Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Parent Guarantor or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Parent Guarantor held by any Persons other than the Parent Guarantor or any Wholly Owned Restricted Subsidiary (other than (A) the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement or (B) the purchase of Capital Stock of a Restricted Subsidiary held by a Trust Company Investor);

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes, the Parent Guarantee or any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Parent Guarantor and any of its Wholly Owned Restricted Subsidiaries); or

(4) make any Investment, other than a Permitted Investment;
if, at the time of, and after giving effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Parent Guarantor could not Incur at least US$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock"; or

(c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Parent Guarantor and its Restricted Subsidiaries after the Measurement Date, shall exceed the sum of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Parent Guarantor (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter during which the 2011 Notes were first issued and ending on the last day of the Parent Guarantor's most recently ended fiscal quarter for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Parent Guarantor after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Parent Guarantor, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Parent Guarantor into Capital Stock (other than Disqualified Stock) of the Parent Guarantor, or (B) the exercise by a Person who is not a Subsidiary of the Parent Guarantor of any options, warrants or other rights to acquire Capital Stock of the Parent Guarantor (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Parent Guarantor; plus

(iii) the amount by which Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries is reduced on the Parent Guarantor's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Parent Guarantor) subsequent to the Measurement Date of any Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Parent Guarantor (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Parent Guarantor upon such conversion or exchange); plus

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Parent Guarantor or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (B) the unconditional release of a Guarantee provided by the Parent Guarantor or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Parent Guarantor or a Restricted Subsidiary after the Measurement Date in any such Person; plus

(v) US$25.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Parent Guarantor, any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Parent Guarantor, any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a sale (other than to a Subsidiary of the Parent Guarantor) of, shares of the Capital Stock (other than Disqualified Stock) of the Parent Guarantor, the Issuer or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided* however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Parent Guarantor, any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Parent Guarantor) of, shares of Capital Stock (other than Disqualified Stock) of the

Parent Guarantor, the Issuer, any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided* however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);

(5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Parent Guarantor, to all holders of any class of Capital Stock of such Restricted Subsidiary, a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Parent Guarantor;

(6) any declaration and payment of dividends by the Parent Guarantor for any fiscal year in an aggregate amount not exceeding 10% of profit for the year attributable to owners of the parent for such fiscal year as shown on the audited consolidated financial statements of the Parent Guarantor; or

(7) dividends declared or paid to, or the purchase of Capital Stock of any PRC Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness outstanding on the Original Issue Date or permitted to be Incurred under paragraph (2)(s) of the "Limitation on Indebtedness and Preferred Stock" covenant;

provided that, in the case of clause (2), (3) or (4) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clause (1) or (6) of the preceding paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments. For the avoidance of doubt, the 2010 Dividend and the Forte Buyout shall not be included in such calculation as set forth in the foregoing sentence.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Parent Guarantor or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US$25.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US$25.0 million (or the Dollar Equivalent thereof), the Parent Guarantor will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "— Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) Except as provided below, the Parent Guarantor will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distribution on any Capital Stock of such Restricted Subsidiary owned by the Parent Guarantor or any other Restricted Subsidiary;

(b) pay any Indebtedness or other obligation owed to the Parent Guarantor or any other Restricted Subsidiary;

(c) make loans or advances to the Parent Guarantor or any other Restricted Subsidiary; or

(d) sell, lease or transfer any of its property or assets to the Parent Guarantor or any other Restricted Subsidiary.

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

(a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Parent Guarantee, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted Pari Passu Secured Indebtedness or Pari Passu Guarantee, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(b) existing under or by reason of applicable law, rule, regulation or order;

(c) existing with respect to any Person or the property or assets of such Person acquired by the Parent Guarantor or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Parent Guarantor or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Parent Guarantor or any Restricted Subsidiary in any manner material to the Parent Guarantor or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries", "— Limitation on Indebtedness and Preferred Stock" and "— Limitation on Asset Sales" covenants;

(f) existing in customary provisions in shareholders' agreements, joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a shareholder, joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Issuer to make the required payments on the Notes or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee; or

(g) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness of the type described under clause 2(h) or Working Capital Indebtedness (in each case to the extent that such Indebtedness is permitted under the "Limitation on Indebtedness and Preferred Stock" covenant) or permitted under clause 2(e), 2(o), 2(s) or 2(t) of the "Limitation on Indebtedness and Preferred Stock" covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Issuer to make required payment on the Notes and, with respect to Indebtedness of the type described under clause 2(h) or Working Capital Indebtedness (in each case to the extent that such Indebtedness is permitted under the "Limitation on Indebtedness and Preferred Stock" covenant) or permitted under clause 2(e), 2(o), 2(s) or 2(t) of the “Limitation on Indebtedness and Preferred Stock” covenant, any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Parent Guarantor will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to the Parent Guarantor or a Wholly Owned Restricted Subsidiary;

(2) to the extent such Capital Stock represents director’s qualifying shares or is required by applicable law to be held by a Person other than the Parent Guarantor or a Wholly Owned Restricted Subsidiary;

(3) for the sale of shares of all the Capital Stock of a Restricted Subsidiary other than the Issuer if permitted under, and made in accordance with, the “— Limitation on Asset Sales” covenant;

(4) the issuance or sale of Capital Stock of a Restricted Subsidiary other than the Issuer if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the “Limitation on Restricted Payments” covenant if made on the date of such issuance or sale and provided that the Parent Guarantor complies with the “-Limitation on Asset Sales” covenant; or

(5) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Parent Guarantor or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the “— Limitation on Asset Sales” covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Parent Guarantor will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness (“Guaranteed Indebtedness”) of the Parent Guarantor or any Subsidiary Guarantor, unless (1)(A) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (B) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Parent Guarantor or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full, or (2) such Guarantee and such Guaranteed Indebtedness are permitted by clauses (2)(d) or (t) (in the case of clause (2)(t), with respect to the Guarantee provided by the Parent Guarantor or any Restricted Subsidiary through the pledge of one or more bank accounts or bank deposits to secure any Bank Deposit Secured Indebtedness), under the caption "-Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

The Parent Guarantor will not permit any JV Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness of the Parent Guarantor or any other Restricted Subsidiary unless the aggregate claims of the creditor under such guarantee will be limited to the JV Entitlement Amount. If any JV Subsidiary Guarantor guarantees any Indebtedness of the Parent Guarantor or any other Restricted Subsidiary where the aggregate claims of the creditor under such guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

Limitation on Transactions with Shareholders and Affiliates

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Parent Guarantor or (y) any Affiliate of the Parent Guarantor (each an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Parent Guarantor or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Parent Guarantor or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Parent Guarantor; and

(2) the Parent Guarantor delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$10.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$25.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Parent Guarantor or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees to directors of the Parent Guarantor who are not employees of the Parent Guarantor;

(2) transactions between or among the Parent Guarantor and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;

(3) any Restricted Payment of the type described in clauses (1) or (2) of the first paragraph of the covenant described above under the caption "— Limitation on Restricted Payments" if permitted by that covenant;

(4) any sale of Capital Stock (other than Disqualified Stock) of the Parent Guarantor; and

(5) the payment of compensation to officers and directors of the Parent Guarantor or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the Listing Rules, which as of the Original Issue Date require a majority shareholder approval of any such scheme.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the "Limitation on Restricted Payments" covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Parent Guarantor and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction between or among the Parent Guarantor and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries; provided that in the case of clause (iii) (a) such transaction is entered into in the ordinary course of business and (b) none of the minority shareholders or minority partners of or in such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary).

Further, the requirements of clause (2)(b) of the first paragraph of this covenant shall not apply to any transaction between (i) the Parent Guarantor or any Restricted Subsidiary and (ii) any Unrestricted Subsidiary, JCE or Associate; *provided* that (a) such transaction is entered into in the ordinary course of business and (b) none of the shareholders or partners which beneficially owns 5.0% or more of any class of Capital Stock of such Unrestricted Subsidiary, JCE or Associate, as the case may be, (other than the Parent Guarantor and its Restricted Subsidiaries) is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being an officer or director of such Restricted Subsidiary).

Limitation on Liens

The Parent Guarantor will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Parent Guarantor will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Parent Guarantor will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided* that the Parent Guarantor may enter into a Sale and Leaseback Transaction if:

(1) the Parent Guarantor could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the first paragraph of the covenant described above under "— Limitation on Indebtedness and Preferred Stock" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption "— Limitation on Liens", in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;

(2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Parent Guarantor applies the proceeds of such transaction in compliance with, the covenant described below under the caption "— Limitation on Asset Sales".

Limitation on Asset Sales

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(2) the consideration received by the Parent Guarantor or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;

(3) in the case of an Asset Sale that constitutes an Asset Disposition, the Parent Guarantor could Incur at least US$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock" after giving pro forma effect to such Asset Disposition; and

(4) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that in the case of an Asset Sale in which the Parent Guarantor or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US$10.0 million (or the Dollar Equivalent thereof), the Parent Guarantor shall deliver to the Trustee an opinion as to the fairness to the Parent Guarantor or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:

    (a) any liabilities, as shown on the Parent Guarantor's most recent consolidated balance sheet, of the Parent Guarantor or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, the Parent Guarantee, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Parent Guarantor or such Restricted Subsidiary from further liability; and

    (b) any securities, notes or other obligations received by the Parent Guarantor or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Parent Guarantor or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale (or, with respect to clause (2) below, to the extent that such Net Cash Proceeds are required by applicable laws, regulations or rules of any applicable stock exchange or listing authority, or are otherwise committed or undertaken by the Parent Guarantor or any Restricted Subsidiary, to be used by the Parent Guarantor or any Restricted Subsidiary for one or more purposes set forth in a public disclosure document relating to such Asset Sale, such longer period as is necessary to allow such Net Cash Proceeds to be so used), the Parent Guarantor (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

(1) permanently repay Senior Indebtedness of the Parent Guarantor or any Restricted Subsidiary (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Parent Guarantor or a Restricted Subsidiary; or

(2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or in properties or assets that will be used in the Permitted Businesses (“Replacement Assets”).

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute “Excess Proceeds”. Excess Proceeds of less than US$25.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds US$25.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Issuer must make an Offer to Purchase Notes having a principal amount equal to: (1) accumulated Excess Proceeds, multiplied by (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Issuer may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Parent Guarantor’s Business Activities

The Parent Guarantor will not engage in any business other than Permitted Businesses, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided*, however, that the Parent Guarantor or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption “— Limitation on Restricted Payments”.

Limitation on the Issuer's Activities

Notwithstanding anything contained in the Indenture to the contrary, the Issuer will not engage in any business activity or undertake any other activity, except any activity (a) relating to the offering, sale or issuance of the Notes, the incurrence of Indebtedness represented by the Notes or any Additional Notes issued under the Indenture (if such offering, sale or issuance is permitted under the Indenture) or the Guarantee of the 2011 Notes, (b) relating to the offering, sale or issuance of debt obligations similar to the Notes in the future and the incurrence of Indebtedness represented by such debt obligations (or Guarantees thereof) (if such offering, sale or issuance is permitted under the Indenture), (c) contributing to, lending to or otherwise using the proceeds of the issuance of Indebtedness incurred by the Issuer to fund the activities of, the Parent Guarantor or any Restricted Subsidiary and related security agreement, if any, (d) undertaken with the purpose of fulfilling any obligations under the Indebtedness referred to in clauses (a) and (b) or the Indenture, the Security Documents, the Intercreditor Agreement or any future indenture related to such Indebtedness or for purposes of any consent solicitation or tender for such Indebtedness or refinancing of such Indebtedness or (e) directly related to the establishment and/ or maintenance of the Issuer's corporate existence.

The Issuer will not (a) issue any Capital Stock other than the issuance of its ordinary shares to China Alliance or (b) acquire or receive any property or assets (including, without limitation, any Capital Stock or Indebtedness of any Person), other than (x) any future intercompany Indebtedness owed by the Parent Guarantor or any Restricted Subsidiary to the Issuer in respect of the borrowing of the gross proceeds of the issuance of Indebtedness by the Issuer or payments in respect thereof or (y) cash for ongoing corporate activities of the Issuer described in the preceding paragraph.

The Issuer will not create, incur, assume or suffer to exist any Lien of any kind against or upon any of its property or assets, or any proceeds therefrom.

The Issuer will at all times remain, directly or indirectly, a Wholly Owned Restricted Subsidiary of the Parent Guarantor.

For so long as any Notes are outstanding, the Issuer will not, and the Parent Guarantor will procure that none of the Restricted Subsidiaries will, commence or take any action to cause a winding-up or liquidation of the Issuer.

The Issuer will not consolidate with, merge with or into, another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets to any Person.

Use of Proceeds

The Issuer will not, and the Parent Guarantor will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified under the caption "Use of Proceeds" in this offering memorandum and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) the Issuer, Fosun Group, Forte and Industrial Investment shall always be Restricted Subsidiaries (except if prohibited by law as evidenced by an Opinion of Counsel (in a form satisfactory to the Trustee) from a law firm of internationally recognized standing, or if otherwise required by any applicable regulatory body or listing authority or any committee thereof for a Qualified Exchange on which such Restricted Subsidiary seeks to list for trading its Common Stock, and the Parent Guarantor delivers to the Trustee an Opinion of Counsel to that effect (such Opinion of Counsel to be in form and substance satisfactory to the Trustee) from a law firm of internationally recognized standing); (2) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (3) neither the Parent Guarantor nor any Restricted Subsidiary provides credit support for the Indebtedness of such Restricted Subsidiary; (4) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Parent Guarantor; (5) such Restricted Subsidiary does not own any Disqualified Stock of the Parent Guarantor or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Parent Guarantor or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock" or such Lien would violate the covenant described under the caption "— Limitation on Liens"; (6) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (7) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "— Limitation on Restricted Payments" (other than any Investment deemed to have been made by the Parent Guarantor or any Restricted Subsidiary in an IPO Subsidiary and its Subsidiaries in connection with a Qualified IPO of such IPO Subsidiary *provided* that (i) the Parent Guarantor delivers to Trustee an Opinion of Counsel stating that the designation of such IPO Subsidiary and its Subsidiaries as Unrestricted Subsidiaries is required by any applicable regulatory body or listing authority or any committee thereof for a Qualified Exchange on which such IPO Subsidiary seeks to list for trading its Common Stock (such Opinion of Counsel to be in form and substance satisfactory to the Trustee), (ii) the IPO Subsidiary remains a Subsidiary of the Parent Guarantor, and (iii) the IPO Subsidiary and its Subsidiaries remain primarily engaged in the Permitted Businesses).

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption "— Limitation on Indebtedness and

Preferred Stock”; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption “— Limitation on Liens”; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor, to the extent as required under “— The Subsidiary Guarantees”; and (6) if such Restricted Subsidiary is required to become a Subsidiary Guarantor or JV Subsidiary Guarantor pursuant to clause (5) above, all Capital Stock of such Restricted Subsidiary owned by the Parent Guarantor or any other Restricted Subsidiary shall be pledged to the extent as required under “— Security”.

Government Approvals and Licenses; Compliance with Law

The Parent Guarantor will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Parent Guarantor and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Issuer, the Parent Guarantor, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the Parent Guarantee, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Issuer will not Incur and the Parent Guarantor will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Issuer, the Parent Guarantor, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the Parent Guarantee, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from two of three of the Rating Agencies and no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from any of the Rating Agencies which had previously rated the Notes Investment Grade, the provisions of the Indenture summarized under the following captions will be suspended:

(1) "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(2) "— Certain Covenants — Limitation on Restricted Payments";

(3) "— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";

(4) "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries";

(5) "— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries";

(6) "— Certain Covenants — Limitation on the Parent Guarantor's Business Activities";

(7) "— Certain Covenants — Limitation on the Issuer's Activities";

(8) "— Certain Covenants — Limitation on Sale and Leaseback Transactions"; and

(9) "— Certain Covenants — Limitation on Asset Sales".

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries" or the definition of "Unrestricted Subsidiary".

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Parent Guarantor or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under "— Certain Covenants — Limitation on Restricted Payments" will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

(1) So long as any of the Notes remain outstanding, the Parent Guarantor will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange

of Hong Kong Limited or any other recognized exchange on which the Parent Guarantor's common shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Parent Guarantor ceases to be listed for trading on a recognized stock exchange, the Parent Guarantor will file with the Trustee and furnish to the Holders:

(a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Parent Guarantor, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;

(b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Parent Guarantor, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and

(c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Parent Guarantor, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Parent Guarantor together with a certificate signed by the person then authorized to sign financial statements on behalf of the Parent Guarantor to the effect that such financial statements are true in all material respects and present fairly the financial position of the Parent Guarantor as at the end of, and the results of its operations for, the relevant quarterly period.

(2) In addition, so long as any of the Notes remain outstanding, the Parent Guarantor will provide to the Trustee (a) within 120 days after the close of each fiscal year, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semi-annual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Parent Guarantor's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation, *provided* that the Parent Guarantor shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (b) as soon as possible and in any event within 30 days after the Parent Guarantor becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Parent Guarantor proposes to take with respect thereto.

(3) So long as any of the Notes remain outstanding, the Parent Guarantor will provide to the Trustee (a) within 120 days after the end of each fiscal year, an Officers' Certificate stating the Offshore Liquid Asset to Offshore Debt Ratio as of the last day of the two most recent fiscal semi-annual periods and showing in reasonable detail the calculation of the Offshore Liquid Asset to Offshore Debt Ratio, including the arithmetic computations of each component of the Offshore Liquid Asset to Offshore Debt Ratio, with a certificate from the Parent Guarantor's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation, *provided* that the Parent Guarantor shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification.

In case of clauses (2) and (3) above, the Trustee shall be entitled to rely on the Officers' Certificates and the certificates of the Parent Guarantor's external auditors (whether or not addressed to the Trustee) without further investigation.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 days;

(3) default in the performance or breach of the provisions of the covenants described under "— Consolidation, Merger and Sale of Assets", "— Certain Covenants — Limitation on Indebtedness and Preferred Stock", "— Certain Covenants — Limitation on Restricted Payments" or "— Certain Covenants — Limitation on Liens", the failure by the Issuer or the Parent Guarantor, as applicable, to make or consummate an Offer to Purchase in the manner described under the captions "— Repurchase of Notes upon a Change of Control Triggering Event" or "— Limitation on Asset Sales", or the failure by the Parent Guarantor to create, or cause its Restricted Subsidiaries to create, a Lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) in accordance with the covenant described under the caption "— Security";

(4) the Parent Guarantor or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;

(5) there occurs with respect to any Indebtedness of the Parent Guarantor or any Restricted Subsidiary having an outstanding principal amount of US$5.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a)

an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;

(6) one or more final judgments or orders for the payment of money are rendered against the Parent Guarantor or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$10.0 million (or the Dollar Equivalent thereof) (in excess of amounts which the Parent Guarantor's or such Restricted Subsidiary's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Parent Guarantor or any Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Parent Guarantor or any Restricted Subsidiary or for any substantial part of the property and assets of the Parent Guarantor or any Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Parent Guarantor or any Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Parent Guarantor or any Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Parent Guarantor or any Restricted Subsidiary or for all or substantially all of the property and assets of the Parent Guarantor or any Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors;

(9) the Parent Guarantor, any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under the Parent Guarantee, the relevant Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, the Parent Guarantee, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;

(10) any default by the Issuer, the Parent Guarantor or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or

(11) the Parent Guarantor or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture, the Intercreditor Agreement and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Collateral Agent ceases to have a security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Issuer (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Parent Guarantor or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Issuer and to the Trustee may on behalf of the Holders of Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction. Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, the Trustee may, and shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, subject to receiving indemnity and/or security to its satisfaction, (i) give the Collateral Agent a written notice of the occurrence of such continuing Event of Default and (ii) instruct the Collateral Agent in accordance with the terms of the Intercreditor Agreement to foreclose on the Collateral in accordance with the terms of the Security Documents and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Trustee deems appropriate. See "— Security".

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper and that is not inconsistent with any such direction received from Holders.

A Holder of Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such written request;

(4) the Trustee does not comply with the written request within 60 days after receipt of the written request and the offer of indemnity and/or security; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the written request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Parent Guarantor must certify in an Officers' Certificate in a form satisfactory to the Trustee, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Parent Guarantor and its Restricted Subsidiaries and the Parent Guarantor's and its Restricted Subsidiaries" performance under the Indenture and that the Parent Guarantor has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Parent Guarantor will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See "— Provision of Financial Statements and Reports".

Neither the Trustee nor any Agent is obligated to do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and each of the Trustee and the Agents may assume that no such event has occurred and that the Issuer and the Parent Guarantor are performing all of their obligations under the Indenture and the Notes unless the Trustee or the Agent, as the case may be, has received written notice of the occurrence of such event or facts establishing that an Event of Default has occurred or that the Issuer and the Parent Guarantor are not performing all of their obligations under the Indenture and the Notes.

Consolidation, Merger and Sale of Assets

(a) The Parent Guarantor will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

(1) the Parent Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Parent Guarantor Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Parent Guarantor under the Indenture, the Parent Guarantee and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture, the Parent Guarantee and the Security Documents, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Parent Guarantor or the Parent Guarantor Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Parent Guarantor immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis the Parent Guarantor or the Parent Guarantor Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under the first paragraph of the covenant under the caption "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(5) the Parent Guarantor delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

(6) the Issuer and each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Parent Guarantor has entered into a transaction described under the caption "— Consolidation, Merger and Sale of Assets", shall execute and deliver a supplemental indenture to the Indenture confirming that the Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, of such Subsidiary Guarantor or JV Subsidiary Guarantor shall apply to the obligations of the Issuer in accordance with the Notes and the Indenture; and

(7) no Rating Decline shall have occurred.

(b) No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Parent Guarantor, the Issuer or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Parent Guarantor, the Issuer or a Subsidiary Guarantor), unless:

(1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Parent Guarantor, the Issuer, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Parent Guarantor, the Issuer or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Parent Guarantor shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Parent Guarantor immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Parent Guarantor could Incur at least US$1.00 of Indebtedness under the first paragraph of the covenant under the caption "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(5) the Parent Guarantor delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(6) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the "— Limitation on Asset Sales" covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under "— The Subsidiary Guarantees — Release of the Subsidiary Guarantees".

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Parent Guarantor, the Issuer or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Parent Guarantor, the Issuer or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

(c) The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Parent Guarantor or any Subsidiary Guarantor that may adversely affect Holders.

No Payments for Consents

The Parent Guarantor will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes, the Parent Guarantee, any Subsidiary Guarantee or JV Subsidiary Guarantee unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Issuer will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

(1) the Issuer (a) has deposited with the Trustee, in trust, money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Issuer is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;

(2) the Issuer has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Parent Guarantor or any of its Restricted Subsidiaries is a party or by which the Parent Guarantor or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, the Parent Guarantee, the Subsidiary Guarantees and JV Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under "— Consolidation, Merger and Sale of Assets" and all the covenants described herein under "— Certain Covenants", other than as described under "— Certain Covenants-Government Approvals and Licenses; Compliance with Law" and "— Certain Covenants — Anti-Layering", clause (3) under "Events of Default" with respect to clause (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under "Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in such clause, clause (4) under "Events of Default" with respect to such other covenants and clauses (5) and (6) under "Events of Default" shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee, in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event that the Issuer exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Issuer will remain liable for such payments.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, to:

(1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;

(2) comply with the provisions described under "— Consolidation, Merger and Sale of Assets";

(3) evidence and provide for the acceptance of appointment by a successor Trustee;

(4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release the Parent Guarantor or any Subsidiary Guarantor or JV Subsidiary Guarantor from the Parent Guarantee or any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;

(5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor and the corresponding Collateral as provided or permitted by the terms of the Indenture;

(7) add additional Collateral to secure the Notes, the Parent Guarantee, any Subsidiary Guarantee or any JV Subsidiary Guarantee;

(8) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(9) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;

(10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee to enter into the Intercreditor Agreement, or any amendments to the Intercreditor Agreement, the Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture); or

(11) make any other change that does not materially and adversely affect the rights of any Holder.

Amendments With Consent of Holders

The Indenture, the Intercreditor Agreement or any Security Document may be amended, and the future compliance by the Issuer and the Parent Guarantor with any provision thereof may be waived, with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes; *provided*, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the currency of payment of principal of, or premium, if any, or interest on, any Note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(7) release the Parent Guarantor, any Subsidiary Guarantor or JV Subsidiary Guarantor from the Parent Guarantee or the relevant Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;

(8) release any Collateral, except as provided in the Intercreditor Agreement, the Indenture and the Security Documents;

(9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(10) amend, change or modify the Parent Guarantee, any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;

(11) amend, change or modify any provision of the Intercreditor Agreement, any Security Document or the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;

(12) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;

(13) change the redemption date or the redemption price of the Notes from that stated under the captions "— Optional Redemption" or "— Redemption for Taxation Reasons";

(14) amend, change or modify the obligation of the Issuer, the Parent Guarantor, any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or

(15) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, the Parent Guarantee, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which adversely affects the Holders.

Unclaimed Money

Claims against the Issuer, the Parent Guarantor or any Subsidiary Guarantor or JV Subsidiary Guarantor for the payment of principal, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Issuer, the Parent Guarantor, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Parent Guarantee, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Issuer, the Parent Guarantor, any of the Subsidiary Guarantors or JV Subsidiary Guarantors, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Parent Guarantee, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

Concerning the Trustee and the Agents

The Bank of New York Mellon has been appointed as Trustee under the Indenture, The Bank of New York Mellon (Luxembourg) S.A. has been appointed as note registrar (the “Note Registrar”) and The Bank of New York Mellon, London Branch has been appointed as the principal paying and transfer agent (the “Paying Agent” and together with the Collateral Agent and Note Registrar, the “Agents”) with regard to the Notes. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs. The Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder shall have offered to the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense.

The Indenture and the Security Documents contain provisions setting out the rights of the Trustee, the Agents and other persons such as delegates and co-trustees for the benefit and protection of such parties.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Issuer, the Parent Guarantor, or any of the Subsidiary Guarantors or JV Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, including normal banking and trustee relationships, with the Parent Guarantor and its Affiliates; *provided*, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

None of the Trustee, the Paying Agent, the Note Registrar, or the Collateral Agent nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor

Agreement, for the creation, perfection, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so, except as a result of the Trustee's or the Agent's own fraud, gross negligence or willful misconduct.

The Bank of New York Mellon will initially act as Trustee and the Collateral Agent under the Security Documents and the Intercreditor Agreement in respect of the Lien over the Collateral. The Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents and the Intercreditor Agreement as are set forth in the Indenture, the indenture with respect to the 2011 Notes, the Intercreditor Agreement and the Security Documents. Under certain circumstances, the Trustee and Collateral Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the interests of the Holders, the holders of the 2011 Notes and the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness (if any). Neither the Trustee nor the Collateral Agent will be under any obligation to exercise any rights or powers conferred under the Indenture, the indenture with respect to the 2011 Notes or any of the Security Documents or the Intercreditor Agreement for the benefit of the Holders, the holders of the 2011 Notes or the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness (if any), unless such Holders, the holders of the 2011 Notes and/or the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness (if any) have offered to the Trustee and/or the Collateral Agent indemnity and/or security reasonably satisfactory to the Trustee and/or the Collateral Agent against any loss, liability or expense.

If the Issuer maintains a paying agent with respect to the Notes in a member state of the European Union, such paying agent will be located in a member state of the European Union that is not obligated to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive or such other directive.

Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Trustee in respect of such risks.

Neither the Trustee nor the Agents shall be responsible for the performance by any other person appointed by the Issuer in relation to the Notes and, unless notified in writing to the contrary, shall assume that the same are being duly performed. Neither the Trustee nor the Agents shall be liable to any Holder or any other person for any action taken by the Trustee or the Agents in accordance with the written instructions of the Holders. Each of the Trustee and the Agents shall be entitled to rely on any written direction of the Holders which has been duly given by the Holders of the requisite principal amount of the Notes outstanding.

Neither the Trustee nor the Agents shall be deemed to have knowledge of any event unless it has been notified in writing of such event.

Book-Entry; Delivery and Form

The Notes will be represented by a global note in registered form without interest coupons attached (the "Global Note"). On the Original Issue Date, the Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

Global Note

Ownership of beneficial interests in the Global Note (the "book-entry interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under "-Individual Definitive Notes", the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Note for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Issuer, the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Note

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and Additional Amounts) will be made to the principal paying agent in U.S. dollars. The principal paying agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "-Additional Amounts".

Under the terms of the Indenture, the Issuer and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Parent Guarantor, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or

- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Note

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "Transfer Restrictions".

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book—entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

The Issuer understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Issuer, the Parent Guarantor, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Issuer within 90 days, (2) either Euroclear or Clearstream, or a successor 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 to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "-Events of Default" and the Issuer has received a written request from a Holder, the Issuer will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Issuer will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Issuer and the registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the United States mails (if intended for the Issuer, the Parent Guarantor, any Subsidiary Guarantor the Note Registrar, the Paying Agent or the Trustee) addressed to the Issuer, the Parent Guarantor, such Subsidiary Guarantor, the Note Registrar, the Paying Agent or the Trustee, as the case may be, at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Issuer, the Parent Guarantor and each of the Subsidiary Guarantors will irrevocably (1) submit to the non exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, the Parent Guarantee, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Fosun International's New York office at 31st Floor, 1185 Avenue of the Americas, New York, NY 10036 for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Parent Guarantee, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York. The relevant pledge documents pursuant to "— Security" will be governed under the laws of the jurisdiction in which the relevant Subsidiary Guarantor is incorporated.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"*2010 Dividend*" means the declaration and payment of dividends by the Parent Guarantor of an aggregate amount of RMB 928,936,000 (or the Dollar Equivalent thereof) for the fiscal year ended December 31, 2010.

"*2011 Notes*" means the 7.5% Senior Notes due 2016 of the Parent Guarantor.

"*Acquired Indebtedness*" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"*Adjusted Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield in maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"*Affiliate*" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"*Applicable Premium*" means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the redemption price of such Note on January 30, 2017 (such redemption price being set forth in the table appearing above under the caption "— Optional Redemption"), plus (y) all required remaining scheduled interest payments due on such Note through January 30, 2017 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

"*Asset Acquisition*" means (1) an investment by the Parent Guarantor or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Parent Guarantor or any of its Restricted Subsidiaries; or (2) an acquisition by the Parent Guarantor or any of its Restricted Subsidiaries of the property and assets of any Person other than the Parent Guarantor or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

"*Asset Disposition*" means the sale or other disposition by the Parent Guarantor or any of its Restricted Subsidiaries (other than to the Parent Guarantor or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Parent Guarantor or any of its Restricted Subsidiaries.

"*Asset Sale*" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Parent Guarantor or any of its Restricted Subsidiaries to any Person; provided that "Asset Sale" shall not include:

(1) sales or other dispositions of inventory, receivables and other current assets (including with respect to the Forte Group or any other Restricted Subsidiary engaged in acquisition, development, management and operation, properties under development for sale and completed properties for sale) in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the "— Limitation on Restricted Payments" covenant;

(3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Parent Guarantor or its Restricted Subsidiaries;

(5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;

(6) a transaction covered by the covenant under the caption "— Consolidation, Merger and Sale of Assets"; and

(7) any sale, transfer or other disposition by the Parent Guarantor or any of its Restricted Subsidiaries, including the sale or issuance by the Parent Guarantor or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Parent Guarantor or any Restricted Subsidiary.

"*Associate*" means any company in which the Parent Guarantor directly, or indirectly through one or more Subsidiaries, has any equity interest and which is treated as an "associate" of the Parent Guarantor under GAAP.

"*Attributable Indebtedness*" means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

"*Average Life*" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"*Bank Deposit Secured Indebtedness*" means Indebtedness of the Parent Guarantor or any Restricted Subsidiary that is secured by a pledge of one or more bank accounts or bank deposits of the Parent Guarantor or a Restricted Subsidiary and is used by the Parent Guarantor and its Restricted Subsidiaries to in effect exchange U.S. dollars or Hong Kong dollars into Renminbi or vice versa or to in effect remit Renminbi or foreign currencies outside the PRC or vice versa.

"*Board of Directors*" means the board of directors elected or appointed by the stockholders of the Parent Guarantor to manage the business of the Parent Guarantor or any committee of such board duly authorized to take the action purported to be taken by such committee.

“*Board Resolution*” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“*Business Day*” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“*Capitalized Lease*” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“*Capitalized Lease Obligations*” means the discounted present value of the rental obligations under a Capitalized Lease.

“*Capital Stock*” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock.

“*Change of Control*” means the occurrence of one or more of the following events:

(1) the merger, amalgamation or consolidation of the Parent Guarantor with or into another Person (other than one or more of the Permitted Holders) or the merger or amalgamation of another Person with or into the Parent Guarantor, or the sale of all or substantially all the assets of the Parent Guarantor to another Person;

(2) the Permitted Holders are the beneficial owners of less than 40% of the total voting power of the Voting Stock of the Parent Guarantor;

(3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Parent Guarantor greater than such total voting power held beneficially by the Permitted Holders;

(4) individuals who on the Original Issue Date constituted the board of directors of the Parent Guarantor, together with any new directors whose election by the board of directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Parent Guarantor then in office; or

(5) the adoption of a plan relating to the liquidation or dissolution of the Parent Guarantor.

"*Change of Control Triggering Event*" means the occurrence of both a Change of Control and, provided that the Notes are rated by at least one Rating Agency, a Rating Decline.

"*China Alliance*" means China Alliance Properties Limited, a company incorporated under the laws of Hong Kong.

"*Clearstream*" means Clearstream Banking, société anonyme, Luxembourg.

"*Collateral*" means all collateral securing, or purported to be securing, directly or indirectly, the Parent Guarantee, the Notes or any Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors.

"*Commodity Hedging Agreement*" means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

"*Common Stock*" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

"*Comparable Treasury Issue*" means the U.S. Treasury security having a maturity comparable to January 30, 2017 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to January 30, 2017.

"Comparable Treasury Price" means, with respect to any redemption date:

(1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding such redemption date, as set forth in the daily statistical release (of any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities"; or

(2) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (a) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations.

"*Consolidated EBITDA*" means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense,

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets not included in the calculation of Consolidated EBITDA), and

(3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Parent Guarantor and its Restricted Subsidiaries in conformity with GAAP; *provided* that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Parent Guarantor or any of its Restricted Subsidiaries and (2) in the case of any PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

"*Consolidated Fixed Charges*" means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Parent Guarantor or any Restricted Subsidiary held by Persons other than the Parent Guarantor or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Parent Guarantor's Capital Stock (other than Disqualified Stock) or paid to the Parent Guarantor or to a Wholly Owned Restricted Subsidiary.

"*Consolidated Interest Expense*" means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Parent Guarantor and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Parent Guarantor and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by the Parent Guarantor or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees) and (7) any capitalized interest, *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; provided that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:

(a) subject to the exclusion contained in clause (5) below, the Parent Guarantor's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Parent Guarantor or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

(b) the Parent Guarantor's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Parent Guarantor or Restricted Subsidiaries;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Parent Guarantor or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Parent Guarantor or any of its Restricted Subsidiaries;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Parent Guarantor or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Parent Guarantor realized on sales of Capital Stock of the Parent Guarantor or other Restricted Subsidiaries);

(6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains,

plus, to the extent not included in net income in conformity with GAAP, the difference realized in cash between the cost and the sale proceeds of Capital Stock of any Person (other than any Person primarily engaged in the holding of Investment Property and *provided* further that, any revaluation gain that has previously been included in Consolidated EBITDA pursuant to clause (C) below, shall not be included again in Consolidated EBITDA as a result of this provision); *provided* further that:

(A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Parent Guarantor or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income;

(B) for purposes of this Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Parent Guarantor or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income; and

(C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

"*Consolidated Net Worth*" means, at any date of determination, stockholders' equity as set forth on the most recently available quarterly consolidated balance sheet of the Parent Guarantor and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Parent Guarantor, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Parent Guarantor or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

"*Contractor Guarantees*" means any Guarantee by the Parent Guarantor or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Parent Guarantor or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Parent Guarantor or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

"*Currency Agreement*" means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

"*Default*" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"*Disqualified Stock*" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; provided that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the "— Limitation on Asset Sales" and "— Repurchase of Notes upon a Change of Control Triggering Event" covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer's or the Parent Guarantor's repurchase of such Notes as are required to be repurchased pursuant to the "— Limitation on Asset Sales" and "— Repurchase of Notes upon a Change of Control Triggering Event" covenants.

"*Dollar Equivalent*" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

"*Equity Offering*" means (i) any underwritten primary public offering or private placement of Common Stock of the Parent Guarantor after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Parent Guarantor beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Parent Guarantor at the same price as the public offering or private placing price; provided that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Parent Guarantor being no less than US$25.0 million (or the Dollar Equivalent thereof).

"*Entrusted Loans*" means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, provided that, such borrowings are not reflected on the consolidated balance sheet of the Parent Guarantor.

"*Euroclear*" means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

"*Fair Market Value*" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Parent Guarantor.

"*Fitch*" means Fitch Inc., a subsidiary of Fimalac, S.A., and its successors.

"*Fixed Charge Coverage Ratio*" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters prior to such Transaction Date for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the "Four Quarter Period") to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the "*Reference Period*") commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided that*, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Parent Guarantor or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay such Indebtedness, Disqualified Stock or Preferred Stock;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Parent Guarantor or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four full quarters immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"*Forte*" means Shanghai Forte Land Co., Ltd.

"*Forte Buyout*" means the purchase by the Parent Guarantor of all of Forte's issued H shares listed on The Stock Exchange of Hong Kong Limited that the Parent Guarantor did not hold pursuant to a voluntary conditional offer, which was completed in May 2011.

"*Forte Group*" means Forte and its direct and indirect Restricted Subsidiaries.

"*Fosun Group*" means Shanghai Fosun High Technology (Group) Co., Ltd.

"*Fosun Group Finance*" means Shanghai Fosun Group Finance Co., Ltd., a non-bank financial institution established in accordance with the rules and regulations issued by the China Banking Regulatory Commission governing non-bank financial institutions.

"*Fosun Pharma*" means Shanghai Fosun Pharmaceutical (Group) Co., Ltd.

"*GAAP*" means Hong Kong Financial Reporting Standards as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Hainan Mining*" means Hainan Mining Co., Ltd.

"*Hedging Obligation*" of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement. "Holder" means the Person in whose name a Note is registered in the Note register.

"*Incur*" means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms "Incurrence", "Incurred" and "Incurring" have meanings correlative with the foregoing.

"*Indebtedness*" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations; and

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligation, pre-sale receipts in advance from customers of real properties or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real property (including land use rights) to be used in a Permitted Business, or Entrusted Loans; provided that such item is not reflected as debt on the balance sheet of the Parent Guarantor (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; provided

(1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,

(2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest, and

(3) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to paragraph (2)(f) under the "Limitation on Indebtedness and Preferred Stock" covenant, and (ii) equal to the net amount payable by such Person if such Hedging Obligation terminated at that time if not Incurred pursuant to such paragraph.

"*Industrial Investment*" means Shanghai Fosun Industrial Investment Co., Ltd.

"*Independent Third Party*" means any Person that is not an Affiliate of the Parent Guarantor.

"*Intercreditor Agreement*" has the meaning set forth under "— Security".

"*Interest Rate Agreement*" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

"*Investment*" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the "Designation of Restricted and Unrestricted Subsidiaries" and "Limitation on Restricted Payments" covenants: (1) except as pursuant to the exception provided in clause (7) in the first paragraph of the "Designation of Restricted and Unrestricted Subsidiaries" covenant in relation to IPO Subsidiaries, the Parent Guarantor will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Parent Guarantor's proportional interest in the Fair Market Value of the assets (net of the Parent Guarantor's proportionate interest in the liabilities owed to any Person other than the Parent Guarantor or a Restricted Subsidiary and that are not Guaranteed by the Parent Guarantor or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, (2) if the Parent Guarantor or any Restricted Subsidiary sells or otherwise disposes of Capital Stock of any direct or indirect Restricted Subsidiary so that, after giving effect to such sale or disposition, such Person is no longer a Subsidiary of the Parent Guarantor, the Parent Guarantor will be deemed to have made an Investment in an amount equal to the Fair Market Value of the remaining Investment of the Company and its Restricted Subsidiaries in such Person, and (3) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"*Investment Grade*" means (1) a rating of "AAA", "AA", "A" or "BBB", as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns, (2) a rating of "Aaa", or "Aa", "A" or "Baa", as modified by a "1", "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's, or any of its successors or assigns, (3) a rating of "AAA", "AA", "A", "BBB", as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns, or (4) the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Parent Guarantor as having been substituted for S&P, Moody's or Fitch or any of them, as the case may be.

"*Investment Property*" means any interest in land and buildings that is owned and held by the Parent Guarantor or any Restricted Subsidiary to earn rental income and/or capital appreciation, but not for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business.

"*IPO Subsidiary*" means any Subsidiary of the Parent Guarantor which has applied to the applicable authority for the listing for trading of its Common Stock on a Qualified Exchange.

"*JCE*" means any company in which the Parent Guarantor directly, or indirectly through one or more Subsidiaries, has any equity interest and which is treated as a "jointly controlled entity" of the Parent Guarantor under GAAP.

"*JV Entitlement Amount*" means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its subsidiaries) as of the date of the last fiscal year end of the Parent Guarantor; and (ii) a percentage equal to the direct equity ownership percentage of the Parent Guarantor and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

"*JV Subsidiary Guarantee*" has the meaning set forth under the caption "— The Subsidiary Guarantees".

"*JV Subsidiary Guarantor*" means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"*Listed Liquid Assets*" means any securities, including without limitation any equity, hybrid and debt securities (including any debt securities convertible or exchangeable into Common Stock of any Person listed on any Qualified Offshore Exchange) of, or issued by, any Person that is listed on a Qualified Offshore Exchange.

"*Measurement Date*" means May 12, 2011.

"*Moody's*" means Moody's Investors Service, Inc. and its successors.

"*Nanjing Iron & Steel*" means Nanjing Iron & Steel Co., Ltd.

"*Net Assets*" with respect to any Person means, as of any date, the non-consolidated net assets of such Person measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which non-consolidated financial statements of such Person (which the Parent Guarantor shall use its best efforts to compile on a timely manner) are available (which may be internal non-consolidated financial statements).

"*Net Cash Proceeds*" means:

(1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

(a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;

(b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Parent Guarantor and its Restricted Subsidiaries, taken as a whole;

(c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;

(d) appropriate amounts to be provided by the Parent Guarantor or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

(2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"*Non-PRC Held Offshore Restricted Subsidiary*" means a Non-PRC Restricted Subsidiary that is not a direct or indirect Subsidiary of a PRC Restricted Subsidiary.

"*Non-PRC Restricted Subsidiary*" means a Restricted Subsidiary that is not a PRC Restricted Subsidiary.

"*Offer to Purchase*" means an offer to purchase Notes by the Issuer or the Parent Guarantor from the Holders commenced by the Issuer or the Parent Guarantor mailing a notice by first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Note register stating:

(1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Issuer or the Parent Guarantor defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000.

No later than 9.00 a.m. (New York City time) on the date which is one Business Day prior to the Offer to Purchase Payment Date, the Parent Guarantor or the Issuer shall pay or cause to be paid to the account of the Paying Agent money sufficient to pay the purchase price of the Notes or portions thereof so accepted. On the Offer to Purchase Payment Date, the Issuer or the Parent Guarantor, as the case may be, shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Issuer or the Parent Guarantor, as the case may be. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000. The Issuer or the Parent Guarantor will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Issuer or the Parent Guarantor will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Issuer or the Parent Guarantor is required to repurchase Notes pursuant to an Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Parent Guarantor and its Subsidiaries which the Issuer or the Parent Guarantor in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Issuer or the Parent Guarantor to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"*Officer*" means one of the executive officers of the Issuer or the Parent Guarantor, as the case may be, or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

"*Officers' Certificate*" means a certificate signed by two Officers; *provided* that, with respect to the Officers' Certificate required to be delivered by any Subsidiary Guarantor under the Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

"*Offshore Holdco Debt*" means the aggregate Indebtedness of the Parent Guarantor and its Non-PRC Held Offshore Restricted Subsidiaries excluding Indebtedness owed by the Parent Guarantor to any Non-PRC Held Offshore Restricted Subsidiary or owed by any Non-PRC Held Offshore Restricted Subsidiary to the Parent Guarantor or another Non-PRC Held Offshore Restricted Subsidiary, each measured on an unconsolidated basis, provided that if any such Non-PRC Held Offshore Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, the amount of any such Indebtedness attributable to such Non-PRC Held Offshore Restricted Subsidiary shall be reduced to an amount equal to (A) the amount of such Indebtedness owed by such Non-PRC Held Offshore Restricted Subsidiary multiplied by (B) the percentage ownership interest of the Parent Guarantor in such Non-PRC Held Offshore Restricted Subsidiary, provided further that the amount of any Guarantee of Indebtedness of any Restricted Subsidiary provided by the Parent Guarantor or a Non-PRC Held Offshore Restricted Subsidiary shall be deemed to be zero until such time as demand for payment is made under such Guarantee or the Parent Guarantor or any Non-PRC Held Offshore Restricted Subsidiary otherwise becomes obligated to make payment under such Guarantee, and thereafter the amount of such Guarantee shall be the amount so demanded or the amount the Parent Guarantor or any Non-PRC Held Offshore Restricted Subsidiary is obligated to pay under such Guarantee, as the case may be.

"*Offshore Holdco Liquid Assets*" means the aggregate amount of the following assets, on an unconsolidated basis measured in accordance with GAAP:

(i) cash, bank balances, Temporary Cash Investments and interests in any funds that are publicly traded or that permit any investor to purchase and sell any interest therein on any trading day, held by the Parent Guarantor or any Non-PRC Held Offshore Restricted Subsidiary,

(ii) U.S. Government Obligations, direct obligations of any government that are rated Investment Grade by any Rating Agency and any bonds that are rated Investment Grade by any Rating Agency, held by the Parent Guarantor or any Non-PRC Held Offshore Restricted Subsidiary, and

(iii) the market value of Listed Liquid Assets, determined based on the closing price on the last trading day of such Listed Liquid Assets; provided that, if such Listed Liquid Assets are not listed on a Qualified Offshore Exchange, the market value shall be determined based on the closing price on the last trading day of any other Listed Liquid Assets that are listed on a Qualified Offshore Exchange of the same issuer,

that are held directly by (a) the Parent Guarantor, (b) any Restricted Subsidiary or (c) any Person in which the Parent Guarantor directly or indirectly holds Capital Stock if the Parent Guarantor (by itself or through any Restricted Subsidiary) has the sole discretion to dispose of the Listed Liquid Assets held by such Person and distribute the proceeds thereof, *provided* that in the case of (iii), the market value of Listed Liquid Assets held by any Restricted Subsidiary the Capital Stock of which is listed on any stock exchange or held by any Subsidiary of such Restricted Subsidiary shall be excluded, *provided further* that in the case of (i), (ii) and (iii), if any such Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, the amount of each such asset attributable to such Restricted Subsidiary shall be reduced to an amount equal to (A) the amount of such asset held by such Restricted Subsidiary multiplied by (B) the percentage ownership interest of the Parent Guarantor in such Restricted Subsidiary.

"*Offshore Liquid Assets to Offshore Debt Ratio*" means, as of any date, the ratio of (1) the Offshore Holdco Liquid Assets to (2) Offshore Holdco Debt.

"*Opinion of Counsel*" means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

"*Original Issue Date*" means the date on which the Notes are originally issued under the Indenture.

"*Parent Guarantee*" has the meaning set forth under the caption "— The Parent Guarantee".

"*Pari Passu Guarantee*" means a guarantee by the Parent Guarantor, the Issuer or any Subsidiary Guarantor of Indebtedness of the Issuer (including Additional Notes), the Parent Guarantor, any Subsidiary Guarantor or any JV Subsidiary Guarantor; provided that (1) the Issuer, the Parent Guarantor or the Subsidiary Guarantor, was permitted to Incur such Indebtedness under the covenant under the caption "— Limitation on Indebtedness and Preferred

Stock" and (2) such guarantee ranks pari passu with the Parent Guarantee, the Issuer's obligations under the Notes, any outstanding Subsidiary Guarantee of such Subsidiary Guarantor and any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantee.

"*Payment Default*" means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Issuer or the Parent Guarantor to make or consummate a Change of Control Offer in the manner described under the caption "— Repurchase of Notes upon a Change of Control Triggering Event", or an Offer to Purchase in the manner described under the caption "— Limitation on Asset Sales" or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

"*Permitted Businesses*" means any business which is the same as or related, ancillary or complementary to any of the businesses of the Parent Guarantor and its Restricted Subsidiaries on the Original Issue Date as described in this offering memorandum.

"*Permitted Business of the Forte Group*" means any business of the Forte Group which is the same as or related, ancillary or complementary to any of the businesses of the Forte Group on the Original Issue Date.

"*Permitted Holders*" means any or all of the following:

(1) Messrs. Guo Guangchang, Liang Xinjun, Wang Qunbin and Fan Wei;

(2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Person specified in clause (1); and

(3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% by Persons specified in clauses (1) and (2).

"*Permitted Investment*" means:

(1) any Investment in the Parent Guarantor or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Parent Guarantor or a Restricted Subsidiary that is primarily engaged in a Permitted Business;

(2) Temporary Cash Investments;

(3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed solely to protect the Parent Guarantor or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(7) receivables owing to the Parent Guarantor or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) Investments made by the Parent Guarantor or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption "— Certain Covenants — Limitation on Asset Sales".

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "— Certain Covenants — Limitation on Liens";

(10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Parent Guarantor or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;

(11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Parent Guarantor's consolidated balance sheet;

(13) deposits of pre-sale proceeds made by the Parent Guarantor or any Restricted Subsidiary in order to secure the completion and delivery of pre-sold real properties and issuance of the related land use title in the ordinary course of business;

(14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;

(15) deposits made in order to secure the performance of the Parent Guarantor or any of its Restricted Subsidiaries and prepayments made in connection with the direct or indirect acquisition of real property or land use rights by the Parent Guarantor or any of its Restricted Subsidiaries, in each case in the ordinary course of business;

(16) any Investment deemed to have been made solely as a result of a Qualified IPO of Hainan Mining on a Qualified Exchange, which results in Hainan Mining ceasing to be a Subsidiary of the Parent Guarantor;

(17) any Investments by Fosun Group Finance in any Persons (other than the Parent Guarantor and its Restricted Subsidiaries) made in accordance with its business license and in compliance with the rules and regulations issued by the China Banking Regulatory Commission governing non-bank financial institutions; *provided* that at the time of making any such Investment (i) the aggregate amount of all Investments made under this clause (to the extent not repaid, reduced, released or refunded) does not exceed the aggregate amount of all deposit balances with Fosun Group Finance then held by Qualified Finance Customers (other than the Parent Guarantor and its Restricted Subsidiaries), and (ii) any Investment in the form of a letter of credit, bank acceptance draft or trade guarantee issued by Fosun Group Finance shall be reimbursed within 360 days after being drawn upon;

(18) any Investment by the Parent Guarantor or any Restricted Subsidiary in any Person (other than the Parent Guarantor or any Restricted Subsidiary) in the form of (A) Capital Stock, (B) any advance, loan or other extension of credit provided by the Parent Guarantor or any Restricted Subsidiary, (C) Guarantees provided by the Parent Guarantor or any Restricted Subsidiary of Indebtedness of any Person, or (D) purchase or acquisition by the Parent Guarantor or any Restricted Subsidiary of bonds, notes, debentures or similar instruments or securities issued by any Person if at the time of such Investment (or, if earlier, at the time the Parent Guarantor or such Restricted Subsidiary contractually agreed to make such Investment) and after giving effect to the making of such Investment (i) the Parent Guarantor could Incur at least US$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock", (ii) the Offshore Liquid Asset to Offshore Debt Ratio would be not less than 1.0 to 1.0, (iii) no Default has occurred and is continuing or would occur as a result of such Investment and (iv) the requirements (if any) under the "Limitation on Transactions with Shareholders and Affiliates" covenants are met;

(19) any Investment by the Parent Guarantor or any Restricted Subsidiary in any Person (other than the Parent Guarantor or any Restricted Subsidiary) in the form of (A) Capital Stock, (B) any advance, loan or other extension of credit provided by the Parent Guarantor or any Restricted Subsidiary, or (C) purchase or acquisition by the Parent Guarantor or any Restricted Subsidiary of bonds, notes, debentures or similar instruments or securities issued by any Person, if at the time of such Investment (or, if earlier, at the time the Parent Guarantor or such Restricted Subsidiary contractually agreed to make such Investment) (i) no Default has occurred and is continuing or would occur as a result of such Investment and (ii) the requirements (if any) under the "Limitation on Transactions with Shareholders and Affiliates" covenants are met, *provided* that the aggregate amount of Investments made under this clause (19), the value of which shall be valued, with respect to any such Investment, at the time of such Investment is made, shall not exceed 10% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in

all Investments made under this clause (19) since the Original Issue Date resulting from (a) repayments of loans or advances made under this clause, in each case to the Parent Guarantor or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) or (b) to the extent that an Investment made after the Original Issue Date under this clause (19) is sold or otherwise liquidated or repaid for cash, the lesser of (x) the cash return of capital with respect to such Investment (less the cost of disposition, if any) (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) and (y) the initial amount of such Investment;

(20) any Investment arising from Guarantees provided by the Parent Guarantor or any Restricted Subsidiary of Indebtedness of any Person, if at the time of such Investment (or, if earlier, at the time the Parent Guarantor or such Restricted Subsidiary contractually agreed to make such Investment) (i) no Default has occurred and is continuing or would occur as a result of such Investment and (ii) the requirements (if any) under the "Limitation on Transactions with Shareholders and Affiliates" covenants are met, provided that the aggregate amount of outstanding Indebtedness Guaranteed under this clause (20) shall not exceed 10% of Total Assets; and

(21) any Investment by any Restricted Subsidiary primarily engaging in the business of providing insurance or reinsurance from time to time in the ordinary course of business of such Restricted Subsidiary, to the extent permitted by applicable laws or rules and any related license.

"*Permitted Liens*" means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Parent Guarantor and its Restricted Subsidiaries, taken as a whole;

(5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Parent Guarantor or its Restricted Subsidiaries relating to such property or assets;

(6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Parent Guarantor or any Restricted Subsidiary other than the property or assets acquired; *provided* further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(7) Liens in favor of the Parent Guarantor or any Restricted Subsidiary;

(8) Liens arising from the rendering of a final judgment or order against the Parent Guarantor or any Restricted Subsidiary that does not give rise to an Event of Default;

(9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock";

(11) Liens existing on the Original Issue Date;

(12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of the second paragraph of the covenant described under the caption entitled "— Certain Covenants — Limitation on Indebtedness and Preferred Stock"; provided that such Liens do not extend to or cover any property or assets of the Parent Guarantor or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(13) Liens under the Security Documents;

(14) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under "— Security — Permitted Pari Passu Secured Indebtedness";

(15) any interest or title of a lessor in the property subject to any operating lease;

(16) Liens securing Indebtedness of the Parent Guarantor or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (g) of the second paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock";

(17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Parent Guarantor or any Restricted Subsidiary;

(18) Liens (including extensions and renewals thereof) upon real or personal property; *provided* that, (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant under the caption entitled "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; provided that such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Parent Guarantor (which may be internal consolidated statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (18) does not exceed 200% of the aggregate principal amount of Indebtedness secured by such Liens;

(19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold real properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Parent Guarantor or any Restricted Subsidiary;

(20) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Parent Guarantor or any Restricted Subsidiary;

(21) Liens on deposits made in order to secure the performance of the Parent Guarantor or any of its Restricted Subsidiaries in connection with the acquisition of real property, land use rights or personal property (including Capital Stock of any Person) by the Parent Guarantor or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Parent Guarantor or any Restricted Subsidiary;

(22) Liens on the Capital Stock of a PRC Restricted Subsidiary granted by the Parent Guarantor or any PRC Restricted Subsidiary in favor of any Trust Company Investor in respect of, and to secure, Indebtedness permitted to be Incurred under clause (2)(s) of the covenant described under "— Limitation on Indebtedness and Preferred Stock;"

(23) Liens incurred on one or more bank accounts or on deposits made to secure Bank Deposit Secured Indebtedness;

(24) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness which is permitted to be Incurred under clause (2)(n) of the covenant described under "— Limitation on Indebtedness and Preferred Stock;"

(25) Liens securing Working Capital Indebtedness of the Parent Guarantor or any Restricted Subsidiary the outstanding principal amount of which, in the aggregate, does not exceed US$50.0 million (or the Dollar Equivalent thereof);

(26) Liens Incurred on deposits made to secure Entrusted Loans;

(27) Liens on assets of any Restricted Subsidiary primarily engaging in the banking and financial services business granted by such Restricted Subsidiary in connection with any finance lease provided by such Restricted Subsidiary from time to time in the ordinary course of business of such Restricted Subsidiary;

provided that, with respect to the Collateral, "Permitted Liens" shall only refer to the Liens described in clauses (1), (6), (13) and (14) of this definition.

"*Permitted Pari Passu Secured Indebtedness*" has the meaning set forth under "— Security — Permitted Pari Passu Secured Indebtedness".

"*Person*" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"*Pre-Registration Mortgage Guarantee*" means any Indebtedness of the Parent Guarantor or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of real properties from the Parent Guarantor or any Restricted Subsidiary; *provided* that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

"*Preferred Stock*" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*PRC*" means the People's Republic of China, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region, and Taiwan.

"*PRC CJV*" means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as such laws may be amended.

"*PRC CJV Partner*" means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Parent Guarantor or any Restricted Subsidiary.

"*PRC Restricted Subsidiary*" means a Restricted Subsidiary organized under the laws of the PRC.

"*Public Indebtedness*" means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

"*Qualified Finance Customer*" means any Person (i) that is (A) a Restricted Subsidiary of Fosun Group, (B) a Person in which Fosun Group directly or indirectly holds not less than 20% and not more than 50% of the Voting Stock, or (C) a Person in which Fosun Group directly or indirectly holds less than 20% of the Voting Stock, but is the single largest holder of all Voting Stock of such Person, and (ii) with which Fosun Group Finance is permitted to transact businesses under its business license and in accordance with the rules and regulations issued by the China Banking Regulatory Commission governing non-bank financial institutions.

"*Qualified Exchange*" means either (1) the New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock Market, the Singapore Exchange Securities Trading Limited, Shanghai Stock Exchange or Shenzhen Stock Exchange, or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

"*Qualified IPO*" means an initial public offering, and a listing of, common shares of a company on a Qualified Exchange, provided that in the case that such listing is on a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), such listing shall result in a public float of not less than the percentage required by the applicable listing rules.

"*Qualified Offshore Exchange*" means (1) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), or (2) the Athens Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the Gre-Tai Securities Market of Taiwan, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock Market, the Bombay Stock Exchange, the National Stock Exchange of India, the Moscow Exchange or any other securities exchange not in the PRC the aggregate market capitalization of the securities listed on which exceeds US$10,000 million (or its Dollar Equivalent) as of December 31 of the previous year (if such data is available and if not, as of December 31 of the year preceding the previous year).

"*Rating Agencies*" means (1) S&P, (2) Moody's, (3) Fitch and (4) if S&P, Moody's, Fitch or any of them shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Parent Guarantor, which shall be substituted for S&P, Moody's, Fitch or any of them, as the case may be.

"*Rating Category*" means (1) with respect to S&P, any of the following categories: "BB", "B", "CCC", "CC", "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Ba", "B", "Caa", "Ca", "C" and "D" (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: "BB", "B", "CCC", "CC", "C" and "D" (or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody's or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P; "1", "2" and "3" for Moody's and "+" and "-" for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB", as well as from "B+" to "B", will constitute a decrease of one gradation).

"*Rating Date*" means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Parent Guarantor or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets", that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"*Rating Decline*" means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Parent Guarantor or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets", the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(a) in the event the Notes are rated by each of Moody's, S&P and Fitch on the Rating Date as Investment Grade, the rating of the Notes by any Rating Agency shall be below Investment Grade;

(b) in the event the Notes are rated by any, but not all, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any such Rating Agency shall be below Investment Grade; or

(c) in the event the Notes are rated below Investment Grade by all Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"*Reference Treasury Dealer*" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Parent Guarantor in good faith.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to such Trustee by such Reference Treasury Dealer at 5:00 p.m. on the third Business Day preceding such redemption date.

"*Replacement Assets*" means, on any date, property or assets (other than current assets) of a nature or type or that are used in a Permitted Business.

"*Restricted Subsidiary*" means any Subsidiary of the Parent Guarantor other than an Unrestricted Subsidiary.

"*S&P*" means Standard & Poor's Ratings Services and its affiliates.

"*Sale and Leaseback Transaction*" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Parent Guarantor or any Restricted Subsidiary transfers such property to another Person and the Parent Guarantor or any Restricted Subsidiary leases it from such Person.

"*Secured Parties*" means, collectively, (a) the Trustee on behalf of itself and the holders of the Notes, (b) the trustee on behalf of itself and the holders of the 2011 Notes, and (c) any holder(s) of Permitted Pari Passu Secured Indebtedness (or the agent, trustee or representative of such holder(s) on behalf of itself and such holder(s)) that becomes a party to the Intercreditor Agreement.

"*Secured Parties Representatives*" means, collectively, the Trustee, the trustee for the 2011 Notes and the holders (or their representatives, trustees or agents) of any Permitted Pari Passu Secured Indebtedness, in each case that are parties to the Intercreditor Agreement or other similar agreements pursuant to the terms of the Indenture, if any.

"*Security Documents*" means, collectively, the pledge agreements and any other agreements or instruments that may evidence or create, or purport to create, any security interest in favor of the Collateral Agent, the Trustee (or a security agent) and/or any Holders in any or all of the Collateral.

"*Senior Indebtedness*" of the Parent Guarantor or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Parent Guarantor or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Issuer, the Notes, (b) in respect of the Parent Guarantor, the Parent Guarantee, (c) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (d) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; provided that Senior Indebtedness does not include (1) any obligation to the Parent Guarantor or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

"*Staged Acquisition Agreement*" means an agreement between the Parent Guarantor or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Parent Guarantor or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for consideration that is not more than the appraised value of such Capital Stock of such Person (determined by an independent appraisal firm, accountancy firm or investment bank of recognized international standing appointed by the Parent Guarantor) at the time the Parent Guarantor or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

"*Stated Maturity*" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"*Subordinated Indebtedness*" means any Indebtedness of the Issuer, the Parent Guarantor, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, the Parent Guarantee, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

"*Subsidiary*" means, with respect to any Person, any corporation, association or other business entity (1) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person, (2) which is accounted for and consolidated in the audited consolidated accounts of another entity as a subsidiary pursuant to applicable Hong Kong Financial Reporting Standards; or (3) which will, as a result of acquisition of its equity interest by another entity, be accounted for and consolidated in the next audited consolidated accounts of such other entity as a subsidiary pursuant to applicable Hong Kong Financial Reporting Standards.

"*Subsidiary Guarantee*" means any Guarantee of the obligations of the Issuer under the Indenture and the Notes by any Subsidiary Guarantor.

"*Subsidiary Guarantor*" means any Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

"*Subsidiary Guarantor Pledgor*" means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Issuer under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; provided that a Subsidiary Guarantor Pledgor will not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

"*Surviving Person*" means the Issuer Surviving Person or the Parent Guarantor Surviving Person (both as defined under the caption "— Consolidation, Merger and Sale of Assets"), as the case may be.

"*Temporary Cash Investment*" means any of the following:

(1) direct obligations of the United States of America, any state of the European Economic Area, the People's Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People's Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations Guaranteed by, any state of the European Economic Area, are rated at least "A" by S&P or Moody's;

(2) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Parent Guarantor) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P or Fitch;

(5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P, Moody's or Fitch;

(6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and

(7) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with (i) Bank of China, Industry and Commerce Bank of China, China Agricultural Bank, China Construction Bank, Hua Xia Bank, Minsheng Bank, Zun Yi City Bank, Tianjing Commercial Bank, Liuzhou Commercial Bank, (ii) any other bank, trust company or other financial institution organized under the laws of the PRC or Hong Kong whose long-term debt is rated as high or higher than any of those banks described in clause (i) of this paragraph or (iii) any other bank, trust company or other financial institution organized under the laws of the PRC or Hong Kong; *provided* that, in the case of clause (iii), such deposits do not exceed US$30.0 million (or the Dollar Equivalent thereof) with any single bank or US$100.0 million (or the Dollar Equivalent thereof) in the aggregate, at any date of determination thereafter.

"*Total Assets*" with respect to any Person means, as of any date, the total consolidated assets of such Person and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of such Person (which the Parent Guarantor shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); provided that only with respect to clause (2)(h) of "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" covenant, Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Parent Guarantor or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness.

"*Trade Payables*" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services and payable within 90 days.

"*Transaction Date*" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"*Trust Company Investor*" means an Independent Third Party that is a financial institution or an insurance company organized under the laws of the PRC, or an Affiliate thereof, that invests in any Capital Stock of a PRC Restricted Subsidiary.

"*Unrestricted Subsidiary*" means (1) subject to redesignation as a Restricted Subsidiary in accordance with the terms of the Indenture, Golden Fleece Investment Limited, Fosun Great China Finance Company Limited, Luxuriant Century Limited, Primrose Treasure Limited, Luminary Talent Limited, Golden Corona Limited, Fosun Equity Investment Ltd., Fosun Equity Investment Management Ltd. and Speedy Clipper Investment Limited, (2) any Subsidiary of the

Parent Guarantor that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (3) any Subsidiary of an Unrestricted Subsidiary.

"*U.S. Government Obligations*" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"*Voting Stock*" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"*Wholly Owned*" means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; provided that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries.

"*Working Capital Indebtedness*" means any Indebtedness of the Parent Guarantor or any Restricted Subsidiary with a maturity of one year or less used by the Parent Guarantor or any Restricted Subsidiary for working capital.

PLAN OF DISTRIBUTION

The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and UBS AG, Hong Kong Branch are acting as joint book-running managers of the offering. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, each Initial Purchaser named below has severally agreed to purchase, and we have agreed to sell to such Initial Purchaser, the principal amount of the Notes set forth opposite such Initial Purchaser's name, subject to further adjustments to be agreed among the Initial Purchasers.

Initial Purchaser	Principal Amount of Notes
The Hongkong and Shanghai Banking Corporation Limited	US$133,334,000
Standard Chartered Bank	US$133,333,000
UBS AG, Hong Kong Branch	US$133,333,000
Total	US$400,000,000

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Initial Purchasers must purchase all the Notes if they purchase any of the Notes. The Company or any of its subsidiaries or affiliates may from time to time purchase a portion of the Notes.

The Initial Purchasers propose to resell the Notes at the offering price set forth on the cover page of this offering memorandum only outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S. See "Transfer Restrictions." The price at which the Notes are offered may be changed at any time without notice. In addition, a commission to private banks may be paid in connection with the purchase of the Notes by their private bank clients.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantee (if any) have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the benefit of, U.S. persons except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States or to, or for the benefit of, U.S. persons by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act.

The Notes will constitute a new class of securities with no established trading market. Approval in-principle has been received for the listing and quotation of the Notes on the Official List of SGX-ST. However, we cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, the Initial

Purchasers are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Notes.

The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and UBS AG, Hong Kong Branch (or its affiliates) may engage in stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and UBS AG, Hong Kong Branch (as stabilizing manager) to reclaim a selling concession from a dealer when the Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither the Company nor the Initial Purchasers 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 Notes. In addition, neither the Company nor the Initial Purchasers makes any representation that The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank or UBS AG, Hong Kong Branch (as stabilizing manager) will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

We expect to deliver the Notes against payment for the Notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the fifth business day following the date of the pricing of the Notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in three business days, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next succeeding business day should consult their own advisor.

The Initial Purchasers or its affiliates have performed commercial banking, investment banking or advisory services for us from time to time for which they have received customary fees and reimbursement of expenses. The Initial Purchasers or its affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of business for which they may receive customary fees and reimbursement of expenses. We may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

In connection with this offering of the Notes, each Initial Purchaser and/or its affiliate(s) may act as an investor for its own account and may take up Notes in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Notes. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Initial

Purchasers and/or their 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.

We and the Subsidiary Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

Selling Restrictions

General

No action has been taken or will be taken in any jurisdiction by the Company or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United Stated or to, or for the account or benefits of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See “Transfer Restrictions.”

In addition, until 40 days after the commencement of this offering, an offer or sale of the Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in compliance with an available exemption from registration under the Securities Act.

United Kingdom

No invitation or inducement to engage in investment activity (within the meanings of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”) received by the Initial Purchasers in connection with the issue or sale of the Notes may be communicated or caused to be communicated except in circumstances in which Section 21(1) of the FSMA does not apply to the Initial Purchasers. All applicable provisions of the FSMA must be complied with respect to anything done or to be done by the Initial Purchasers in relation to any Notes in, from or otherwise involving the United Kingdom.

Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the "FIEL"), and disclosure under the FIEL has not been made with respect to the Notes. Accordingly, the Notes may not be offered or sold, directly or indirectly in Japan or to, or for the account of, any resident 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 any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, "resident of Japan" means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the "MAS"). Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes 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 (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) 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 Notes are subscribed or purchased in reliance of an exemption under Sections 274 or 275 of the SFA, the Notes shall not be sold within the period of six months from the date of the initial acquisition of the Notes, except to any of the following persons:

(a) an institutional investor (as defined in Section 4A of the SFA);

(b) a relevant person (as defined in Section 275(2) of the SFA); or

(c) any person pursuant to an offer referred to in Section 275(1A) of the SFA, unless expressly specified otherwise in Section 276(7) of the SFA.

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

(a) 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

(b) 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 Notes pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor (as defined in Section 4A of the SFA), or to a relevant person (as defined in Section 275(2) of the SFA) and in accordance with the conditions specified in Section 275 of the SFA;

- (in the case of a corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of a trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;

- where no consideration is or will be given for the transfer;

- where the transfer is by operation of law; or

- as specified in Section 276(7) of the SFA.

PRC

The Initial Purchasers have acknowledged that this offering memorandum does not constitute a public offer of the Notes, whether by way of sale or subscription, in the PRC. Each of the Initial Purchasers has severally represented and agreed that, except to the extent consistent with applicable laws and regulations in the PRC, the Notes are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC. According to the laws and regulatory requirements in the PRC, with the exception to the extent consistent with applicable laws and regulations in the PRC, the Notes may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

Cayman Islands

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the Notes.

British Virgin Islands

No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the Notes.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.

The Notes are subject to restrictions on transfer as summarized below. By purchasing the Notes, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:

   - the Notes have not been registered under the Securities Act or any other applicable securities laws;

   - the Notes are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;

   - the Notes are being offered and sold only to non-U.S. persons outside the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and

   - unless so registered, the Notes may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph 4 below.

2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are not a U.S. person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing the Notes in an offshore transaction in accordance with Regulation S.

3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers have made any representation to you with respect to us or the offering of the Notes, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase the Notes including an opportunity to ask questions of and request information from us.

4. You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder

of the Notes by its acceptance of the Notes will agree, that until the end of the Resale Restriction Period (as defined below), the Notes may be offered, sold or otherwise transferred only:

(a) to us;

(b) under a registration statement that has been declared effective under the Securities Act;

(c) outside the United States in compliance with Rule 903 or 904 under the Securities Act; or

(d) under any other available exemption from the registration requirements of the Securities Act,

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and in compliance with applicable state and other securities laws.

5. You also acknowledge that:

- the above restrictions on resale will apply from the closing date until the date that is 40 days after the later of the closing date and the last date that we or any of our affiliates was the owner of the Notes or any predecessor of the Notes (the "Resale Restriction Period"), and will not apply after the applicable Resale Restriction Period ends;

- we and the Trustee reserve the right to require in connection with any offer, sale or other transfer of the Notes under clause 4(d) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the Trustee; and

- each Note will contain a legend substantially to the following effect:

  THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

  THE HOLDER OF THIS NOTE, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SUCH NOTE, TO OFFER, SELL OR OTHERWISE

TRANSFER SUCH NOTE, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF SUCH NOTE), ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

6. You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Notes is no longer accurate, you will promptly notify us and the Initial Purchaser. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

7. You also acknowledge that this offering memorandum has not been registered as a prospectus with the MAS. Accordingly, you have represented, warranted and agreed that you have not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and have not circulated or distributed, nor will you circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, 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.

The following summary of certain Hong Kong, British Virgin Islands and PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering memorandum, 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 Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes.

Hong Kong

Withholding tax

No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or interest in respect of the Notes.

Profits tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Although Hong Kong profits tax is not charged on capital gains, Hong Kong profits tax may be charged on trading gains arising from a trade, profession or business carried on in Hong Kong if those trading gains arise in or derive from Hong Kong. Under current practice of the Hong Kong Inland Revenue Department, any profits arising on the sale, disposal or redemption of the Notes should not be treated as arising in or derived from Hong Kong if the Notes are traded on a stock exchange outside Hong Kong.

Interest on the Notes which is received by or accrued to a financial institution through or from the carrying on of its business in Hong Kong is subject to Hong Kong profits tax. Interest on the Notes received by a corporation will be subject to Hong Kong profits tax if the corporation carries on a trade, profession or business in Hong Kong and the interest accrues in or derives from Hong Kong. Interest on the Notes received by any other person will be subject to Hong Kong profits tax if it derives from a trade, profession or business carried on by such person in Hong Kong and the interest accrues in or derives from Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside Hong Kong) of a Note.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished estate duty with effect from February 11, 2006. No estate duty affidavits and accounts need to be filed and no estate duty clearance papers are needed for the application for a grant of representation in respect of deaths occurring on or after that date.

PRC

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, 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 Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest and Capital Gains

Under the PRC EIT Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% (or lower treaty rate, if any) is applicable to interest payable to investors that are "non-resident enterprises" and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income is not effectively connected with the establishment or place of business, if we are deemed to be a PRC "resident enterprise." Similarly, any gain realized on the transfer of the Notes by such investors is also subject to a 10% (or lower treaty rate, if any) PRC income tax if such gain is regarded as income derived from sources within the PRC. As advised by our PRC counsel, there is uncertainty as to whether we will be treated as a PRC "resident enterprise" for the purpose of the EIT Law. If we are treated as a PRC "resident enterprise," we would be obligated to withhold PRC income tax of up to 10%, or a lower rate if tax treaty benefits are available, on payments of interest and other amounts on the Notes to investors that are non-resident enterprises, and the gain any investor may realize from the transfer of the Notes, would be treated as income derived from sources within the PRC and may be subject to 10% PRC income tax, which may materially and adversely affect the value of investment in the Notes. See "Risk Factors — Risks Relating to China — We may be treated as a PRC resident enterprise for PRC tax purposes, which may subject us to PRC income taxes on our worldwide income and PRC withholding taxes on interest we pay on the Notes."

Stamp duty

No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside the PRC) of a Note.

British Virgin Islands

No payment of principal, premium, (if any) and interest in respect of the Notes will be subject to taxation in the BVI. No withholding tax will be required to be deducted payments to any holder of a Note. The Notes will not be liable to stamp duty in the BVI. Gains derived from the sale of the Notes by persons who are non-resident in the BVI or not otherwise liable to BVI income tax will not be subject to BVI income tax. The BVI currently has no capital gains, estate duty, inheritance tax or gift tax.

In relation to EC Directive 2003/48/EC (the "Directive"), the BVI has entered into bilateral agreements with each of the Member States of the European Union and has gazetted the Mutual Legal Assistance (Tax Matters) (Automatic Exchange Information) Order, 2011, pursuant to which paying agents in the BVI are required to report to the BVI Inland Revenue Department certain information, including information about interest payments made to beneficial owners, which information the BVI Inland Revenue Department will exchange with the relevant tax authorities in the Member State where the beneficial owner is resident for tax purposes. The BVI has removed the option, previously available to paying agents in the BVI (in addition to the automatic exchange of information option), of offering beneficial owners the choice of having withholding tax on interest payments deducted at source.

The Directive specifies that any jurisdiction implementing the withholding tax must set up procedures to allow beneficial owners to opt not to pay the withholding tax either by authorising the relevant paying agent to report information or by providing a tax certificate drawn up by their competent authority.

Under the automatic exchange of information option, the Directive requires the following information be collected by the paying agent:

(a) the identity and residence of the beneficial owner;

(b) the name and address of the paying agent;

(c) the account number of the beneficial owner or, where there is none, identification of the debt claim giving rise to the interest; and

(d) information concerning the interest payment.

This information must be reported by the BVI paying agent at least once a year to the competent authority in the country where the account is held and forwarded to the competent authority of the country where the beneficial owner resides.

RATINGS

The Notes have been provisionally rated "BB+" by Standard & Poor's Ratings Services and "B1" by Moody's Investors Service. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes in as much as such ratings do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant. Each such rating should be evaluated independently of any other rating on the Notes, on our other securities, or on us.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Chen & Co. Law Firm as to matters of PRC law, by Sidley Austin as to matters of United States federal and New York law and Hong Kong law by Appleby as to matters of B.V.I. law. Certain legal matters will be passed upon for the Initial Purchasers by Grandall Law Firm (Shanghai) as to matters of PRC law and by Davis Polk & Wardwell as to matters of United States federal and New York law.

INDEPENDENT AUDITORS

The consolidated statements of financial position of Fosun International Limited and its subsidiaries as of December 31, 2009, 2010 and 2011, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of Fosun International Limited and its subsidiaries for each of the years ended December 31, 2009, 2010 and 2011 included in this offering memorandum have been audited by Ernst & Young, independent auditors, as stated in their report appearing herein and in our annual report for the year ended December 31, 2009, 2010 and 2011. The consolidated financial statements as of and for the six months ended June 30, 2012 included in this offering memorandum have been reviewed by Ernst & Young. The interim condensed consolidated financial information as of and for the six months ended June 30, 2011 is included for comparison purposes in the interim condensed consolidated financial statements as of and for the six months ended June 30, 2012 as stated in our interim report for the six months ended June 30, 2012. A review is substantially less in scope than an audit conducted in accordance with the applicable standards on auditing in Hong Kong. Consequently, it does not enable them to obtain assurance that they would become aware of all significant matters that might be identified in an audit. Accordingly, they do not express an audit opinion on the unaudited condensed interim consolidated financial statements.

Consents

We have obtained all necessary consents, approvals and authorizations in Hong Kong in connection with the issue and performance of the Notes, the Parent Guarantee and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the Notes and the Parent Guarantee have been authorized by a written resolution of the executive committee of our board of directors dated January 10, 2013.

Litigation

Except as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, that are or might be material in the context of this issue of the Notes, the Parent Guarantee and the Subsidiary Guarantees.

No Material Adverse Change

There has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since June 30, 2012 that is material in the context of the issue of the Notes, the Parent Guarantee and the Subsidiary Guarantees except as may otherwise be disclosed in this offering memorandum.

Documents Available

For so long as any of the Notes are outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified offices of the paying agents.

For so long as any of the Notes are outstanding, copies of our audited financial statements for the last two financial years, if any, may be obtained during normal business hours on any weekday (except public holidays) at the specified offices of the paying agents.

Clearing System and Settlement

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream.

Certain trading information with respect to the Notes is set forth below:

	ISIN	Common Code
Global Notes	XS0878012334	087801233

Only Notes evidenced by a global note have been accepted for clearance through Euroclear and Clearstream.

Listing of the Notes

Approval in-principle has been received for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this offering memorandum. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Company, the Subsidiary, Guarantors the JV subsidiary Guarantors, the Notes the Subsidiary Guarantees or the JV subsidiary Guarantees (if any). For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the minimum board lot size in which the Notes will be traded on the SGX-ST is US$200,000.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that a global note representing such Notes is exchanged for definitive Notes. In addition, in the event that a global note is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Page reference included in the consolidated financial statements for each of the years ended December 31, 2011, 2010 and 2009 set forth above refer to pages in such consolidated financial statements as appeared in our annual reports for the years ended December 31, 2011, 2010 and 2009 respectively. Page reference included in the condensed consolidated financial statements for the six months ended June 30, 2012 set forth above refer to pages in such condensed consolidated financial statements as appeared in our interim reports for the six months ended June 30, 2012.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF FOSUN INTERNATIONAL LIMITED
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the accompanying interim financial information set out on pages 20 to 45, which comprises the condensed consolidated statement of financial position of Fosun International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2012 and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountant

22nd Floor, CITIC Tower,
1 Tim Mei Avenue, Central,
Hong Kong

28 December 2012

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Notes	For the six months ended 30 June 2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
REVENUE		**25,730,746**	25,568,805
Cost of sales		**(20,922,297)**	(20,756,749)
Gross profit		**4,808,449**	4,812,056
Other income and gains	*5*	**1,752,869**	3,701,720
Selling and distribution costs		**(1,084,912)**	(972,426)
Administrative expenses		**(1,594,095)**	(1,324,692)
Other expenses		**(330,720)**	(532,207)
Finance costs	*6*	**(1,395,686)**	(1,082,691)
Share of profits and losses of:			
Jointly-controlled entities		**13,761**	33,587
Associates		**445,413**	951,912
PROFIT BEFORE TAX	*7*	**2,615,079**	5,587,259
Tax	*8*	**(320,274)**	(924,892)
PROFIT FOR THE PERIOD		**2,294,805**	4,662,367
Attributable to:			
Owners of the parent		**1,550,129**	3,399,129
Non-controlling interests		**744,676**	1,263,238
		2,294,805	4,662,367
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted (RMB)	*9*	**0.24**	0.53

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	For the six months ended 30 June 2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	**2,294,805**	4,662,367
OTHER COMPREHENSIVE INCOME		
Available-for-sale investments:		
Changes in fair value	**73,166**	(144,789)
Reversal of changes in fair value arising from the available-for-sale investment becoming an associate	**–**	(58,283)
Reclassification adjustments for gains included in the interim condensed consolidated income statement – gain on disposal	**(172,213)**	(261,856)
Income tax effect	**(9,024)**	(635)
	(108,071)	(465,563)
Share of other comprehensive income of associates	**23,528**	33,012
Share of other comprehensive income of jointly-controlled entities	**(1,571)**	(3,406)
Exchange differences on translation of foreign operations	**65,065**	(107,151)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(21,049)**	(543,108)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,273,756**	4,119,259
Attributable to:		
Owners of the parent	**1,555,409**	2,835,762
Non-controlling interests	**718,347**	1,283,497
	2,273,756	4,119,259

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**22,807,732**	21,513,247
Investment properties		**3,696,000**	3,026,000
Prepaid land lease payments		**1,447,698**	1,405,937
Exploration and evaluation assets		**468,679**	456,722
Mining rights		**375,070**	421,589
Intangible assets		**1,241,485**	1,248,872
Goodwill		**1,659,425**	1,659,425
Investments in jointly-controlled entities		**2,171,239**	1,409,737
Investments in associates		**17,400,538**	17,275,611
Available-for-sale investments		**8,896,031**	8,437,265
Properties under development		**7,740,640**	6,885,559
Due from related companies		**493,280**	448,642
Loan receivable		**2,234,432**	2,234,432
Prepayments		**1,203,328**	676,313
Deferred tax assets		**1,622,925**	1,521,131
Total non-current assets		**73,458,502**	68,620,482
CURRENT ASSETS			
Cash and bank balances		**10,937,300**	16,777,753
Equity investments at fair value through profit or loss		**8,636,661**	7,406,727
Trade and notes receivables	*11*	**5,869,657**	6,506,112
Prepayments, deposits and other receivables		**5,266,451**	3,853,964
Inventories		**7,265,470**	7,119,548
Completed properties for sale		**2,720,353**	2,583,146
Properties under development		**24,786,047**	22,428,345
Loans receivable		**139,430**	132,250
Due from related companies		**2,586,821**	1,856,159
		68,208,190	68,664,004
Assets of a disposal group classified as held for sale		**–**	253,132
Total current assets		**68,208,190**	68,917,136

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*12*	**22,058,841**	23,532,459
Loans from a related company		**65,000**	167,830
Trade and notes payables	*13*	**12,478,453**	11,330,982
Accrued liabilities and other payables		**14,252,173**	13,035,226
Tax payable		**1,947,216**	2,737,186
Finance lease payables		**43,966**	43,966
Derivative financial instruments		**275**	9,228
Due to the holding company		**2,177,299**	1,431,144
Due to related companies		**2,299,647**	1,914,420
		55,322,870	54,202,441
Liabilities directly associated with the assets classified as held for sale		**–**	57,048
Total current liabilities		**55,322,870**	54,259,489
NET CURRENT ASSETS		**12,885,320**	14,657,647
TOTAL ASSETS LESS CURRENT LIABILITIES		**86,343,822**	83,278,129
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*12*	**30,193,533**	30,357,179
Loans from a related company		**87,265**	–
Finance lease payables		**100,235**	119,998
Deferred income		**210,441**	213,060
Due to related companies		**610,567**	824,137
Other long term payables		**310,440**	334,864
Deferred tax liabilities		**3,217,684**	2,942,737
Total non-current liabilities		**34,730,165**	34,791,975
Net assets		**51,613,657**	48,486,154
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**621,497**	621,497
Reserves		**31,949,452**	30,391,347
Proposed final dividend	*14*	**–**	817,340
		32,570,949	31,830,184
Non-controlling interests		**19,042,708**	16,655,970
Total equity		**51,613,657**	48,486,154

Guo Guangchang
Director

Ding Guoqi
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the parent												
	Issued capital RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Other deficits RMB'000 (Unaudited)	Statutory surplus reserve RMB'000 (Unaudited)	Available-for-sale investments revaluation reserve RMB'000 (Unaudited)	Capital redemption reserve RMB'000 (Unaudited)	Other reserve RMB'000 (Unaudited)	Retained earnings RMB'000 (Unaudited)	Exchange fluctuation reserve RMB'000 (Unaudited)	Proposed final dividend RMB'000 (Unaudited) (Note 14)	Total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total equity RMB'000 (Unaudited)
At 1 January 2012	621,497	11,789,653	(443,540)	2,587,017	1,420,026	1,465	922,704	14,731,384	(617,362)	817,340	31,830,184	16,655,970	48,486,154
Total comprehensive income/(loss) for the period	-	-	-	-	(34,727)	-	-	1,550,129	40,007	-	1,555,409	718,347	2,273,756
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(782,780)	(782,780)
Final dividend declared	-	-	-	-	-	-	-	-	-	(817,340)	(817,340)	-	(817,340)
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	(3,663)	-	-	-	(3,663)	(129,116)	(132,779)
Deemed acquisition of partial interests in a subsidiary	-	-	-	-	-	-	60	-	-	-	60	(60)	-
Disposal of partial interests in a subsidiary without losing control	-	-	-	-	-	-	5,516	-	-	-	5,516	44,702	50,218
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(59,925)	(59,925)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	1,390,328	1,390,328
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	1,202,835	1,202,835
Equity-settled share-based payment	-	783	-	-	-	-	-	-	-	-	783	2,407	3,190
At 30 June 2012	621,497	11,790,436*	(443,540)*	2,587,017*	1,385,299*	1,465*	924,617*	16,281,513*	(577,355)*	-	32,570,949	19,042,708	51,613,657

* These reserve accounts comprise the consolidated reserves of RMB31,949,452,000 (31 December 2011: RMB30,391,347,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the parent												
	Issued capital RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Other deficits RMB'000 (Unaudited)	Statutory surplus reserve RMB'000 (Unaudited)	Available-for-sale investments revaluation reserve RMB'000 (Unaudited)	Capital redemption reserve RMB'000 (Unaudited)	Other reserve RMB'000 (Unaudited)	Retained earnings RMB'000 (Unaudited)	Exchange fluctuation reserve RMB'000 (Unaudited)	Proposed final dividend RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total equity RMB'000 (Unaudited)
At 1 January 2011	621,497	11,787,763	(443,540)	2,390,537	2,432,714	1,465	384,254	12,281,599	(512,089)	928,936	29,873,136	15,125,950	44,999,086
Total comprehensive income/(loss) for the period	–	–	–	–	(454,067)	–	–	3,399,129	(109,300)	–	2,835,762	1,283,497	4,119,259
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(336,340)	(336,340)
Final dividend declared	–	–	–	–	–	–	–	–	–	(928,936)	(928,936)	–	(928,936)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	473,215	–	–	–	473,215	(2,577,882)	(2,104,667)
Deemed acquisition of partial interests in subsidiaries	–	–	–	–	–	–	59,439	–	–	–	59,439	(59,439)	–
Disposal of partial interests in a subsidiary without losing control	–	–	–	–	–	–	(85,106)	–	–	–	(85,106)	(1,208)	(86,314)
Fair value adjustment on the loan from non-controlling shareholder of a subsidiary	–	–	–	–	–	–	24,684	–	–	–	24,684	350	25,034
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	2,057,030	2,057,030
Compensation arising from land appreciation tax ("LAT") provision	–	–	–	–	–	–	–	–	–	–	–	51	51
At 30 June 2011	621,497	11,787,763*	(443,540)*	2,390,537*	1,978,647*	1,465*	856,486*	15,680,728*	(621,389)*	–	32,252,194	15,492,009	47,744,203

* These reserve accounts comprise the consolidated reserves of RMB31,630,697,000 (31 December 2010: RMB28,322,703,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**140,906**	(4,395,997)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(4,706,095)**	(7,271,598)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	**(1,839,276)**	11,264,649
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(6,404,465)**	(402,946)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**13,908,510**	16,826,592
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**7,504,045**	16,423,646
Analysis of balances of cash and cash equivalents		
Cash and bank balances at end of the period	**10,937,300**	20,302,141
Less: Pledged bank balances and deposits with original maturity of more than three months and restricted pre-sale proceeds of properties	**(3,433,255)**	(3,878,495)
Cash and cash equivalents at end of the period	**7,504,045**	16,423,646

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. CORPORATE INFORMATION

Fosun International Limited (the "Company") was incorporated as a company with limited liability in Hong Kong on 24 December 2004 under the Hong Kong Companies Ordinance (Chapter 32).

The registered office of the Company is located at Room 808, ICBC Tower, 3 Garden Road, Central, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the manufacture and sale of pharmaceutical and healthcare products, property development, the manufacture and sale of iron and steel products, mining and ore processing of various metals, asset management, operation and investment in insurance business and the management of investments in retail, services, finance and other business.

The holding company and the ultimate holding company of the Company are Fosun Holdings Limited and Fosun International Holdings Ltd., which are incorporated in Hong Kong and the British Virgin Islands, respectively.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 16 July 2007.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2012 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months ended 30 June 2012 (the "Period"), have been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

2.2 New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011, except for the adoption of revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations), as of 1 January 2012 noted below:

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 New standards, interpretations and amendments thereof, adopted by the Group (continued)

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The principal effects of adopting these revised HKFRSs are as follows:

Amendments to HKAS 12 include a rebuttable presumption that the carrying amount of investment property measured using the fair value model in HKAS 40 will be recovered through sale and, accordingly, any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, HKAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in HKAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. The effective implementation date is annual periods beginning on or after 1 January 2012.

The Group has investment properties at fair value. The jurisdictions in which the Group operates do have a different tax charge for sale or consumption of the investment properties. The Group rebuts the presumption of the amendments to HKAS 12 because the investment properties of the Group are held within a business model whose objective is to consume substantially all of the economic benefits in the investment properties over time rather than through sale. So while the amendments are applicable, they have no impact on the Group's interim condensed consolidated financial statements.

Save as disclosed above, the adoption of these revised HKFRSs has had no significant financial effect on the Group's interim condensed consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.3 Change in accounting estimate

With effective from 1 January 2012, an indirect subsidiary of the Company, Nanjing Nangang Iron & Steel United Co., Ltd., and its subsidiaries decided to change the estimated useful lives of the buildings, plant and machinery and motor vehicles included in their property, plant and equipment as follows:

Buildings:	from 20 years to 30 years
Plant and machinery:	from 10 years to 15 years
Motor vehicles:	from 5 years to 10 years

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Change in accounting estimate (continued)

The change of accounting estimate is a result of technical innovations and maintenance effort on the property, plant and equipment in the past few years and is based on the reassessment by the directors of Nanjing Nangang Iron & Steel United Co., Ltd. according to the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions and reference to the market common practice. Such change in accounting estimate was recognised prospectively from 1 Jan 2012 and decreased the depreciation charges of the Group for the six months ended 30 June 2012 by approximately RMB339,000,000.

3. SEASONALITY OF OPERATIONS

The Group's operations are not subject to seasonality.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has seven reportable operating segments as follows:

(i) the pharmaceuticals and healthcare segment engages in the research and development, manufacturing, sale and trading of pharmaceutical and healthcare products;

(ii) the property segment engages in the development and sale of properties in the PRC;

(iii) the steel segment engages in the manufacturing, sale and trading of iron and steel products;

(iv) the mining segment engages in the mining and ore processing of various metals;

(v) the asset management segment engages in the asset management business through the platform such as corporation funds, partnership funds and trusts;

(vi) the insurance segment engages in the operation and investment in insurance business; and

(vii) the retail, services, finance and other investments segment comprises, principally, the management of investments in retail, services, finance and other business.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss after tax. The adjusted profit or loss after tax is measured consistently with the Group's profit or loss after tax except that head office and corporate expenses are excluded from such measurement.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2012 (unaudited)

	Pharmaceuticals and healthcare	Property	Steel	Mining	Asset management	Insurance	Retail, services, finance and other investments	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:									
Sales to external customers	3,464,107	3,428,384	17,637,009	1,140,147	61,099	–	–	–	25,730,746
Inter-segment sales	–	3,867	–	592,434	–	–	–	(596,301)	–
Other income and gains	471,892	77,869	63,143	123,123	4,291	–	615,207	(3,411)	1,352,114
Total	3,935,999	3,510,120	17,700,152	1,855,704	65,390	–	615,207	(599,712)	27,082,860
Segment results	759,379	728,593	316,794	1,009,545	(34,657)	–	473,136	94,361	3,347,151
Interest and dividend income	47,478	21,821	178,634	6,223	5,247	–	281,224	(139,872)	400,755
Unallocated expenses									(196,315)
Finance costs	(198,094)	(182,148)	(610,624)	(28,243)	(6)	–	(378,088)	1,517	(1,395,686)
Share of profits and losses of									
– Jointly-controlled entities	(250)	8,178	5,833	–	–	–	–	–	13,761
– Associates	378,717	110,229	(122,912)	(2,392)	–	–	81,771	–	445,413
Profit/(loss) before tax	987,230	686,673	(232,275)	985,133	(29,416)	–	458,043	(43,994)	2,615,079
Tax	(129,460)	2,001	41,596	(219,803)	5,067	–	(32,476)	12,801	(320,274)
Profit/(loss) for the Period	857,770	688,674	(190,679)	765,330	(24,349)	–	425,567	(31,193)	2,294,805

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2011 (unaudited)

	Pharmaceuticals and healthcare	Property	Steel	Mining	Asset management	Insurance	Retail, services, finance and other investments	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:									
Sales to external customers	3,041,974	2,260,319	19,013,642	1,229,718	23,152	–	–	–	25,568,805
Inter-segment sales	–	–	–	809,225	–	–	–	(809,225)	–
Other income and gains	916,617	83,543	194,716	57,676	–	–	2,153,864	–	3,406,416
Total	3,958,591	2,343,862	19,208,358	2,096,619	23,152	–	2,153,864	(809,225)	28,975,221
Segment results	872,599	667,653	780,315	1,264,947	(17,300)	–	1,924,004	47,434	5,539,652
Interest and dividend income	66,487	17,547	72,508	5,144	24,579	–	130,134	(21,095)	295,304
Unallocated expenses									(150,505)
Finance costs	(147,065)	(145,947)	(497,940)	(15,384)	–	–	(297,450)	21,095	(1,082,691)
Share of profits and losses of									
– Jointly-controlled entities	(173)	18,670	15,090	–	–	–	–	–	33,587
– Associates	430,659	224,172	121,441	76,998	–	–	98,642	–	951,912
Profit before tax	1,222,507	782,095	491,414	1,331,705	7,279	–	1,855,330	47,434	5,587,259
Tax	(255,739)	(296,851)	(43,152)	(271,034)	(155)	–	(49,141)	(8,820)	(924,892)
Profit for the Period	966,768	485,244	448,262	1,060,671	7,124	–	1,806,189	38,614	4,662,367

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment assets:

Total segment assets as at 30 June 2012 and 31 December 2011 are as follows:

	30 June 2012	31 December 2011
	RMB'000 (Unaudited)	RMB'000 (Audited)
Pharmaceuticals and healthcare	**23,184,472**	22,103,136
Property	**51,662,258**	49,442,806
Steel	**34,849,190**	35,742,397
Mining	**9,598,038**	10,691,725
Asset management	**14,330,513**	12,296,508
Insurance	**608,067**	608,067
Retail, services, finance and other investments	**29,246,118**	24,245,846
	163,478,656	155,130,485
Eliminations*	**(21,811,964)**	(17,592,867)
Total consolidated assets	**141,666,692**	137,537,618

* Inter-segment loans and other balances are eliminated on consolidation.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

5. OTHER INCOME AND GAINS

An analysis of the Group's other income and gains is as follows:

	For the six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Interest income	**104,909**	102,691
Dividends from available-for-sale investments	**87,299**	157,917
Dividends from equity investments at fair value through profit or loss	**208,547**	34,696
Gross rental income	**12,959**	44,092
Sale of scrap materials	**1,771**	8,117
Government grants	**66,270**	71,164
Consultancy and other service income	**6,275**	41,733
Others	**36,445**	40,993
	524,475	501,403
Gains		
Gain on disposal of a subsidiary	**85,042**	5,515
Gain on disposal of an associate	**232,680**	–
Gain on disposal of partial interests in an associate	**6,459**	–
Gain on deemed disposal of interests in associates	**–**	888,518
Gain on disposal of items of property, plant and equipment	**–**	5,969
Gain on disposal of available-for-sale investments	**228,206**	222,261
Gain on disposal of equity investments at fair value through profit or loss	**110,757**	50,080
Gain on fair value adjustment of investment properties	**60,223**	49,591
Gain on fair value adjustment of equity investments at fair value through profit or loss	**501,874**	1,872,404
Gain on bargain purchase (note 15)	**3,153**	–
Exchange gains, net	**–**	105,979
	1,228,394	3,200,317
Other income and gains	**1,752,869**	3,701,720

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

6. FINANCE COSTS

	For the six months ended 30 June 2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Total interest expenses	**1,553,525**	1,250,337
Less: Interest capitalised	**(239,197)**	(223,281)
Interest expenses, net	**1,314,328**	1,027,056
Bank charges and other finance costs	**81,358**	55,635
Total finance costs	**1,395,686**	1,082,691

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June 2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Cost of sales	**20,922,297**	20,756,749
Inventories written off	**133**	422
Depreciation of items of property, plant and equipment	**787,066**	1,042,472
Amortisation of:		
Prepaid land lease payments	**15,926**	13,920
Mining rights	**46,519**	52,098
Intangible assets	**26,268**	5,101
Provisions/(reversals) for impairment of:		
Trade and other receivables	**(632)**	2,480
Inventories	**50,724**	26,525
Property, plant and equipment	**5,867**	–
Non-current assets held for sale	**–**	74,025
Provision for indemnity of LAT	**–**	51
Loss on settlement of derivative financial instruments	**13,740**	17,140
Loss on disposal of items of property, plant and equipment	**434**	6,737
Exchange losses, net	**94,714**	–

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

8. TAX

The major components of tax expenses for the six months ended 30 June 2012 and 2011 are as follows:

		For the six months ended 30 June	
		2012	2011
	Notes	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Current – Hong Kong	*(1)*	**4,866**	24,563
Current – Mainland China			
– Income tax in Mainland China for the Period	*(2)*	**581,418**	600,958
– LAT in Mainland China for the Period	*(3)*	**(268,896)**	175,975
Deferred		**2,886**	123,396
Tax expenses for the Period		**320,274**	924,892

Notes:

(1) Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period.

(2) The provision for Mainland China current income tax is based on a statutory rate of 25% (six months ended 30 June 2011: 25%) of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, which are exempted from income tax or taxed at preferential rates of 12.5% to 15%.

(3) According to the tax notices issued by the relevant local tax authorities, the Group commenced to pay LAT at rates ranging from 0.5% to 5% on proceeds from the sale and pre-sale of properties from 2004. Prior to 2007, except for this amount paid to the local tax authorities, no further provision for LAT had been made. The Directors considered that the relevant tax authorities would be unlikely to impose additional LAT levies other than the amount already paid based on the relevant percentages of the proceeds from the sale and pre-sale of the Group's properties.

During the Period, the prepaid LAT of the Group amounted to RMB34,174,000 (six months ended 30 June 2011: RMB38,623,000). In addition, based on the latest understanding of the LAT regulations from the tax authorities, the Group made an additional LAT provision in the amount of RMB181,673,000 (six months ended 30 June 2011: RMB137,352,000) in respect of the sales of properties up to 30 June 2012 in accordance with the requirements set forth in the relevant PRC tax laws and regulations.

During the Period, unpaid LAT provision in the amount of RMB484,743,000 (six months ended 30 June 2011: Nil) was reversed to the interim condensed consolidated income statement upon the completion of the liquidation and clearance with the local tax authorities by certain subsidiaries of the Group.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of earnings per share is based on the profit for the Period attributable to ordinary equity holders of the parent of RMB1,550,129,000 (six months ended 30 June 2011: RMB3,399,129,000) and on 6,421,595,000 ordinary shares in issue during the Period (six months ended 30 June 2011: 6,421,595,000 ordinary shares).

Diluted earnings per share amounts are equal to basic earnings per share amounts for the Period and six months ended 30 June 2011 as no diluting events occurred.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

10. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment RMB'000 (Unaudited)
Carrying value at beginning of the Period	21,513,247
Additions	1,913,050
Acquisition of a subsidiary	182,468
Disposals	(8,100)
Depreciation charge for the Period	(787,066)
Impairment for the Period	(5,867)
Carrying value at end of the Period	22,807,732

The Group's property, plant and equipment with a net carrying value of RMB2,351,406,000(31 December 2011: RMB2,530,014,000), were pledged as security for interest-bearing bank loans as set out in note 12 to the interim condensed consolidated financial statements.

11. TRADE AND NOTES RECEIVABLES

	30 June 2012	31 December 2011
	RMB'000 (Unaudited)	RMB'000 (Audited)
Trade receivables	**2,759,928**	1,959,313
Notes receivable	**3,109,729**	4,546,799
	5,869,657	6,506,112

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

11. TRADE AND NOTES RECEIVABLES (CONTINUED)

An aged analysis of trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2012	31 December 2011
	RMB'000 (Unaudited)	RMB'000 (Audited)
Outstanding balances with ages:		
Within 90 days	**2,356,457**	1,721,241
91-180 days	**271,600**	94,314
181-365 days	**143,957**	163,317
1-2 years	**16,673**	17,718
2-3 years	**6,707**	4,885
Over 3 years	**29,110**	32,173
	2,824,504	2,033,648
Less: Provision for impairment of trade receivables	**(64,576)**	(74,335)
	2,759,928	1,959,313

Credit terms granted to the Group's customers are as follows:

	Credit terms
Steel segment	0 to 90 days
Mining segment	0 to 90 days
Pharmaceuticals and healthcare segment	90 to 180 days
Property segment	30 to 360 days

The Group's notes receivable with a carrying value of RMB456,455,000 (31 December 2011: RMB509,613,000) was pledged to certain banks as security for bank loans granted to the Group (note12) and the Group's notes receivable with a carrying value of RMB970,061,000 (31 December 2011: RMB261,784,000) was pledged to certain banks as security for issuing notes payable and letter of credit by the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Bank loans:	*(1)*		
Guaranteed		**–**	35,000
Secured		**11,795,629**	11,505,854
Unsecured		**23,716,647**	26,358,931
		35,512,276	37,899,785
Enterprise bonds and corporate bonds	*(2)*	**10,919,358**	9,417,071
Medium-term notes	*(3)*	**2,571,442**	2,568,056
Senior notes	*(4)*	**1,873,511**	1,863,716
Other borrowings, secured	*(5)*	**252,996**	681,936
Other borrowings, unsecured	*(5)*	**1,122,791**	1,459,074
Total		**52,252,374**	53,889,638
Portion classified as:			
Current		**22,058,841**	23,532,459
Non-current		**30,193,533**	30,357,179
Total		**52,252,374**	53,889,638

Notes:

(1) Certain of the Group's bank loans and other borrowings are secured by:

the pledge of certain of the Group's buildings amounting to RMB804,744,000 (31 December 2011: RMB744,219,000), plant and machinery amounting to RMB1,546,662,000 (31 December 2011: RMB1,785,795,000), investment properties situated in Mainland China amounting to RMB1,629,000,000 (31 December 2011: RMB3,026,000,000), completed properties for sale amounting to RMB1,290,693,000 (31 December 2011: RMB281,087,000), prepaid land lease payments amounting to RMB172,776,000 (31 December 2011: RMB407,954,000), inventories amounting to RMB400,427,000 (31 December 2011: RMB733,876,000), properties under development amounting to RMB8,218,597,000 (31 December 2011: RMB6,693,504,000), bank deposits amounting to RMB491,385,000 (31 December 2011: RMB1,572,143,000), notes receivable amounting to RMB456,455,000 (31 December 2011: RMB509,613,000), investment in an associate amounting to RMB323,872,000 (31 December 2011: RMB319,474,000), and investment in subsidiaries.

The bank loans bear interest at rates ranging from 1.67% to 15.00% (2011: 1.00% to 8.28%) per annum.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

12. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Notes (continued):

(2) Enterprise and corporate bonds

On 27 February 2009, Nanjing Steel United Co. Ltd. issued long-term enterprise bonds with the par value of RMB2,500,000,000 and the effective interest rate is 6.29% per annum. One half of the principal of the enterprise bonds will be repaid on 27 February 2015 and the remainder on 27 February 2016. Interest will be paid annually in arrears.

On 25 September 2009, Shanghai Forte Land Co., Ltd. ("Forte") issued five-year domestic corporate bonds with the par value of RMB1,900,000,000 and the effective interest rate is 7.73% per annum. The interest will be paid annually in arrears and the maturity date is 22 September 2014.

On 24 December 2010, Shanghai Fosun High Technology (Group) Co., Ltd. issued seven-year domestic corporate bonds with the par value of RMB1,100,000,000 and the effective interest rate is 6.17% per annum. The interest will be paid annually in arrears and the maturity date is 23 December 2017.

On 6 May 2011, Nanjing Iron & Steel Co., Ltd. issued seven-year domestic corporate bonds with the par value of RMB4,000,000,000 and the effective interest rate is 5.98% per annum. The interest will be paid annually in arrears and the maturity date is 6 May 2018.

On 25 April 2012, Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharma") issued five-year domestic corporate bonds with the par value of RMB1,500,000,000 and the effective interest rate is 5.74% per annum. The interest will be paid annually in arrears and the maturity date is 25 April 2017.

(3) Medium-term notes

On 8 November 2010, Fosun Pharma issued five-year medium-term notes with the par value of RMB1,000,000,000 and the effective interest rate is 5.0% per annum. The interest will be paid annually in arrears and the maturity date is 10 November 2015.

On 31 March 2011, Fosun Pharma issued five-year medium-term notes with the par value of RMB1,600,000,000 and the effective interest rate is 6.26% per annum. The interest will be paid annually in arrears and the maturity date is 31 March 2016.

(4) Senior notes

On 12 May 2011, the Company issued five-year senior notes with the par value of USD300,000,000 and the effective interest rate is 7.9% per annum. The interest will be paid semi-annually in arrears.

(5) The other borrowings represent borrowings from third parties, which bear interest at rates ranging from 2.55% to 12.18% (2011: 2.55% to 12.18%) per annum.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

13. TRADE AND NOTES PAYABLES

	30 June 2012	31 December 2011
	RMB'000 (Unaudited)	RMB'000 (Audited)
Trade payables	**9,208,942**	9,276,590
Notes payable	**3,269,511**	2,054,392
	12,478,453	11,330,982

An aged analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2012	31 December 2011
	RMB'000 (Unaudited)	RMB'000 (Audited)
Outstanding balances with ages:		
Within 90 days	**4,371,138**	7,843,926
91-180 days	**1,105,826**	416,198
181-365 days	**2,847,165**	264,919
1-2 years	**795,470**	624,690
2-3 years	**15,242**	48,344
Over 3 years	**74,101**	78,513
	9,208,942	9,276,590

14. DIVIDENDS

The directors did not recommend the payment of an interim dividend in respect of the Period (six months ended 30 June 2011: Nil).

The proposed final dividend of HKD0.157 per ordinary share for the year ended 31 December 2011 was declared payable and approved by the shareholders at the annual general meeting of the Company on 21 June 2012.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

15. BUSINESS COMBINATION

The major acquisition of subsidiaries during the Period is as follows:

On 13 March 2012, Zhejiang Dongyang China Woodcarving Culture Expo City Co., Ltd., a wholly-owned subsidiary of Forte acquired 100% equity interests in Zhejiang Dongyang China Woodcarving City Co., Ltd. ("Zhejiang Dongyang") at a consideration of RMB398,267,000, satisfied by cash. Zhejiang Dongyang principally operates a shopping mall of woodcarving products in Zhejiang Province, the PRC. The Group acquired Zhejiang Dongyang in order to expand the commercial real estate business in Zhejiang Province.

The fair values of the identifiable assets and liabilities of Zhejiang Dongyang as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000 (Unaudited)
Assets:	
Property, plant and equipment	182,468
Investment properties	609,777
Completed properties for sale	386,199
Cash and bank balances	13,950
Trade and notes receivables	1,940
Prepayments, deposits and other receivables	843
Deferred tax assets	48,321
	1,243,498
Liabilities:	
Interest-bearing bank and other borrowings	(190,000)
Accrued liabilities and other payables	(111,057)
Tax payable	(136,692)
Trade and notes payables	(134,359)
Deferred tax liabilities	(269,970)
	(842,078)
Total net assets acquired	401,420
Gain on bargain purchase (note 5)	(3,153)
	398,267
Satisfied by:	
Cash	133,260
Cash consideration unpaid	265,007
	398,267

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

15. BUSINESS COMBINATION (CONTINUED)

From the date of acquisition, Zhejiang Dongyang's results have no significant impact on the Group's consolidated revenue or the profit for the Period.

The fair values of the acquired trade and notes receivables and other receivables as at the date of acquisition approximate to their gross contractual amounts. None of these receivables are expected to be uncollectible.

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000 (Unaudited)
Cash consideration	(133,260)
Cash and bank balances acquired	13,950
Net outflow of cash and cash equivalents included in cash flows from investing activities	(119,310)

The Group incurred no transaction costs for this acquisition.

16. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2012	31 December 2011
	RMB'000 (Unaudited)	RMB'000 (Audited)
Contracted, but not provided for:		
In respect of:		
Plant and equipment	**4,140,726**	2,653,036
Properties under development	**4,507,767**	5,421,951
Investments	**140,036**	765,346
	8,788,529	8,840,333
Authorised, but not contracted for:		
In respect of:		
Plant and equipment	**350,514**	71,115
Investments	**307,821**	458,467
	658,335	529,582

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

17. CONTINGENT LIABILITIES

The Group had the following contingent liabilities:

	30 June 2012	31 December 2011
	RMB'000 (Unaudited)	RMB'000 (Audited)
Guarantees given to bank loans of:		
Related parties	**977,910**	956,800
Third parties	**123,400**	123,400
	1,101,310	1,080,200
Qualified buyers' mortgage loans*	**2,743,531**	2,511,362
	3,844,841	3,591,562

* The Group provided guarantees of approximately RMB2,743,531,000 (31 December 2011: RMB2,511,362,000) in favour of their customers in respect of mortgage loans provided by banks to such customers for their purchases of the Group's developed properties where the underlying real estate certificates can only be provided to the banks in a time delayed manner due to administrative procedures in the PRC. These guarantees provided by the Group will be released when the customers pledge their real estate certificates as security to the banks for the mortgage loans granted by the banks.

The directors consider that in case of default in payments, the net realizable value of the related properties can cover the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made for the guarantees in the interim condensed consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

18. RELATED PARTY TRANSACTIONS

(1) During the Period, the Group had the following material transactions with related parties in addition to the transactions disclosed in note 12:

	For the six months ended 30 June 2012	2011
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Associates:		
Sales of pharmaceutical products	**237,789**	174,617
Purchase of pharmaceutical products	**85,921**	41,537
Purchase of coking coal products	**5,978**	47,006
Service income	**350**	–
Service fee	**6,272**	8,324
Transportation fee	**65,500**	66,866
Rental fee	**1,650**	–
Interest income	**4,140**	–
Interest expense	**10,706**	10,247
Notional interest	**–**	714
Shareholder loan provided	**–**	266,000
Loan provided by the related company	**168,000**	–
Bank loan guarantees provided	**802,910**	365,000
	1,389,216	980,311
Non-controlling shareholders of the subsidiaries of the Group:		
Rental fee	**7,911**	7,639
Purchase of iron ore products	**22,039**	27,964
Bank loan guarantees received	**2,006,049**	2,584,246
	2,035,999	2,619,849
Other related parties:		
Sales of pharmaceutical products	**2,804**	2,323
Sales of other products	**54,893**	34,597
Purchase of other products	**101**	26,004
Shareholder loan provided	**–**	124,595
Entrusted bank loan provided	**–**	70,000
Interest income	**19,856**	17,961
Service income	**–**	8,381
Notional interest	**2,871**	2,947
Bank loan guarantees provided	**175,000**	175,000
	255,525	461,808

In the opinion of the directors, except for bank loan guarantees provided by non-controlling shareholders of the subsidiaries, all related party transactions as set out above were conducted on normal commercial terms.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

18. RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2012	2011
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Short-term employee benefits	**24,860**	13,060
Pension scheme contributions	**148**	228
Total compensation paid to key management personnel	**25,008**	13,288

19. EVENTS AFTER THE REPORTING PERIOD

On 6 August 2012, the shareholders' meeting of Fosun Pharma, an indirect subsidiary of the Company, approved a resolution in relation to the proposed public offer of a short-term commercial paper amounting to not more than RMB2,000,000,000 to domestic institutional investors in Mainland China to satisfy its operating cash flow need and repay some of the existing bank loans bearing higher interests.

20. COMPARATIVE AMOUNTS

The comparative amounts have been restated to reflect the change of the reporting segments of the Group.

21. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 29 August 2012.

ERNST & YOUNG
安永會計師事務所

22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

To the shareholders of Fosun International Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Fosun International Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 66 to 193, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst and Young
Certified Public Accountants

Hong Kong
27 March 2012

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
REVENUE	*6*	**56,816,215**	44,643,702
Cost of sales		**(46,249,903)**	(35,277,157)
Gross profit		**10,566,312**	9,366,545
Other income and gains	*6*	**4,111,783**	4,304,874
Selling and distribution costs		**(2,122,999)**	(1,470,694)
Administrative expenses		**(2,871,202)**	(2,075,864)
Other expenses		**(1,989,955)**	(825,750)
Finance costs	*7*	**(2,381,748)**	(1,572,100)
Share of profits and losses of:			
Jointly-controlled entities	*22*	**32,076**	(23,156)
Associates		**1,538,827**	949,437
PROFIT BEFORE TAX	*8*	**6,883,094**	8,653,292
Tax	*10*	**(1,818,370)**	(2,506,590)
PROFIT FOR THE YEAR		**5,064,724**	6,146,702
Attributable to:			
Owners of the parent	*46*	**3,403,605**	4,227,092
Non-controlling interests		**1,661,119**	1,919,610
		5,064,724	6,146,702
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted (RMB)	*13*	**0.53**	0.66

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
PROFIT FOR THE YEAR		**5,064,724**	6,146,702
OTHER COMPREHENSIVE INCOME			
Available-for-sale investments:			
Changes in fair value		**569,121**	2,474,233
Reversal of changes in fair value arising from an available-for-sale investment becoming an associate		**(58,283)**	(152,931)
Reclassification adjustments for gains included in the consolidated income statement – gain on disposal		**(835,022)**	(7,505)
Income tax effect	*29*	**(241,808)**	(554,046)
		(565,992)	1,759,751
Share of other comprehensive income of jointly-controlled entities		**(2,514)**	3,740
Share of other comprehensive income of associates		**(231,297)**	297,700
Exchange differences on translation of foreign operations		**(129,948)**	(132,355)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(929,751)**	1,928,836
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,134,973**	8,075,538
Attributable to:			
Owners of the parent		**2,285,644**	5,797,609
Non-controlling interests		**1,849,329**	2,277,929
		4,134,973	8,075,538

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**21,513,247**	20,553,341
Investment properties	15	**3,026,000**	2,551,167
Prepaid land lease payments	16	**1,405,937**	1,278,066
Exploration and evaluation assets	17	**456,722**	437,762
Mining rights	18	**421,589**	717,680
Intangible assets	19	**1,248,872**	240,978
Goodwill	20	**1,659,425**	376,875
Investments in jointly-controlled entities	22	**1,409,737**	1,070,429
Investments in associates	23	**17,275,611**	15,238,649
Held-to-maturity investments	24	**–**	14,312
Available-for-sale investments	25	**8,437,265**	7,327,045
Properties under development	26	**6,885,559**	6,931,439
Due from related companies	35	**448,642**	413,793
Loans receivables	27	**2,234,432**	1,493,432
Prepayments	28	**676,313**	756,748
Deferred tax assets	29	**1,521,131**	1,005,809
		68,620,482	60,407,525
Non-current asset held for sale	36	**–**	148,049
Total non-current assets		**68,620,482**	60,555,574
CURRENT ASSETS			
Cash and bank balances	30	**16,777,753**	21,334,977
Equity investments at fair value through profit or loss	31	**7,406,727**	6,478,648
Trade and notes receivables	32	**6,506,112**	5,496,535
Prepayments, deposits and other receivables	33	**3,853,964**	3,990,536
Inventories	34	**7,119,548**	6,901,609
Completed properties for sale		**2,583,146**	2,014,437
Properties under development	26	**22,428,345**	9,856,198
Loans receivables	27	**132,250**	220,000
Due from related companies	35	**1,856,159**	1,526,292
		68,664,004	57,819,232
Assets of a disposal group classified as held for sale	36	**253,132**	–
Total current assets		**68,917,136**	57,819,232

	Notes	2011 RMB'000	2010 RMB'000
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	37	**23,532,459**	22,026,769
Loans from related companies	38	**167,830**	26,678
Trade and notes payables	39	**11,330,982**	8,617,385
Accrued liabilities and other payables	40	**13,035,226**	12,860,400
Tax payable		**2,737,186**	2,531,045
Finance lease payables	41	**43,966**	40,116
Derivative financial instruments	42	**9,228**	84,566
Due to the holding company	35	**1,431,144**	1,092,250
Due to related companies	35	**1,914,420**	954,385
		54,202,441	48,233,594
Liabilities directly associated with the assets classified as held for sale	36	**57,048**	–
Total current liabilities		**54,259,489**	48,233,594
NET CURRENT ASSETS		**14,657,647**	9,585,638
TOTAL ASSETS LESS CURRENT LIABILITIES		**83,278,129**	70,141,212
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	37	**30,357,179**	21,795,074
Loans from a related company	38	**–**	86,887
Finance lease payables	41	**119,998**	164,178
Deferred income	43	**213,060**	144,876
Due to related companies	35	**824,137**	–
Other long term payables	44	**334,864**	474,466
Deferred tax liabilities	29	**2,942,737**	2,476,645
Total non-current liabilities		**34,791,975**	25,142,126
Net assets		**48,486,154**	44,999,086
EQUITY			
Equity attributable to owners of the parent			
Issued capital	45	**621,497**	621,497
Reserves	46	**30,391,347**	28,322,703
Proposed final dividend	12	**817,340**	928,936
		31,830,184	29,873,136
Non-controlling interests		**16,655,970**	15,125,950
Total equity		**48,486,154**	44,999,086

Guo Guangchang
Director

Ding Guoqi
Director

STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	21	**3,640,455**	1,914,476
Investment in an associate	23	**82,421**	82,421
Total non-current assets		**3,722,876**	1,996,897
CURRENT ASSETS			
Cash and bank balances	30	**2,223,886**	1,786,810
Equity investments at fair value through profit or loss	31	**4,685,741**	5,483,461
Prepayments, deposits and other receivables	33	**5,720**	836
Due from subsidiaries	35	**11,244,793**	10,887,527
Total current assets		**18,160,140**	18,158,634
CURRENT LIABILITIES			
Interest-bearing bank loans	37	**441,063**	562,930
Accrued liabilities and other payables	40	**49,900**	17,683
Tax payable		**1,241**	27,201
Due to the holding company	35	**1,431,144**	1,092,250
Total current liabilities		**1,923,348**	1,700,064
NET CURRENT ASSETS		**16,236,792**	16,458,570
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,959,668**	18,455,467
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	37	**6,419,398**	2,611,320
Net assets		**13,540,270**	15,844,147
EQUITY			
Issued capital	45	**621,497**	621,497
Reserves	46	**12,101,433**	14,293,714
Proposed final dividend	12	**817,340**	928,936
Total equity		**13,540,270**	15,844,147

Guo Guangchang
Director

Ding Guoqi
Director

Group

	Attributable to owners of the parent												
	Issued capital RMB'000 (note 45)	Share premium RMB'000	Other deficits RMB'000 (note 46(a))	Statutory surplus reserve RMB'000 (note 46(b))	Available-for-sale investments revaluation reserve RMB'000	Capital redemption reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000 (note 12)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011	621,497	11,787,763	(443,540)	2,390,537	2,432,714	1,465	384,254	12,281,599	(512,089)	928,936	29,873,136	15,125,950	44,999,086
Adjustment of contingent consideration arising from business combination (note 47(c))	-	-	-	-	-	-	-	60,000	-	-	60,000	-	60,000
As restated	621,497	11,787,763	(443,540)	2,390,537	2,432,714	1,465	384,254	12,341,599	(512,089)	928,936	29,933,136	15,125,950	45,059,086
Profit for the year	-	-	-	-	-	-	-	3,403,605	-	-	3,403,605	1,661,119	5,064,724
Other comprehensive income for the year:													
Changes in fair value of available-for-sale investments, net of tax	-	-	-	-	(90,715)	-	-	-	-	-	(90,715)	418,028	327,313
Reversal of changes in fair value arising from the available-for-sale investment becoming an associate (note 23)	-	-	-	-	(28,005)	-	-	-	-	-	(28,005)	(30,278)	(58,283)
Reclassification adjustments for gains included in the consolidated income statement – gain on disposal	-	-	-	-	(756,432)	-	-	-	-	-	(756,432)	(78,590)	(835,022)
Share of other comprehensive income of jointly-controlled entities	-	-	-	-	-	-	-	-	(2,489)	-	(2,489)	(25)	(2,514)
Share of other comprehensive income of associates	-	-	-	-	(137,536)	-	-	-	-	-	(137,536)	(93,761)	(231,297)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(102,784)	-	(102,784)	(27,164)	(129,948)
Total comprehensive (loss)/income for the year	-	-	-	-	(1,012,688)	-	-	3,403,605	(105,273)	-	2,285,644	1,849,329	4,134,973

Group *(Continued)*

	Attributable to owners of the parent												
	Issued capital RMB'000 (note 45)	Share premium RMB'000	Other deficits RMB'000 (note 46(a))	Statutory surplus reserve RMB'000 (note 46(b))	Available-for-sale investments revaluation reserve RMB'000	Capital redemption reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000 (note 12)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Acquisition of subsidiaries (note 47(a))	-	-	-	-	-	-	-	-	-	-	-	841,400	841,400
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	2,383,661	2,383,661
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(849,374)	(849,374)
Final 2010 dividend declared	-	-	-	-	-	-	-	-	-	(928,936)	(928,936)	-	(928,936)
Proposed final dividend	-	-	-	-	-	-	-	(817,340)	-	817,340	-	-	-
Transfer from retained profits	-	-	-	196,480	-	-	-	(196,480)	-	-	-	-	-
Disposal of subsidiaries (note 47(b))	-	-	-	-	-	-	-	-	-	-	-	(14,175)	(14,175)
Equity-settled share-based payment	-	1,890	-	-	-	-	-	-	-	-	1,890	5,822	7,712
Fair value adjustment on the loan from non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	25,034	25,034
Disposal of partial interests in a subsidiary without losing control	-	-	-	-	-	-	1,051	-	-	-	1,051	1,792	2,843
Deemed acquisition of additional interests in subsidiaries	-	-	-	-	-	-	60,669	-	-	-	60,669	(60,669)	-
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	476,730	-	-	-	476,730	(2,649,536)	(2,172,806)
Compensation arising from LAT provision, net	-	-	-	-	-	-	-	-	-	-	-	(3,264)	(3,264)
At 31 December 2011	621,497	11,789,653*	(443,540)*	2,587,017*	1,420,026*	1,465*	922,704*	14,731,384*	(617,362)*	817,340	31,830,184	16,655,970	48,486,154

* These reserves accounts comprise the consolidated reserve of RMB 30,391,347,000 (2010: RMB28,322,703,000) in the consolidated statement of financial position.

Group *(Continued)*

	Attributable to owners of the parent												
	Issued capital RMB'000 (note 45)	Share premium RMB'000	Other deficits RMB'000 (note 46(a))	Statutory surplus reserve RMB'000 (note 46(b))	Available-for-sale investments revaluation reserve RMB'000	Capital redemption reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000 (note 12)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	621,497	11,787,763	(443,540)	2,223,889	714,116	1,465	–	9,015,868	(364,008)	927,270	24,484,320	11,887,958	36,372,278
Reversal of impairment loss arising from an available-for-sale investment becoming an associate	–	–	–	–	–	–	–	134,223	–	–	134,223	56,003	190,226
As restated	621,497	11,787,763	(443,540)	2,223,889	714,116	1,465	–	9,150,091	(364,008)	927,270	24,618,543	11,943,961	36,562,504
Profit for the year	–	–	–	–	–	–	–	4,227,092	–	–	4,227,092	1,919,610	6,146,702
Other comprehensive income for the year:													
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	1,670,922	–	–	–	–	–	1,670,922	249,265	1,920,187
Reversal of changes in fair value arising from an available-for-sale investment becoming an associate	–	–	–	–	(100,461)	–	–	–	–	–	(100,461)	(52,470)	(152,931)
Reclassification adjustments for gains included in the consolidated income statement – gain on disposal	–	–	–	–	(3,334)	–	–	–	–	–	(3,334)	(4,171)	(7,505)
Share of other comprehensive income of jointly-controlled entities	–	–	–	–	–	–	–	–	2,639	–	2,639	1,101	3,740
Share of other comprehensive income of associates	–	–	–	–	151,471	–	–	–	1,528	–	152,999	144,701	297,700
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	(152,248)	–	(152,248)	19,893	(132,355)
Total comprehensive income/(loss) for the year	–	–	–	–	1,718,598	–	–	4,227,092	(148,081)	–	5,797,609	2,277,929	8,075,538

Group *(Continued)*

	Attributable to owners of the parent												
	Issued capital RMB'000 (note 45)	Share premium RMB'000	Other deficits RMB'000 (note 46(a))	Statutory surplus reserve RMB'000 (note 46(b))	Available-for-sale investments revaluation reserve RMB'000	Capital redemption reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000 (note 12)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	441,549	441,549
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	1,603,309	1,603,309
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(562,071)	(562,071)
Final 2009 dividend declared	–	–	–	–	–	–	–	–	–	(927,270)	(927,270)	–	(927,270)
Proposed final dividend	–	–	–	–	–	–	–	(928,936)	–	928,936	–	–	–
Transfer from retained profits	–	–	–	166,648	–	–	–	(166,648)	–	–	–	–	–
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(75,006)	(75,006)
Liquidation of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(31,451)	(31,451)
Deemed disposal of partial interests in subsidiaries without losing control	–	–	–	–	–	–	171,683	–	–	–	171,683	(171,683)	–
Disposal of partial interests in a subsidiary without losing control	–	–	–	–	–	–	19,648	–	–	–	19,648	21,243	40,891
Deemed acquisition of additional interests in subsidiaries	–	–	–	–	–	–	285,278	–	–	–	285,278	(285,278)	–
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	(92,355)	–	–	–	(92,355)	(69,190)	(161,545)
Compensation arising from LAT provision	–	–	–	–	–	–	–	–	–	–	–	32,638	32,638
At 31 December 2010	621,497	11,787,763*	(443,540)*	2,390,537*	2,432,714*	1,465*	384,254*	12,281,599*	(512,089)*	928,936	29,873,136	15,125,950	44,999,086

* These reserves accounts comprise the consolidated reserve of RMB28,322,703,000 (2009: RMB22,935,553,000) in the consolidated statement of financial position.

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**6,883,094**	8,653,292
Adjustments for:			
Depreciation of items of property, plant and equipment	8	**2,088,457**	1,734,183
Amortisation of prepaid land lease payments	16	**33,400**	27,324
Amortisation of intangible assets	19	**26,431**	5,266
Amortisation of mining rights	18	**100,468**	89,743
Provision for impairment of items of property, plant and equipment	14	**473**	6,500
Provision for impairment of available-for-sale investments	8	**–**	723
Provision for impairment of goodwill	8	**–**	64,983
Provision for impairment of receivables	8	**45,019**	12,655
Provision for inventories	8	**222,016**	39,720
Provision for impairment of completed properties for sale	8	**116,709**	–
Provision for impairment of non-current assets held for sale	8	**148,049**	81,298
Gain on disposal of available-for-sale investments	6	**(843,588)**	(95,890)
Gain on disposal of equity investments at fair value through profit or loss	6	**(578,606)**	(917,594)
Gain on disposal of jointly-controlled entities	6	**(169,416)**	–
Gain on disposal of partial interest in associates	6	**(34,696)**	(194,681)
Gain on deemed disposal of interests in associates	6	**(910,864)**	(97,849)
Gain on disposal of subsidiaries	6	**(59,304)**	(964,164)
Net loss on disposal of items of property, plant and equipment	6, 8	**4,945**	32,228
Fair value adjustment on equity investments at fair value through profit or loss	6, 8	**759,883**	(912,920)
Fair value gains on investment properties	6	**(97,524)**	(264,578)
Interest expenses		**2,328,684**	1,503,799
Interest income	6	**(380,574)**	(244,513)
Dividends from equity investments at fair value through profit or loss	6	**(160,254)**	(5,951)
Dividends from available-for-sale investments	6	**(284,434)**	(77,509)
Share of profits and losses of associates		**(1,538,827)**	(949,437)
Subtotal carried forward		**7,699,541**	7,526,628

	Note	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES (Continued)			
Subtotal brought forward		**7,699,541**	7,526,628
Share of profits and losses of jointly-controlled entities		**(32,076)**	23,156
Gain on bargain purchase	6	**(33,337)**	–
Compensation arising from LAT provision, net		**(3,264)**	32,638
CASH INFLOW BEFORE WORKING CAPITAL CHANGES		**7,630,864**	7,582,422
Increase in properties under development		**(9,319,926)**	(2,341,530)
Increase in completed properties held for sale		**(685,418)**	(271,358)
Increase in investment property		**(377,309)**	(67,490)
Increase in trade and notes receivables		**(1,095,705)**	(482,458)
Increase in prepayments, deposits and other receivables		**(26,400)**	(249,292)
Increase in inventories		**(431,501)**	(1,084,363)
Increase in amounts due from related companies		**(705,176)**	(839,588)
Increase in trade and notes payables		**2,635,275**	1,359,288
(Decrease)/increase in accrued liabilities and other payables		**(1,108,292)**	3,941,091
Increase in deferred income		**68,184**	62,207
Decrease in other long term payables		**(139,602)**	(87,455)
Increase in amounts due to related companies		**1,013,078**	548,962
Increase in restricted presale proceeds of properties		**(382,657)**	–
Decrease in derivative financial instruments		**(75,338)**	–
CASH (USED IN)/GENERATED FROM OPERATIONS		**(2,999,923)**	8,070,436
Interest paid		**(550,568)**	(425,452)
Income tax paid		**(1,833,519)**	(1,574,537)
NET CASH FLOWS (USED IN)/GENERATED FROM OPERATING ACTIVITIES		**(5,384,010)**	6,070,447

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(3,257,896)**	(4,456,524)
Increase of prepaid land lease payments		**(83,757)**	(41,868)
Purchase of intangible assets		**(61,636)**	(29,110)
Purchase of mining rights		**(4,349)**	(73,837)
Purchase of exploration and evaluation assets		**(23,960)**	(17,073)
Purchase of available-for-sale investments		**(2,672,626)**	(2,249,311)
Purchase of equity investments at fair value through profit or loss		**(4,068,191)**	(2,614,383)
Proceeds from disposal of equity investments at fair value through profit or loss		**2,735,511**	2,715,155
Proceeds from disposal of available-for-sale investments		**1,943,960**	209,385
Proceeds from disposal of items of property, plant and equipment		**84,876**	323,195
Proceeds from sales of land using rights		**3,089**	–
Proceeds from disposal of intangible assets		**5,276**	4,374
Proceeds from disposal of held-to-maturity investments		**14,312**	80,429
Proceeds from disposal of subsidiaries	*47(b)*	**300,340**	681,428
Proceeds from disposal of associates		**70,735**	845,188
Proceeds from disposal of jointly-controlled entities		**82,907**	–
Acquisition of subsidiaries	*47(a)*	**(1,321,621)**	(988,442)
Acquisition of associates		**(345,336)**	(5,219,263)
Acquisition of jointly-controlled entities		**(255,858)**	(269,020)
Dividends received from available-for-sale investments	*6*	**284,434**	77,509
Dividends received from equity investments at fair value through profit or loss	*6*	**160,254**	5,951
Dividends received from associates		**669,551**	295,078
Shareholder loans provided to jointly-controlled entities and associates		**(653,250)**	(1,493,432)
Decrease/(increase) in pledged bank balances time deposits with original maturity of more than three months		**2,021,672**	(111,054)
Prepayments for proposed acquisitions		**(60,000)**	(275,901)
Interest received	*6*	**380,574**	244,513
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(4,050,989)**	(12,357,013)

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital element of finance lease rental payments		**(40,330)**	–
Proceeds from sales and lease-back of machinery		**–**	175,000
Capital contribution from non-controlling shareholders of subsidiaries		**2,383,661**	1,603,309
New bank and other borrowings		**63,051,305**	36,613,831
Repayment of bank and other borrowings		**(53,102,510)**	(22,803,659)
Dividends paid to non-controlling shareholders of subsidiaries		**(1,065,374)**	(502,071)
Acquisition of additional interests in subsidiaries		**(2,172,806)**	(992,054)
Dividends paid		**(505,842)**	(1,176,023)
Interest paid		**(2,031,187)**	(1,484,799)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**6,516,917**	11,433,534
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(2,918,082)**	5,231,534
Cash and cash equivalents at beginning of year		**16,826,592**	11,595,058
CASH AND CASH EQUIVALENTS AT END OF YEAR		**13,908,510**	16,826,592
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:			
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	*30*	**13,908,383**	16,826,592
Cash and bank balances attributable to assets of a disposal group classified as held for sale	*36*	**127**	–
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS		**13,908,510**	16,826,592

1. CORPORATE INFORMATION

Fosun International Limited (the "Company") was incorporated as a company with limited liability in Hong Kong on 24 December 2004 under the Hong Kong Companies Ordinance (Chapter 32).

The registered office of the Company is located at Room 808, ICBC Tower, 3 Garden Road, Central, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the manufacture and sale of pharmaceutical and healthcare products, property development, the manufacture and sale of iron and steel products, mining and ore processing of various metals, asset management, operation and investment in insurance business and the management of investment in retail, services, finance and other business.

The holding company and the ultimate holding company of the Company are Fosun Holdings Limited and Fosun International Holdings Ltd. which are incorporated in Hong Kong and the British Virgin Islands, respectively.

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 16 July 2007.

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and certain equity investments, which have been measured at fair value. Disposal groups and non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiaries for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendment	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK (IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs have had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 53 to the consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

The principal effects of adopting these new and revised HKFRSs are as follows: *(Continued)*

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* [4]
HKFRS 9	*Financial Instruments* [6]
HKFRS 10	*Consolidated Financial Statements* [4]
HKFRS 11	*Joint Arrangements* [4]
HKFRS 12	*Disclosure of Interests in Other Entities* [4]
HKFRS 13	*Fair Value Measurement* [4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* [3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [2]
HKAS 19 (2011)	*Employee Benefits* [4]
HKAS 27 (2011)	*Separate Financial Statements* [4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures and* HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12 and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 January 2012.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable.

The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties under development, completed properties held for sale, financial assets, deferred tax assets, investment properties, goodwill and non-current assets/assets of a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated income statement in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person,

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	5 to 45 years
Plant and machinery	5 to 15 years
Office equipment	3 to 14 years
Motor vehicles	4 to 12 years
Mining infrastructure	18 years
Leasehold improvements	The shorter of the lease terms or their useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery under construction or installation and testing which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction or installation and testing and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or property under development, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. For a transfer from property under development to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties, deferred tax assets and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Trademark

Trademarks with finite useful lives are stated at cost less any impairment losses and are amortised on the straight-line basis over the respective estimated useful lives of not exceeding 12 years. Trademarks with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of trademarks are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Medicine licences

Medicine licences with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of medicine licences are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Patents, and technical know-how

Purchased patents, and technical know-how are stated at cost less any impairment losses and are amortised on the straight-line basis over the respective estimated useful lives not exceeding 20 years.

Business network

Business network are stated at cost less any impairment losses and are amortised on the straight-line basis over the respective estimated useful lives of not exceeding 15 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

Research and development costs

All research costs are charged to the consolidated income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses. Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure incurred prior to accruing legal rights to explore an area is written off as incurred. When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to mining rights and are amortised on the units of production ("UOP") method based on the proven and probable mineral reserves. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Mining rights include the cost of acquiring mining licences, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortised over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proven and probable reserves of the mines using the UOP method. Mining rights are written off to the consolidated income statement if the mining property is abandoned.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated income statement so as to provide a constant periodic rate of charge over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the consolidated income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivables, quoted and unquoted financial instruments and amounts due from related companies.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Financial assets at fair value through profit or loss *(Continued)*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the other income and gains or other expenses in the consolidated income statement. These net fair value changes do not include any dividends earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation as these instruments cannot be reclassified after initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the financial income in the consolidated income statement. The loss arising from impairment is recognised in the consolidated income statement in finance costs for loans and in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the consolidated income statement. The loss arising from impairment is recognised in the consolidated financial statements in other expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the consolidated income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. 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 assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the consolidated income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial investments *(Continued)*

If an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is removed from other comprehensive income and recognised in the consolidated income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement – is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and notes payables, other payables and accruals, an amount due to the holding company, amounts due to related companies, loans from related companies, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement *(Continued)*

Financial liabilities at fair value through profit or loss *(Continued)*

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated income statement. The net fair value gain or loss recognised in the consolidated income statement does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and commodity derivative contracts, to hedge its foreign currency risk and commodity price risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the consolidated income statement.

Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

None of Group's derivative financial instruments is qualified as hedge accounting.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Properties under development

Properties under development are stated at cost which includes all development expenditures, including land costs, interest charges and other costs directly attributable to such properties.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle.

Properties under development are valued at the lower of cost and net realisable value at the end of reporting period and any excess of cost over net realisable value of individual item of properties under development is accounted for as a provision. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

Completed properties for sale

Completed properties for sale are recognised in the consolidated statement of financial position at the lower of cost and the net realisable value. Net realisable value is estimated by the Directors based on the prevailing market conditions. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Any excess of cost over net realisable value of individual item of completed properties for sale is accounted for as a provision.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and from an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statement.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liabilities arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and jointly-controlled entities, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and jointly-controlled entities, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated income statement over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) Sale of completed properties

Revenue from the sale of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

(c) Service fees

Property agency fees, property sales planning and advertising fees, construction supervisory fees and property management fees are recognised when the relevant services have been rendered and it is probable that economic benefits will flow to the Group and the relevant fees can be measured reliably.

(d) Rental income

Revenue is recognised on a time proportion basis over the lease terms.

(e) Interest income

Revenue is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(d) Dividend income

Revenue is recognised when the shareholder's right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

One of the Group's subsidiaries operates a share option scheme to its employees. Employees receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes option pricing model further details of which are given in note 48 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits

The Group did not provide post employment benefits, other than (i) defined contribution pension schemes and (ii) other employee benefits to qualified former employees ("Qualified SOE Employees") and qualified retirees ("Qualified Retirees") of former state-owned enterprises, as set out below.

(i) Defined contribution pension schemes

The full-time employees of the Group, other than Qualified SOE Employees and Qualified Retirees of former state-owned enterprises ("Former SOEs") as set out below, are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred.

(ii) Other employee benefits to Qualified SOE Employees and Qualified Retirees

The Group took over Qualified SOE Employees and Qualified Retirees from the Former SOEs upon the Group's acquisition of the Former SOEs. A liability in respect of the retirement benefits of Qualified SOE Employees and Qualified Retirees was taken over by the Group from the former parent company of the Former SOEs upon taking up Qualified SOE Employees and Qualified Retirees. All the following retirement benefits are covered by the abovementioned liability taken over and the details of the retirement benefits are as follows:

Qualified SOE Employees

The Qualified SOE Employees consist of two different categories of employees:

(a) Qualified SOE Employees being made redundant by the Former SOEs before their statutory retirement age prior to the Group's acquisition of the Former SOEs.

The Former SOEs paid basic salary and social benefit funds on a monthly basis to these Qualified SOE Employees until they reach statutory retirement age as stipulated by the State Regulations. The Group is required to continue paying such monthly payments to these redundant Qualified SOE Employees until they reach statutory retirement age as stipulated by the State Regulations; and

(b) Qualified SOE Employees not being made redundant by the Former SOEs before their statutory retirement age prior to the Group's acquisition of the Former SOEs and entering into new employment contracts with the Group upon acquisition of the Former SOEs by the Group.

The Former SOEs implemented early retirement plans for these Qualified SOE employees. The benefits of the early retirement plans of the Qualified SOE Employees were calculated based on factors including the number of years of qualified service with the Former SOEs, salary amount and other agreed terms for Qualified SOE Employees upon the Group's acquisition of the Former SOEs. The Group is required to pay these Qualified SOE Employees a redundancy payment if they opt for early retirement or are made redundant by the Group before their statutory retirement age as stipulated by State Regulations. These Qualified SOE Employees are not entitled to early retirement benefits upon reaching statutory retirement age.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits *(Continued)*

(ii) Other employee benefits to Qualified SOE Employees and Qualified Retirees *(Continued)*

Qualified Retirees

The Former SOEs also provided post retirement benefits to their employees who were not covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. Upon being acquired by the Group, the Former SOEs had certain Qualified Retirees to whom the Former SOEs had an obligation to pay a fixed amount on a monthly basis until their death, where the Group is required to continue paying such monthly payments to these Qualified Retirees. The post retirement benefits of Qualified Retirees were calculated based on the monthly pension multiplied by an estimated life expectancy of Qualified Retirees.

The Group recognises the liability taken over as a non-current liability at initial recognition, and subsequent payments of the retirement benefits to Qualified SOE Employees and Qualified Retirees are debited against the non-current liability. Payments are made by the Group to Qualified SOE Employees and Qualified Retirees, but the use of the fund is monitored and supervised jointly by the former parent company of the Former SOEs and the union. Except for the payment of the retirement benefits of the Qualified SOE Employees and the Qualified Retirees, the fund cannot be used for any other purpose including the transfer to the Group's income statement or reserve without the joint approval from the former parent company of Former SOEs, the union and the Municipal Labour & Social Security Bureau.

Accommodation benefits

According to the relevant PRC rules and regulations, the PRC companies now comprising the Group and their employees are each required to make contributions which are in proportion to the salaries and wages of the employees to an accommodation fund administered by the government agencies in the PRC. There is no further obligation on the part of the Group except for such contributions to the accommodation fund. Contributions to an accommodation fund administrated by government agency are charged to the consolidated income statement as and when they incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all employees of the companies in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the costs of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

The functional currency of the Company and its subsidiaries incorporated outside Mainland China is Hong Kong dollars ("HKD"). The functional currency of the PRC subsidiaries is RMB. The financial statements are presented in RMB, which is the Group's presentation currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the consolidated income statement.

Non-monetary terms that are measured in items of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of the Company and its subsidiaries incorporated outside Mainland China is currency other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates ruling at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

(ii) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgment. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

If an item of any property under development becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in consolidated income statement under HKAS 40.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(iii) Deferred tax liabilities

Deferred tax liabilities are recognised for withholding corporate income taxes relating to the unremitted earnings of the Group's subsidiaries established in Mainland China that are subject to withholding taxes. Significant management judgement is required to determine the amount of deferred tax liabilities, based upon the likely distribution level of such earnings from these subsidiaries in the foreseeable future. The carrying value of deferred tax liabilities arising from the withholding tax associated with the investments in subsidiaries in Mainland China for the year ended 31 December 2011 was RMB33,577,000 (31 December 2010: RMB60,891,000). Further details are contained in note 29 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2011 was RMB1,659,425,000 (31 December 2010: RMB376,875,000). Further details are given in note 20 to the financial statements.

(ii) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. For the year ended 31 December 2011, impairment losses in the amount of RMB148,522,000 (2010: RMB87,798,000) have been recognised as set out in note 8 to the financial statements.

(iii) Impairment of available-for-sale financial investments

The Group classifies certain investments as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the consolidated income statement. For the year ended 31 December 2011, no impairment losses (2010: RMB723,000) have been recognised for available-for-sale financial assets. As at 31 December, the carrying amount of available-for-sale assets was RMB8,437,265,000 (2010: RMB7,327,045,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(iv) Estimation of fair value of investment properties

As described in note 15 to the financial statements, investment properties were revalued on 31 December 2011 on an open market value existing use basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of reporting period.

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31 December 2011 was RMB3,026,000,000 (31 December 2010: RMB2,551,167,000).

(v) Provision for bad debts of loans and receivables

The Group reviews the recoverability and aging of loans and advances and provides impairment losses if the balances are not fully recoverable. The assessments involve estimation of the recoverability of these balances. Any change in the key sources of estimations would affect the carrying amount of the loans and advances, and provision expenses in the period in which such estimate has been changed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(vi) Estimation of rehabilitation cost provision

Provisions for the Group's obligations for land rehabilitation are based on estimates of required expenditure at the mines in accordance with PRC rules and regulations. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation.

Estimates used in the provision of rehabilitation cost are subjective in nature and involve uncertainties and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

(vii) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(viii) Useful lives of intangible assets (other than goodwill)

The Group determines the estimated useful lives for its intangible assets. This estimate is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the amortisation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(ix) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2011 was RMB534,933,000 (31 December 2010: RMB184,320,000). The amount of unrecognised tax losses at 31 December 2011 was RMB2,138,306,000 (31 December 2010: RMB858,768,000). Further details are contained in note 29 to the financial statements.

(x) Net realisable value of inventories, property under development and completed properties for sale

Net realisable value of inventories, property under development and completed properties for sale is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of each reporting period.

(xi) Contingent consideration for acquisition of subsidiaries

The Group estimated the fair value of contingent consideration for acquisition of subsidiaries under the income approach which involves the expected cash flows, to be discounted to the acquisition date at an appropriately chosen discount rate. Significant management judgment is required to determine the expected cash flows and discount rate. Management reassesses these estimates at the end of each reporting periods.

4. PARTICULARS OF PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES

Particulars of the principal subsidiaries comprising the Group, associates and jointly-controlled entities of the Group at 31 December 2011 are set out below:

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Subsidiaries						
上海復星高科技(集團)有限公司 (Shanghai Fosun High Technology (Group) Co., Ltd.)	Mainland China 21 November 1994	880,000	100.0%	–	100.0%	Investment holding
上海復星工業技術發展有限公司 (Shanghai Fosun Industrial Technology Development Co., Ltd.)	Mainland China 4 August 2003	1,200,000	–	100.0%	100.0%	Investment holding
上海復星產業投資有限公司 (Shanghai Fosun Industrial Investment Co., Ltd.)	Mainland China 22 November 2001	600,000	–	100.0%	100.0%	Investment holding
Steel segment						
南京鋼鐵聯合有限公司 (Nanjing Iron & Steel United Co., Ltd.)	Mainland China 24 March 2003	900,000	–	60.0%	60.0%	Manufacture and sale of iron and steel products
南京南鋼產業發展有限公司 (Nanjing Iron & Steel Industry Development Co., Ltd.)	Mainland China 27 September 2009	1,850,000	–	83.8%	50.3%	Manufacture and sale of iron and steel products
南京南鋼鋼鐵聯合有限公司 (Nanjing Nangang Iron & Steel United Co., Ltd.)	Mainland China 20 May 2009	3,000,000	–	60.0%	60.0%	Manufacture and sale of iron and steel products
南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.)	Mainland China 18 March 1999	3,875,752	–	83.8%	50.3%	Manufacture and sale of iron and steel products
南京鋼鐵有限公司 (Nanjing Iron & Steel Limited)	Mainland China 28 June 2001	1,279,637	–	100.0%	50.3%	Manufacture and sale of iron and steel products

4. PARTICULARS OF PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES *(Continued)*

Particulars of the principal subsidiaries comprising the Group, associates and jointly-controlled entities of the Group at 31 December 2011 are set out below: *(Continued)*

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Steel segment (Continued)						
南京金騰鋼鐵有限公司 (Nanjing Jinteng Iron & Steel Co., Ltd.)	Mainland China 22 February 1993	67,484	–	100.0%	50.3%	Manufacture and sale of iron and steel products
香港金騰國際有限公司 (Hong Kong Jinteng International Company Limited)	HK 20 June 2005	HKD20,000,000	–	100.0%	50.3%	International trading
南京鋼鐵集團國際經濟貿易有限公司 (Nanjing Iron & Steel Group International Trading Co., Ltd.)	Mainland China 15 April 1998	100,000	–	100.0%	50.3%	International trading
Pharmaceuticals and healthcare segment						
上海復星醫藥(集團)股份有限公司* (Shanghai Fosun Pharmaceutical (Group) Co., Ltd.)	Mainland China 13 July 1998	1,904,392	–	48.1%	48.1%	Manufacture and sale of pharmaceutical products
上海復星醫藥產業發展有限公司 (Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.)	Mainland China 11 January 2001	653,308	–	100.0%	48.1%	Investment holding
上海復星醫藥投資有限公司 (Shanghai Fosun Pharmacy Investment Co., Ltd.)	Mainland China 1 September 2000	689,600	–	100.0%	48.1%	Investment holding
上海復星化工醫藥創業投資有限公司 (Shanghai Fosun Chemical Pharmacy Investment Co., Ltd.)	Mainland China 23 November 2003	125,000	–	96.0%	46.2%	Investment holding

4. PARTICULARS OF PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES *(Continued)*

Particulars of the principal subsidiaries comprising the Group, associates and jointly-controlled entities of the Group at 31 December 2011 are set out below: *(Continued)*

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Property segment						
復地(集團)股份有限公司 (Shanghai Forte Land Co., Ltd.)	Mainland China 13 August 1998	505,861	41.3%	57.7%	99.0%	Property development
上海復地投資管理有限公司 (Shanghai Forte Investment Co., Ltd.)	Mainland China 21 July 2006	80,000	–	100%	99.0%	Investment holding
上海柏斯置業有限公司 (Shanghai Perth Property Co., Ltd.)	Mainland China 14 November 2002	50,000	–	100%	99.0%	Property development
北京西單佳慧房地產開發有限公司 (Beijing Xidan Jiahui Property Development Co., Ltd.)	Mainland China 27 August 2002	41,379	–	100%	99.0%	Property development
浙江復地置業發展有限公司 (Zhejiang Forte Property Development Co., Ltd.)	Mainland China 20 November 2006	440,000	–	75%	74.3%	Property development
上海鼎奮房地產開發經營有限公司 (Shanghai Dingfen Real Estate Development Co., Ltd.)	Mainland China 4 December 2002	60,000	–	100%	99.0%	Property development
Mining segment						
海南礦業股份有限公司 (Hainan Mining Co., Ltd.)	Mainland China 1 September 2007	1,680,000	–	60.0%	60.0%	Mining and ore processing
安徽金安礦業有限責任公司 (Anhui Jin'an Mining Co., Ltd.)	Mainland China 24 July 2006	100,000	–	100.0%	50.3%	Mining and ore processing
Asset Management segment						
上海星浩投資有限公司 (Shanghai Star Equity Investment Co., Ltd.)	Mainland China 24 May 2011	30,000	–	80%	80.0%	Property investment and management

4. PARTICULARS OF PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES *(Continued)*

Particulars of the principal subsidiaries comprising the Group, associates and jointly-controlled entities of the Group at 31 December 2011 are set out below: *(Continued)*

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company Direct	Indirect	Effective	Principal activities
Asset Management segment (Continued)						
上海星浩股權投資中心(有限合伙) (Shanghai Star Equity Investment Limited Partnership)	Mainland China 21 December 2011	2,610,570	–	38.6%	38.4%	Property investment
上海智盈股權投資管理有限公司 (Shanghai Zhiying Equity Investment Management Co., Ltd.)	Mainland China 31 August 2009	55,800	–	90%	89.1%	Property investment and management
Associates						
國藥產業投資有限公司 (Sinopharm Industrial Investment Co., Ltd.)	Mainland China 6 May 2008	100,000	–	49.0%	23.6%	Sale of pharmaceutical products
上海豫園旅游商城股份有限公司@ (Shanghai Yuyuan Tourist Mart Co., Ltd.)	Mainland China 13 May 1992	798,512	–	17.3%	17.3%	Retail
天津建龍鋼鐵實業有限公司 (Tianjin Jianlong Iron & Steel Industrial Co., Ltd.)	Mainland China 14 September 2010	1,000,000	–	26.7%	26.7%	Manufacture and sale of iron and steel products
上海海之門房地產投資管理有限公司 (Shanghai Haizhimen Property Investment and Management Co., Ltd.)	Mainland China 26 April 2010	1,000,000	–	50.0%	50.0%	Property investment and management
上海証大房地產有限公司@ (Shanghai Zendai Property Limited)	Bermuda 28 July 2004	HKD208,188,000	–	19.5%	19.3%	Property investment and management
北京華夏建龍礦業科技有限公司@ (Beijing Huaxia Jianlong Mining Technology Co., Ltd.)	Mainland China 19 September 2003	108,750	–	18.4%	18.4%	Mining and refining of steel ores

4. PARTICULARS OF PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES *(Continued)*

Particulars of the principal subsidiaries comprising the Group, associates and jointly-controlled entities of the Group at 31 December 2011 are set out below: *(Continued)*

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Associates (Continued)						
Tongjitang Chinese Medicines Company	Cayman Islands 16 May 2006	USD100	–	32.1%	15.4%	Development, manufacture and sale of Chinese medicine
Jointly-controlled entities						
無錫復地房地產開發有限公司 (Wuxi Forte Real Estate Development Co., Ltd.)	Mainland China 28 September 2004	195,000	–	50.0%	49.5%	Property development
陝西省建秦房地產開發有限公司 (Shaanxi Jianqin Real Estate Development Co., Ltd.)	Mainland China 22 September 1992	130,000	–	50.0%	49.5%	Property development
成都鴻會置業有限公司 (Chengdu Honghui Property Co., Ltd.)	Mainland China 20 April 2010	600,000	–	51%	50.5%	Property development

The English names of the above subsidiaries, associates and jointly-controlled entities are directly translated from their Chinese names.

The above table lists the subsidiaries, associates and jointly-controlled entities of the Group which, in the opinion of the Directors of the Company, principally affected the results of the Group for the year ended 31 December 2011 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries, associates and jointly-controlled entities would, in the opinion of the Directors of the Company, result in particulars of excessive length.

Notes:

* Shanghai Fosun Pharmaceutical (Group) Co., Ltd ("Fosun Pharma") continues to be accounted for as a subsidiary by virtue of the Group's control over the board of directors as well as the operating and financial policies of this company, despite the fact that the Group's equity interest in this company was 48.1% for the year ended 31 December 2011.

@ The Group's investments in these associates are accounted for under the equity method of accounting because the Group has significant influence over these entities by way of representation on the board of directors and participation in the policy-making process, despite the fact that the Group's direct or indirect equity interest in these associates were lower than 20% for the year ended 31 December 2011.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has seven reportable operating segments as follows:

(i) the pharmaceuticals and healthcare segment engages in the research and development, manufacturing, sale and trading of pharmaceutical and healthcare products;

(ii) the property segment engages in the development and sale of properties in the PRC;

(iii) the steel segment engages in the manufacturing, sale and trading of iron and steel products;

(iv) the mining segment engages in the mining and ore processing of various metals;

(v) the asset management segment engages in the asset management business through the platform such as corporation funds, partnership funds and trusts;

(vi) the insurance segment engages in the operation and investment in insurance business; and

(vii) the retail, services, finance and other investments segment comprises, principally, the management of investments in retail, service, finance and other business.

Management monitors the results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. For the year ended 31 December 2011, as the management changes the structure of its internal organisation to match the business development strategy in a manner that causes the composition of its reportable segment to change, the “others” segment was further separated by the management into insurance segment, asset management segment and retail, services, finance and other investment segment.

Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss after tax. The adjusted profit or loss after tax is measured consistently with the Group’s profit or loss after tax except that head office and corporate expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2011

	Pharmaceuticals and healthcare RMB'000	Property RMB'000	Steel RMB'000	Mining RMB'000	Asset management RMB'000	Insurance RMB'000	Retail, services, finance and other investments RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:									
Sales to external customers	6,432,589	9,734,461	38,224,060	2,368,949	56,156	–	–	–	56,816,215
Inter-segment sales	–	8,241	–	1,529,797	–	–	–	(1,538,038)	–
Other income and gains	1,088,599	448,824	349,251	69,725	7,000	–	1,370,798	(47,676)	3,286,521
Total	7,521,188	10,191,526	38,573,311	3,968,471	63,156	–	1,370,798	(1,585,714)	60,102,736
Segment results	1,220,299	3,073,884	367,337	2,135,752	(82,777)	–	345,087	125,322	7,184,904
Interest and dividend income	97,258	30,770	309,889	30,184	39,995	–	342,613	(25,447)	825,262
Unallocated expenses									(316,227)
Finance costs	(313,978)	(333,031)	(1,041,840)	(35,765)	(15)	–	(682,566)	25,447	(2,381,748)
Share of profits and losses of									
– Jointly-controlled entities	(189)	(2,159)	34,424	–	–	–	–	–	32,076
– Associates	723,846	275,643	159,749	116,760	–	–	262,829	–	1,538,827
Profit/(loss) before tax	1,727,236	3,045,107	(170,441)	2,246,931	(42,797)	–	267,963	125,322	6,883,094
Tax	(341,819)	(1,212,344)	211,024	(459,981)	1,709	–	(14,513)	(2,446)	(1,818,370)
Profit/(loss) for the year	1,385,417	1,832,763	40,583	1,786,950	(41,088)	–	253,450	122,876	5,064,724
Segment and total assets	22,103,136	49,442,806	35,742,397	10,691,725	12,296,508	608,067	24,245,846	(17,592,867)	137,537,618
Segment and total liabilities	10,919,991	37,371,923	27,879,947	1,609,489	9,101,897	–	19,922,289	(17,754,072)	89,051,464
Other segment information:									
Depreciation and amortisation	205,333	33,825	1,720,973	277,927	1,493	–	9,205	–	2,248,756
Impairment loss for non-current assets	148,522	–	–	–	–	–	–	–	148,522
(Reversal of)/provision for impairment of current assets	(12,740)	132,413	217,831	46,240	–	–	–	–	383,744
Research and development costs	189,427	–	110,834	812	–	–	–	–	301,073
Fair value gains on fair value adjustments of investment properties	–	(97,524)	–	–	–	–	–	–	(97,524)
Fair value losses/(gains) on equity investments at fair value through profit or loss	51,550	(789)	(32,387)	–	–	–	741,509	–	759,883
Investments in jointly-controlled entities	1,954	1,310,851	93,637	–	3,295	–	–	–	1,409,737
Investments in associates	7,391,344	5,285,745	1,705,587	1,312,145	–	–	1,580,790	–	17,275,611
Capital expenditure*	920,530	30,684	1,412,097	621,419	8,328	–	13,576	–	3,006,634

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2010

	Pharmaceuticals and healthcare RMB'000	Property RMB'000	Steel RMB'000	Mining RMB'000	Asset management RMB'000	Insurance RMB'000	Retail, services, finance and other investments RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:									
Sales to external customers	4,459,332	8,846,689	29,652,180	1,685,501	–	–	–	–	44,643,702
Inter-segment sales	–	–	–	1,494,670	–	–	–	(1,494,670)	–
Other income and gains	572,641	1,318,171	307,938	92,402	–	–	1,859,574	(173,825)	3,976,901
Total	5,031,973	10,164,860	29,960,118	3,272,573	–	–	1,859,574	(1,668,495)	48,620,603
Segment results	540,382	3,829,347	1,326,120	1,767,374	(23,095)	–	1,703,904	1,864	9,145,896
Interest and dividend income	35,205	51,149	150,799	36,788	147	–	126,255	(72,370)	327,973
Unallocated expenses									(174,758)
Finance costs	(162,684)	(310,872)	(775,457)	(32,839)	–	–	(290,248)	–	(1,572,100)
Share of profits and losses of									
– Jointly-controlled entities	1,406	(25,775)	1,213	–	–	–	–	–	(23,156)
– Associates	553,358	94,519	94,131	75,575	–	–	131,854	–	949,437
Profit/(loss) before tax	967,667	3,638,368	796,806	1,846,898	(22,948)	–	1,671,765	(70,506)	8,653,292
Tax	(201,607)	(1,723,969)	(115,135)	(350,237)	–	–	(134,847)	19,205	(2,506,590)
Profit/(loss) for the year	766,060	1,914,399	681,671	1,496,661	(22,948)	–	1,536,918	(51,301)	6,146,702
Segment and total assets	16,664,358	38,227,264	37,269,303	8,501,445	646,040	608,067	18,862,224	(2,403,895)	118,374,806
Segment and total liabilities	7,426,886	24,703,688	26,953,370	1,733,971	2,579	–	14,738,917	(2,183,691)	73,375,720
Other segment information:									
Depreciation and amortisation	154,423	26,369	1,437,022	230,555	–	–	8,147	–	1,856,516
Impairment loss for non-current assets	81,298	71,483	–	723	–	–	–	–	153,504
Provision for impairment of current assets	19,244	–	10,009	23,122	–	–	–	–	52,375
Research and development costs	119,861	–	79,026	314	–	–	–	–	199,201
Fair value gains on fair value adjustments of investment properties	–	(264,578)	–	–	–	–	–	–	(264,578)
Fair value gains on equity investments at fair value through profit or loss	(46,213)	–	–	–	–	–	(866,707)	–	(912,920)
Investments in jointly-controlled entities	2,143	1,009,073	59,213	–	–	–	–	–	1,070,429
Investments in associates	6,057,859	5,115,405	1,688,692	1,174,191	–	–	1,202,502	–	15,238,649
Capital expenditure*	430,946	124,706	3,873,577	322,674	2,806	–	37,237	–	4,791,946

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, exploration and evaluation assets, mining rights and intangible assets.

5. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2011 RMB'000	2010 RMB'000
Mainland China	**56,100,117**	44,015,731
Other countries	**716,098**	627,971
	56,816,215	44,643,702

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2011 RMB'000	2010 RMB'000
Mainland China	**54,961,975**	49,186,718
Hong Kong	**1,017,037**	1,114,465
	55,979,012	50,301,183

The non-current assets information above is based on the location of assets and excludes financial instruments and deferred tax assets.

Information about a major customer

No revenue amounting to 10% or more of the Group's revenue was derived from sales to a single customer for the years ended 31 December 2011 and 2010.

6. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods or properties sold after allowances for returns, trade discounts and various types of government surcharges, where applicable. In addition, it includes gross rental income received and receivable from investment properties during the year.

An analysis of revenue, other income and gains is as follows:

	2011	2010
	RMB'000	RMB'000
Revenue		
Sale of goods:		
Pharmaceutical and healthcare products	**6,404,858**	4,455,640
Properties	**9,805,303**	8,912,367
Iron and steel products	**38,291,473**	29,712,287
Iron concentrates	**2,524,921**	1,809,771
	57,026,555	44,890,065
Rendering of services:		
Property agency	**235,452**	234,826
Property management	**54,790**	53,162
Rental	**234,765**	153,762
Asset management fee	**60,511**	–
Others	**77,538**	45,088
	663,056	486,838
Subtotal	**57,689,611**	45,376,903
Less: Government surcharges	**(873,396)**	(733,201)
	56,816,215	44,643,702

6. REVENUE, OTHER INCOME AND GAINS *(Continued)*

	2011 RMB'000	2010 RMB'000
Other income		
Interest income	**380,574**	244,513
Dividends from available-for-sale investments	**284,434**	77,509
Dividends from equity investments at fair value through profit or loss	**160,254**	5,951
Gross rental income	**52,890**	46,755
Sale of scrap materials	**17,037**	16,545
Government grants	**132,978**	111,414
Consultancy and other service income	**71,465**	117,444
Exchange gains, net	**163,480**	116,529
Others	**107,626**	83,435
	1,370,738	820,095
Gains		
Gain on disposal of subsidiaries (note 47(b))	**59,304**	964,164
Gain on bargain purchase (note 47(a))	**33,337**	–
Gain on disposal of jointly-controlled entities	**169,416**	–
Gain on disposal of partial interests in associates	**34,696**	194,681
Gain on deemed disposal of interests in associates	**910,864**	97,849
Gain on disposal of items of property, plant and equipment	**13,710**	6,628
Gain on disposal of available-for-sale investments	**843,588**	95,890
Gain on disposal of equity investments at fair value through profit or loss	**578,606**	917,594
Gain on fair value adjustment of investment properties (note 15)	**97,524**	264,578
Gain on fair value adjustment of equity investments at fair value through profit or loss	**–**	912,920
Gain on settlement of derivative financial instruments	**–**	30,475
	2,741,045	3,484,779
Other income and gains	**4,111,783**	4,304,874
Total revenue, other income and gains	**60,927,998**	48,948,576

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2011 RMB'000	2010 RMB'000
Interest on bank and other borrowings wholly repayable within five years	2,775,396	1,821,138
Interest on bank and other borrowings not wholly repayable within five years	50,805	67,739
Incremental interest on other long term payables (note 44)	24,926	22,891
	2,851,127	1,911,768
Less: Interest capitalised, in respect of bank and other borrowings (notes 14 and 26)	(577,350)	(445,859)
Interest expenses, net	2,273,777	1,465,909
Interest on discounted bills	42,089	37,890
Interest on finance leases	12,818	894
Bank charges and other financial costs	53,064	67,407
Total finance costs	2,381,748	1,572,100

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2011 RMB'000	2010 RMB'000
Cost of sales	46,249,903	35,277,157
Staff costs (including Directors' emoluments as set out in note 9):		
Wages and salaries	2,287,193	1,864,740
Accommodation benefits:		
Defined contribution fund	120,102	111,505
Retirement costs:		
Defined contribution fund	371,758	342,937
Equity-settled share-based payment(note 48)	7,712	–
Total staff costs	2,786,765	2,319,182

8. PROFIT BEFORE TAX *(Continued)*

The Group's profit before tax is arrived at after charging (continued):

	2011 RMB'000	2010 RMB'000
Research and development costs	301,073	199,201
Auditors' remuneration	13,750	14,500
Depreciation of items of property, plant and equipment (note 14)	2,088,457	1,734,183
Amortisation of prepaid land lease payments (note 16)	33,400	27,324
Amortisation of mining rights (note 18)	100,468	89,743
Amortisation of intangible assets (note 19)	26,431	5,266
Provision for impairment of receivables	45,019	12,655
Provision for inventories	222,016	39,720
Provision for impairment of completed property for sale	116,709	–
Provision for impairment of items of property, plant and equipment (note 14)	473	6,500
Provision for impairment of available-for-sale investments	–	723
Provision for impairment of goodwill	–	64,983
Provision for impairment of non-current assets held for sale (note 36)	148,049	81,298
Operating lease rentals	92,903	63,590
Loss on disposal of items of property, plant and equipment	18,655	38,856
Loss of fair value change on equity investment at fair value through profit or loss	759,883	–
Loss of fair value change on derivative financial instruments (note 42)	9,228	84,566
Loss on the settlement of derivative financial instruments	52,555	–
Provision for indemnity of LAT	51	32,638

9. DIRECTORS' EMOLUMENTS

Directors' remuneration for the year, disclosed pursuant to Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2011 RMB'000	2010 RMB'000
Fees	8,462	3,416
Salaries, allowances and benefits in kind	24,269	16,236
Pension scheme contributions	280	266
	33,011	19,918

9. DIRECTORS' EMOLUMENTS *(Continued)*

There were no emoluments paid by the Group to the Directors, as bonus, as an inducement to join the Group, or upon joining the Group, or as compensation for loss of office during the year.

(a) Independent non-executive Directors

The fees paid to independent non-executive Directors during the year were as follows:

	2011 RMB'000	2010 RMB'000
Andrew Y. Yan	331	348
Chen Kaixian	400	400
Zhang Shengman	331	348
	1,062	1,096

There were no other emoluments payable to the independent non-executive Directors during the year (2010: Nil).

(b) Executive Directors and a non-executive Director

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2011				
Executive Directors:				
Guo Guangchang	1,000	3,947	40	4,987
Liang Xinjun	1,000	3,907	40	4,947
Wang Qunbin	1,000	3,907	40	4,947
Fan Wei	1,000	3,907	40	4,947
Ding Guoqi	1,000	2,887	40	3,927
Qin Xuetang	1,000	2,847	40	3,887
Wu Ping	1,000	2,867	40	3,907
	7,000	24,269	280	31,549
Non-executive Director:				
Liu Benren	400	–	–	400
	7,400	24,269	280	31,949

9. DIRECTORS' EMOLUMENTS *(Continued)*

(b) Executive Directors and a non-executive Director *(Continued)*

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2010				
Executive Directors:				
Guo Guangchang	300	2,508	38	2,846
Liang Xinjun	300	2,508	38	2,846
Wang Qunbin	300	2,508	38	2,846
Fan Wei	300	2,508	38	2,846
Ding Guoqi	240	2,068	38	2,346
Qin Xuetang	240	2,068	38	2,346
Wu Ping	240	2,068	38	2,346
	1,920	16,236	266	18,422
Non-executive Director:				
Liu Benren	400	–	–	400
	2,320	16,236	266	18,822

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

(c) Five highest paid employees

The five highest paid employees of the Group include five Directors for the years ended 31 December 2011 and 2010. Information relating to their emoluments is disclosed above.

10. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The provision for Mainland China current income tax is based on a statutory rate of 25% (2010: 25%) of the assessable profit of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, which are taxed at preferential rates of 12.5% to 24%.

The major components of tax expenses for the years ended 31 December 2011 and 2010 are as follows:

	2011	2010
	RMB'000	RMB'000
Group:		
Current – Hong Kong	**21,594**	47,808
Current – Mainland China		
– Income tax in Mainland China for the year	**1,762,162**	1,570,876
– LAT in Mainland China for the year	**587,825**	708,366
Deferred tax (note 29)	**(553,211)**	179,540
Tax expenses for the year	**1,818,370**	2,506,590

10. TAX *(Continued)*

A reconciliation between the tax expenses and the product of profit or loss before tax excluding share of profits and losses of associates and jointly-controlled entities multiplied by the applicable statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled is as follows:

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
2011 Group			
Profit/(loss) before tax excluding share of profits and losses of associates and jointly-controlled entities	(190,576)	5,502,767	5,312,191
Tax at applicable tax rate	(31,445)	1,375,692	1,344,247
Lower tax rate for specific entities	–	(126,649)	(126,649)
Tax effect of:			
Income not subject to tax	(17,714)	(163,287)	(181,001)
Expenses not deductible for tax	74,400	137,772	212,172
Tax losses not recognised	7,250	338,933	346,183
Tax losses utilised	(8,417)	(31,050)	(39,467)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries (note 29)	–	33,577	33,577
Over provision in prior years	(534)	(51,018)	(51,552)
Tax incentives on eligible expenditures	–	(13,048)	(13,048)
Subtotal	23,540	1,500,922	1,524,462
Additional LAT provision for the year	–	245,480	245,480
Prepaid LAT for the year	–	320,807	320,807
Deferred tax effect of additional LAT provision (note 29)	–	(61,370)	(61,370)
Tax effect of prepaid LAT	–	(80,202)	(80,202)
Tax effect of LAT indemnity (note 29)	–	(109,270)	(109,270)
Deferred LAT (note 29)	–	(21,537)	(21,537)
Tax expenses	23,540	1,794,830	1,818,370

10. TAX *(Continued)*

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
2010 Group			
Profit before tax excluding share of profits and losses of associates and jointly-controlled entities	1,982,909	5,744,102	7,727,011
Tax at applicable tax rate	327,180	1,436,025	1,763,205
Lower tax rate for specific entities	–	(180,606)	(180,606)
Tax effect of:			
Income not subject to tax	(274,413)	(11,849)	(286,262)
Expenses not deductible for tax	2,543	162,661	165,204
Tax losses not recognised	–	232,588	232,588
Tax losses utilised	(6,234)	(55,051)	(61,285)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries (note 29)	–	60,891	60,891
(Over)/under provision in prior years	(1,268)	35,567	34,299
Tax incentives on eligible expenditures	–	(4,136)	(4,136)
Subtotal	47,808	1,676,090	1,723,898
Additional LAT provision for the year	–	443,540	443,540
Prepaid LAT for the year	–	264,826	264,826
Deferred tax effect of additional LAT provision (note 29)	–	(110,885)	(110,885)
Tax effect of prepaid LAT	–	(66,207)	(66,207)
Tax effect of LAT indemnity (note 29)	–	36,954	36,954
Deferred LAT (note 29)	–	214,464	214,464
Tax expenses	47,808	2,458,782	2,506,590

10. TAX *(Continued)*

According to the tax notices issued by the relevant local tax authorities, the Group commenced to pay LAT at rates ranging from 0.5% to 5% on proceeds from the sale and pre-sale of properties from 2004. Prior to 2007, except for this amount paid to the local tax authorities, no further provision for LAT had been made. The Directors considered that the relevant tax authorities would be unlikely to impose additional LAT levies other than the amount already paid based on the relevant percentages of the proceeds from the sale and pre-sale of the Group's properties.

For the year ended 31 December 2011, based on the latest understanding of the LAT regulations from the tax authorities, the Group made an additional LAT provision in the amount of RMB245,480,000 (2010: RMB443,540,000) in respect of the properties sold in 2011 in accordance with the requirements set forth in the relevant PRC tax laws and regulations.

In 2004, Shanghai Fosun High Technology (Group) Co., Ltd. ("Fosun Group") and Shanghai Forte Land Co., Ltd. ("Forte") entered into a deed of tax indemnity ("LAT indemnity arrangement") whereby Fosun Group has undertaken to indemnify Forte in respect of the LAT payable attributable to Forte and its subsidiaries ("Forte Group") in excess of the prepaid LAT based on 0.5% to 3% of sales proceeds, after netting off potential income tax savings, in consequence of the disposal of the properties owned by Forte Group as at 30 November 2003. On 1 July 2011, the LAT indemnity arrangement was terminated by Fosun Group and Forte whereby no LAT indemnity will be provided by Fosun Group to Forte from the date of termination and the indemnity provided before 1 July 2011 amounting to RMB441,952,000 was also cancelled. As a result, the deferred tax liability amounting to RMB109,270,000 recognised for the LAT indemnity provided as set out in note 29 to the financial statements was reversed to the consolidated income statements.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2011 includes a loss of RMB458,139,000 (2010: profit of RMB1,664,813,000) which has been dealt with in the financial statements of the Company (note 46).

12. DIVIDENDS

	2011 RMB'000	2010 RMB'000
Proposed final – HKD0.157 (2010: HKD0.17) per ordinary share	**817,340**	928,936

The proposed final dividend of HKD0.17 per ordinary share for the year ended 31 December 2010 was declared payable and approved by the shareholders at the annual general meeting of the Company on 23 June 2011.

On 27 March 2012, the board of directors of the Company resolved to propose a final dividend for the year ended 31 December 2011 of HKD0.157 per ordinary share, subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

13. EARNINGS PER SHARE

Earnings per share attributable to owners of the parent are as follows:

	Year ended 31 December	
	2011	2010
Profit attributable to owners of the parent (RMB thousands)	**3,403,605**	4,227,092
Weighted average number of ordinary shares in issue (thousands)	**6,421,595**	6,421,595
Earnings per share basic and diluted (RMB)	**0.53**	0.66

The calculation of basic earnings per share amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of shares of 6,421,595,000 (2010: 6,421,595,000) in issue during the year.

Diluted earnings per share amount is equal to basic earnings per share amount for the years ended 31 December 2011 and 2010, as there were no diluting events existed during these years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:								
At 1 January 2010	8,536,638	12,964,847	308,985	323,596	2,065	425,912	2,494,884	25,056,927
Additions	63,808	412,152	18,605	43,627	4,224	59	4,088,160	4,630,635
Transferred from construction in progress	1,649,962	2,729,218	19,841	354	–	–	(4,399,375)	–
Acquisition of subsidiaries	181,115	35,770	21,643	3,726	969	–	10,499	253,722
Disposal of subsidiaries	(2,280)	(3,326)	–	(5,231)	–	–	–	(10,837)
Disposals	(120,756)	(438,941)	(16,313)	(7,794)	–	(34)	(486)	(584,324)
At 31 December 2010 and 1 January 2011	10,308,487	15,699,720	352,761	358,278	7,258	425,937	2,193,682	29,346,123
Additions	49,764	207,418	55,380	55,063	8,513	154,562	2,302,245	2,832,945
Transferred from construction in progress	8,457	407,455	114,635	21,501	–	–	(552,048)	–
Acquisition of subsidiaries (note 47(a))	106,574	71,965	13,854	8,717	–	–	158,872	359,982
Disposal of subsidiaries (note 47(b))	(37,548)	(10,845)	(514)	(1,968)	–	–	(60)	(50,935)
Disposals	(78,537)	(205,480)	(15,905)	(14,009)	(5,246)	–	(16,310)	(335,487)
Included in assets of a disposal group classified as held for sale (note 36(ii))	(24,441)	(23,751)	(2,400)	(1,042)	–	–	(1,882)	(53,516)
Reclassification	(122,789)	122,789	–	–	–	–	–	–
At 31 December 2011	10,209,967	16,269,271	517,811	426,540	10,525	580,499	4,084,499	32,099,112
Accumulated depreciation:								
At 1 January 2010	1,651,104	5,085,881	154,794	140,395	801	121,149	–	7,154,124
Charge for the year	462,244	1,171,163	52,957	34,154	267	13,398	–	1,734,183
Disposal of subsidiaries	(2,280)	(3,132)	–	(3,280)	–	–	–	(8,692)
Disposals	(29,372)	(181,820)	(12,194)	(5,462)	–	(16)	–	(228,864)
At 31 December 2010 and 1 January 2011	2,081,696	6,072,092	195,557	165,807	1,068	134,531	–	8,650,751
Charge for the year	517,085	1,428,250	66,125	44,220	1,920	30,857	–	2,088,457
Disposal of subsidiaries (note 47(b))	(11,909)	(8,113)	(427)	(1,507)	–	–	–	(21,956)
Disposals	(38,535)	(176,325)	(10,834)	(12,659)	–	–	–	(238,353)
Included in assets of a disposal group classified as held for sale (note 36(ii))	(8,020)	(13,176)	(1,865)	(120)	–	–	–	(23,181)
At 31 December 2011	2,540,317	7,302,728	248,556	195,741	2,988	165,388	–	10,455,718

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Impairment loss:								
At 1 January 2010	61,008	74,012	138	335	–	–	75	135,568
Charge for the year	–	–	–	–	–	–	6,500	6,500
Disposals	(18)	(19)	–	–	–	–	–	(37)
At 31 December 2010 and 1 January 2011	60,990	73,993	138	335	–	–	6,575	142,031
Charge for the year	–	422	–	51	–	–	–	473
Disposals	–	(811)	(2)	–	–	–	(6,500)	(7,313)
Included in assets of a disposal group classified as held for sale (note 36(ii))	(4,389)	(581)	(68)	(6)	–	–	–	(5,044)
At 31 December 2011	56,601	73,023	68	380	–	–	75	130,147
Net book value:								
At 31 December 2011	7,613,049	8,893,520	269,187	230,419	7,537	415,111	4,084,424	21,513,247
At 31 December 2010	8,165,801	9,553,635	157,066	192,136	6,190	291,406	2,187,107	20,553,341

(1) The net book values of property, plant and equipment pledged as security for interest-bearing bank loans granted to the Group are as follows (note 37):

	2011 RMB'000	2010 RMB'000
Buildings	**744,219**	888,973
Plant and machinery	**1,785,795**	844,578
	2,530,014	1,733,551

(2) Capitalised interest expenses included in construction in progress of the Group are as follows (note 7):

	2011 RMB'000	2010 RMB'000
Interest expenses capitalised	**26,782**	20,407

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

(3) As at 31 December 2011, the Group was in the process of applying for property certificates for plant and office buildings with a net book value of approximately RMB2,746,000 (2010: RMB5,689,000).

(4) The net carrying amount of the Group's property, plant equipment held under finance leases included in the total amounts of plant and machinery at 31 December 2011 amounted to RMB175,163,000 (2010: RMB217,172,000).

15. INVESTMENT PROPERTIES

	2011	2010
	RMB'000	RMB'000
Carrying amount at 1 January	**2,551,167**	2,057,400
Acquisition of a subsidiary	**–**	2,400,000
Additional development cost	**377,309**	239,189
Transfer to properties under development	**–**	(2,410,000)
Gain from fair value adjustments (note 6)	**97,524**	264,578
Carrying amount at 31 December	**3,026,000**	2,551,167

The Group's investment properties are situated in Beijing and Hangzhou, the PRC.

The Group's investment properties were revalued on 31 December 2011 by DTZ International Property Advisers (Shanghai) Co., Ltd., an independent professionally qualified valuer at RMB3,026,000,000 on an open market basis. The investment properties are leased to third parties under operating lease arrangements, with leases negotiated for terms ranging from one to ten years.

At 31 December 2011, the Group's investment properties with a net carrying amount of approximately RMB3,026,000,000 (2010: RMB2,551,167,000) were pledged to secure bank loans, as set out in note 37 to the financial statements.

16. PREPAID LAND LEASE PAYMENTS

	2011 RMB'000	2010 RMB'000
Cost:		
At 1 January	**1,387,075**	1,244,340
Additions	**83,757**	41,868
Acquisition of subsidiaries (note 47(a))	**148,382**	100,867
Disposal of subsidiaries (note 47(b))	**(5,317)**	–
Disposals	**(3,616)**	–
Included in assets of a disposal group classified as held for sale (note 36(ii))	**(2,668)**	–
Other changes	**(60,535)**	–
At 31 December	**1,547,078**	1,387,075
Accumulated amortisation:		
At 1 January	**109,009**	81,685
Amortisation for the year	**33,400**	27,324
Disposal of subsidiaries (note 47(b))	**(725)**	–
Disposals	**(527)**	–
Included in assets of a disposal group classified as held for sale (note 36(ii))	**(16)**	–
At 31 December	**141,141**	109,009
Net book value:		
At 31 December	**1,405,937**	1,278,066
At 1 January	**1,278,066**	1,162,655
Net book value pledged as security for bank loans (note 37)	**407,954**	171,886

The leasehold land is held under long term leases and is situated in Mainland China.

As at 31 December 2011, the Group was in the process of applying for the land use certificates for leasehold land with a net book value of approximately RMB176,672,000 (2010: RMB205,888,000).

17. EXPLORATION AND EVALUATION ASSETS

	2011 RMB'000	2010 RMB'000
Cost:		
At 1 January	**437,762**	420,689
Additions	**23,960**	17,073
Included in assets of a disposal group classified as held for sale (note 36(ii))	**(5,000)**	–
At 31 December	**456,722**	437,762

18. MINING RIGHTS

	2011 RMB'000	2010 RMB'000
Cost:		
At 1 January	**1,277,371**	1,203,534
Additions	**4,349**	73,837
Included in assets of a disposal group classified as held for sale (note 36(ii))	**(280,568)**	–
At 31 December	**1,001,152**	1,277,371
Accumulated amortisation:		
At 1 January	**293,129**	203,386
Amortisation for the year	**100,468**	89,743
Included in assets of a disposal group classified as held for sale (note 36(ii))	**(596)**	–
At 31 December	**393,001**	293,129
Impairment loss:		
At 1 January	**266,562**	266,562
Included in assets of a disposal group classified as held for sale (note 36(ii))	**(80,000)**	–
At 31 December	**186,562**	266,562
Net book value:		
At 31 December	**421,589**	717,680
At 1 January	**717,680**	733,586
Net book value pledged as security for bank loans (note 37)	**–**	131,061

19. INTANGIBLE ASSETS

	Medicine licenses RMB'000	Trademark RMB'000	Business Network RMB'000	Patent and technical know-how RMB'000	Others RMB'000	Total RMB'000
Cost:						
At 1 January 2010	–	–	–	622	42,199	42,821
Additions	–	–	–	17,974	10,559	28,533
Acquisition of subsidiaries	64,000	106,672	–	226	16,124	187,022
Disposals	–	–	–	–	(3,832)	(3,832)
At 31 December 2010 and 1 January 2011	64,000	106,672	–	18,822	65,050	254,544
Additions	–	1,363	–	29,779	30,481	61,623
Acquisition of subsidiaries (note 47(a))	201,000	8,000	206,000	567,058	–	982,058
Disposals of subsidiaries (note 47(b))	–	–	–	–	(5,829)	(5,829)
Disposals	–	–	–	–	(11,710)	(11,710)
At 31 December 2011	265,000	116,035	206,000	615,659	77,992	1,280,686
Accumulated amortisation:						
At 1 January 2010	–	–	–	–	7,241	7,241
Provided during the year	–	–	–	1,930	3,336	5,266
Disposals	–	–	–	–	(35)	(35)
At 31 December 2010 and 1 January 2011	–	–	–	1,930	10,542	12,472
Provided during the year	–	2,293	4,578	17,914	1,646	26,431
Disposal of subsidiaries (note 47(b))	–	–	–	–	(1,749)	(1,749)
Disposals	–	–	–	–	(6,434)	(6,434)
At 31 December 2011	–	2,293	4,578	19,844	4,005	30,720
Impairment loss:						
At 1 January 2010, at 31 December 2010 and at 31 December 2011	–	–	–	622	472	1,094
Net book value:						
At 31 December 2011	265,000	113,742	201,422	595,193	73,515	1,248,872
At 31 December 2010	64,000	106,672	–	16,270	54,036	240,978

20. GOODWILL

	2011 RMB'000	2010 RMB'000
Cost:		
At 1 January	**619,683**	304,754
Acquisition of subsidiaries (note 47(a))	**1,282,550**	314,929
At 31 December	**1,902,233**	619,683
Accumulated impairment:		
At 1 January	**242,808**	177,825
Charge for the year	**–**	64,983
At 31 December	**242,808**	242,808
Net book value:		
At 31 December	**1,659,425**	376,875

Impairment testing of goodwill

Goodwill acquired through business combinations has been primarily allocated to the cash-generating units ("CGUs") within the following reportable segments for impairment testing:

- Manufacture and sale of pharmaceuticals and healthcare products;
- Property; and
- Retail, services, finance and other investments

The carrying amounts of goodwill are as follows:

	Manufacture and sale of pharmaceuticals and healthcare products RMB'000	Property RMB'000	Retail, services, finance and other investments RMB'000	Total RMB'000
Carrying amount of goodwill				
2011	**1,585,136**	**70,526**	**3,763**	**1,659,425**
2010	302,586	70,526	3,763	376,875

The recoverable amount of each CGU is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The discount rates applied to the cash flow projections range from 11% to 15% (2010: 12% to 15%). Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The growth rates do not exceed the projected long term average growth rates for the pharmaceutical and property development industries in Mainland China.

20. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Key assumptions were used in the value-in-use calculation of the CGUs for 31 December 2011 and 2010. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – Management determined budgeted gross margin based on past performance and its expectations for the development of the market.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the respective industries.

Raw materials price inflation – The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year.

21. INVESTMENTS IN SUBSIDIARIES

	Notes	2011 RMB'000	2010 RMB'000
Unlisted shares, at cost	*(1)*	**3,478,315**	1,093,000
Shares listed in Hong Kong, at cost	*(2)*	**–**	651,290
Loan to a subsidiary	*(3)*	**162,140**	170,186
		3,640,455	1,914,476
Market value of listed shares		**–**	692,827

(1) Investment in unlisted shares of a subsidiary represents the investment in Forte and the cost of acquisition of the entire interest in Fosun Group, which is the immediate holding company of the other subsidiaries now comprising the Group.

(2) According to the announcement dated 20 January 2011, the Company made a voluntary conditional offer to acquire all of the issued H shares of Forte (other than those already held by the Company and parties acting in concert with it) (the "H share offer"); and subject to the H share offer becoming unconditional in all respects, the Company made a voluntary conditional offer to acquire all of the issued domestic shares of Forte (other than those already held by the Company and parties acting in concert with it). The H share offer is made on HKD3.50 in cash for each H share. The equivalent in RMB of HK$3.50 per H share is made for each domestic share in cash.

On 19 May 2011, being the latest time for acceptance of the H Share Offer to be lodged, valid acceptances under the H Share Offer had been received in respect of 709,228,772 H Shares, representing approximately 67.19% in nominal value of the H Shares of Forte. Together with the H Shares already owned by the Company, this results in the Company holding approximately 98.05% in nominal value of the H Shares of Forte. Listing of the H Shares of Forte has been withdrawn from the Hong Kong Stock Exchange with effect from on 13 May 2011 in accordance with the Rule 6.12 of Rules Governing the Listing of Securities on Hong Kong Stock Exchange.

As at 31 December 2011, the individual share holders, who held 25,284,636 H shares of Forte has not accepted the above offer made by Forte to acquire the issued H shares. representing approximately 1% of the total issued capital of Forte.

(3) The amounts advanced to a subsidiary included in the investments in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's Directors, these advances are considered as quasi-equity loans to the subsidiary. The carrying amounts of the balances due from a subsidiary approximate to their fair values.

Particulars of the Group's principal subsidiaries are set out in note 4 to the financial statements.

22. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	2011	2010
	RMB'000	RMB'000
Share of net assets	**1,053,737**	434,219
Loans to jointly-controlled entities	**356,000**	636,210
	1,409,737	1,070,429

Loans to jointly-controlled entities of RMB356,000,000 are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, these loans are considered as quasi-equity investments in jointly-controlled entities.

The Group's amounts due from jointly-controlled entities and amounts due to jointly-controlled entities are disclosed in note 35 to the financial statements.

Particulars of the Group's principal jointly-controlled entities are set out in note 4 to the financial statements.

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2011	2010
	RMB'000	RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**3,987,963**	2,403,519
Non-current assets	**515,549**	1,010,443
Current liabilities	**(2,908,267)**	(2,498,375)
Non-current liabilities	**(541,508)**	(481,368)
Net assets	**1,053,737**	434,219
Share of the jointly-controlled entities' results:		
Revenue	**538,195**	112,195
Other income	**5,969**	2,782
	544,164	114,977
Total expenses	**(496,925)**	(138,823)
Tax	**(15,163)**	690
Profit/(loss) after tax	**32,076**	(23,156)

23. INVESTMENTS IN ASSOCIATES

Group

	2011 RMB'000	2010 RMB'000
Share of net assets	**13,833,987**	11,834,691
Goodwill on acquisitions	**407,459**	369,793
	14,241,446	12,204,484
Loan to an associate	**3,035,050**	3,035,050
Provision for impairment	**(885)**	(885)
	17,275,611	15,238,649

Particulars of the Group's principal associates of the Group are set out in note 4 to the financial statements.

The Group's amounts due from associates and amounts due to associates are disclosed in note 35 to the financial statements.

Company

	2011 RMB'000	2010 RMB'000
Unlisted shares, at cost	**82,421**	82,421

The Company's interest in an associate represents a 26.67% (2010: 26.67%) interest in Janeboat Holdings Ltd., a company incorporated in the British Virgin Islands.

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	2011 RMB'000	2010 RMB'000
Assets	**166,456,681**	114,027,298
Liabilities	**(109,447,790)**	(74,977,499)
Revenues	**147,949,739**	115,435,472
Profit	**4,087,839**	2,984,074

23. INVESTMENTS IN ASSOCIATES *(Continued)*

(i) On 21 April 2011, Tongjitang Chinese Medicines Company ("Tongjitang"), an invested company of the Group, completed its privatisation process and was delisted from New York Stock Exchange. After the completion of privatisation, the Group indirectly still held 32.1% of the issued share capital of Tongjitang through Fosun Pharma. From 9 May 2011, the Group commenced to account for Tongjitang as an associate under the equity method because the Group started to exercise significant influence over Tongjitang by way of presentation on the board of directors and participation in the policy-making process.

The changes in fair value of RMB58,283,000 in respect of the previously held equity interests in Tongjitang were reversed against other comprehensive income during the year.

(ii) On 4 May 2011, Sinopharm Group Co. Ltd. ("Sinopharm"), a subsidiary of an associate of the Group, completed its placement of 138,056,825 H shares. After the completion of the placing, the Group's indirect equity interest in Sinopharm through Fosun Pharma was diluted from 34.00% to 32.05%. The gains on deemed disposal of Sinopharm amounting to RMB672,688,000 were credited to other gains during the year as set out in note 6 to the financial statements.

24. HELD-TO-MATURITY INVESTMENTS

	2011	2010
	RMB'000	RMB'000
Debt investments	**–**	14,312

25. AVAILABLE-FOR-SALE INVESTMENTS

	2011	2010
	RMB'000	RMB'000
Listed equity investments, at fair value		
Hong Kong	**98,914**	300,478
United States	**218,400**	670,656
Mainland China	**2,767,589**	2,077,166
	3,084,903	3,048,300
Unlisted equity investments, at cost	**5,352,362**	4,278,745
	8,437,265	7,327,045

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB569,121,000 (2010: RMB2,474,233,000), of which RMB835,022,000 (2010: RMB7,505,000) was recycled from other comprehensive income to the consolidated income statement for the year on the date of disposal.

The unlisted equity investments are stated at cost less any accumulated impairment losses because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

26. PROPERTIES UNDER DEVELOPMENT

	2011 RMB'000	2010 RMB'000
Land costs	**23,009,062**	12,482,724
Construction costs	**5,456,516**	3,838,183
Capitalised financial costs	**848,326**	466,730
	29,313,904	16,787,637
Portion classified as current assets	**(22,428,345)**	(9,856,198)
	6,885,559	6,931,439

The properties pledged to banks to secure bank loans and other borrowings are as follows:

	2011 RMB'000	2010 RMB'000
Net book value pledged (note 37)	**6,693,504**	5,778,577
Additions to properties under development include:		
Interest expense capitalised in respect of bank and other borrowings (note 7)	**550,568**	425,452

The Group's properties under development are all situated in Mainland China.

27. LOANS RECEIVABLES

	Notes	2011 RMB'000	2010 RMB'000
Loans receivables		**2,366,682**	1,713,432
Portion classified as current	*(1)*	**(132,250)**	(220,000)
Long term portion	*(2)*	**2,234,432**	1,493,432

(1) As at 31 December 2011, the current portion of loans receivables represented entrusted bank loans with total amount of RMB132,250,000 provided to a third party. These loans are unsecured, bears interest at a fixed interest rate of 10.0% per annum and are repayable in 2012.

(2) As at 31 December 2011, the non-current portion of loans receivables comprised of:

- an entrusted bank loan of RMB500,000,000 provided to a jointly-controlled entity, which is unsecured, bears interest at a fixed interest rate of 13.0% per annum and is repayable on 20 May 2013;
- a shareholders' loan of RMB1,674,432,000 provided to Shanghai Haizhimen Property Investment and Management Co., Ltd. ("Haizhimen"), which is unsecured, bears interest at a fixed interest rate of 13.80% per annum and has no fixed terms of repayment; and
- an entrusted bank loan of RMB60,000,000 provided to a third party. This loan is unsecured, interest-free and is repayable on 30 April 2013.

28. PREPAYMENTS

	Note	**2011 RMB'000**	2010 RMB'000
Prepayments for the proposed acquisition of equity interests in			
– Shanghai Dijie Real Estate Limited ("Dijie")	*(i)*	**616,313**	616,313
– Chengdu Meijili Business Service Co., Ltd.		**–**	65,000
– Neimenggu New Land Construction Group Co., Ltd.		**–**	45,000
– Ningbo Baolai Property Co., Ltd. and Ningbo Xucheng Property Co., Ltd.		**60,000**	–
Other receivables			
Chongqing Yukaifa Co., Ltd.		**–**	30,435
		676,313	756,748

(i) On 20 December 2007, Shanghai Forte Investment Co., Ltd. ("Forte Investment") entered into a cooperative agreement with Shanghai Vanke Real Estate Co., Ltd. ("Shanghai Vanke") in respect of the joint development of a property development project in Shanghai, at a total consideration of RMB2,430,690,000, pursuant to which (i) Shanghai Vanke and Forte Investment will jointly acquire 60% and 40% equity investments in Dijie, respectively, and (ii) Forte Investment will contribute 40% of the total consideration in proportion to its shareholding in Dijie in the amount of RMB972,276,000.

As at 31 December 2011, the Group had advanced RMB616,313,000 (31 December 2010: RMB616,313,000) to Shanghai Vanke. The remaining capital commitment not paid as at 31 December 2011 amounting to RMB587,959,000 (31 December 2010: RMB355,963,000) is set out in note 50 to the financial statements.

29. DEFERRED TAX

Movements in deferred tax assets and liabilities are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Accruals and provisions RMB'000	Post-employment benefits RMB'000	Repairs and maintenance RMB'000	Additional LAT provisions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2010	244,156	142,142	3,387	10,042	303,552	97,787	801,066
Disposal of a subsidiary	–	–	–	–	(6,431)	(650)	(7,081)
Acquisition of subsidiaries	1,326	–	–	–	–	–	1,326
Deferred tax credited/ (charged) during the year	(61,162)	51,095	(81)	(8,002)	110,885	117,763	210,498
Gross deferred tax assets at 31 December 2010 and 1 January 2011	184,320	193,237	3,306	2,040	408,006	214,900	1,005,809
Acquisition of subsidiaries (note 47(a))	–	2,541	–	–	–	578	3,119
Deferred tax credited/ (charged) during the year	350,613	91,117	(2,533)	1,482	61,370	10,154	512,203
Gross deferred tax assets at 31 December 2011	534,933	286,895	773	3,522	469,376	225,632	1,521,131

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Fair value adjustments arising from available-for-sale investments RMB'000	Revaluation of investment properties RMB'000	LAT indemnity RMB'000	Deemed disposal of associates RMB'000	Deferred LAT RMB'000	Withholding taxes RMB'000	Others RMB'000	Total RMB'000
At 1 January 2010	204,536	162,894	21,299	72,316	651,402	–	101,261	28,265	1,241,973
Deferred tax charged/(credited) to the consolidated income statement during the year	(15,225)	–	66,145	36,954	18,096	214,464	60,891	8,713	390,038
Deferred tax charged to reserve during the year	–	554,046	–	–	–	–	–	–	554,046
Acquisition of subsidiaries	290,588	–	–	–	–	–	–	–	290,588
Gross deferred tax liabilities at 31 December 2010 and 1 January 2011	479,899	716,940	87,444	109,270	669,498	214,464	162,152	36,978	2,476,645
Deferred tax charged/(credited) to the consolidated income statement during the year	4,127	(272,718)	24,381	(109,270)	227,086	(21,537)	33,577	73,346	(41,008)
Deferred tax charged to reserve during the year	–	241,808	–	–	–	–	–	–	241,808
Disposal of subsidiaries (note 47(b))	(1,020)	–	–	–	–	–	–	–	(1,020)
Acquisition of subsidiaries (note 47(a))	266,312	–	–	–	–	–	–	–	266,312
Gross deferred tax liabilities at 31 December 2011	749,318	686,030	111,825	–	896,584	192,927	195,729	110,324	2,942,737

29. DEFERRED TAX *(Continued)*

Deferred tax liabilities *(Continued)*

Deferred tax assets have not been recognised in respect of the following items as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the following items can be utilised:

Group

	2011	2010
	RMB'000	RMB'000
Tax losses	**2,138,306**	858,768
Deductible temporary differences	**275,322**	148,699
	2,413,628	1,007,467

Company

	2011	2010
	RMB'000	RMB'000
Tax losses	**43,938**	–

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding corporate income tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding corporate income tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable withholding rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries, jointly-controlled entities and associates established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequent attaching to the payment of dividends by the company to its shareholders.

30. CASH AND BANK BALANCES

Group

	Notes	2011 RMB'000	2010 RMB'000
Cash on hand		**44,521**	11,420
Cash at banks, unrestricted		**13,863,862**	16,815,172
Cash and cash equivalents		**13,908,383**	16,826,592
Pledged bank balances	*(1)*	**841,103**	2,291,849
Time deposits with original maturity of more than three months	*(2)*	**1,645,610**	2,216,536
Restricted presale proceeds of properties	*(3)*	**382,657**	–
		16,777,753	21,334,977

Notes:

It mainly comprises as follows:

		2011 RMB'000	2010 RMB'000
(1)	Pledged bank balances to secure notes payable	**538,105**	1,721,805
	Pledged bank balances to secure bank loans (note 37)	**160,691**	179,091
	Bank balances as various deposits	**124,115**	284,927
(2)	Time deposits with original maturity of more than three months pledged to secure bank loans (note 37)	**1,411,452**	1,968,873

(3) In accordance with relevant documents issued by the PRC State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of presale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and the payments of construction fee of the relevant property projects when approval from PRC State-Owned Land and Resource Bureau is obtained.

In the preparation of the consolidated statement of cash flows, pledged bank balances, time deposits with original maturity of more than three months and restricted presale proceeds of properties have been excluded from cash and cash equivalents.

30. CASH AND BANK BALANCES *(Continued)*

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Company

	2011	2010
	RMB'000	RMB'000
Cash at banks, unrestricted	**2,223,886**	1,786,810

31. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	2011	2010
	RMB'000	RMB'000
Listed equity investments, at market value		
Hong Kong	**3,286,557**	1,141,171
United States	**3,256,871**	4,534,183
Mainland China	**103,070**	351,024
Europe	**760,229**	452,270
	7,406,727	6,478,648

Company

	2011	2010
Listed equity investments, at market value		
Hong Kong	**1,275,537**	1,138,757
United States	**3,018,330**	4,344,704
Europe	**391,874**	–
	4,685,741	5,483,461

The above equity investments at 31 December 2011 and 2010 were classified as held for trading and were upon initial recognition, designated by the Group as financial assets as at fair value through profit or loss.

32. TRADE AND NOTES RECEIVABLES

	2011 RMB'000	2010 RMB'000
Trade receivables	**1,959,313**	1,394,348
Notes receivable	**4,546,799**	4,102,187
	6,506,112	5,496,535

An aged analysis of trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2011 RMB'000	2010 RMB'000
Outstanding balances with ages:		
Within 90 days	**1,721,241**	1,064,682
91 to 180 days	**94,314**	150,930
181 to 365 days	**163,317**	141,513
1 to 2 years	**17,718**	40,640
2 to 3 years	**4,885**	5,796
Over 3 years	**32,173**	50,613
	2,033,648	1,454,174
Less: Provision for impairment of trade receivables	**(74,335)**	(59,826)
	1,959,313	1,394,348

The movements in the provision for impairment of trade receivables are as follows:

	2011 RMB'000	2010 RMB'000
At 1 January	**59,826**	66,480
Amount written off as uncollectible	**(31,002)**	(16,892)
Provision for impairment losses	**30,311**	6,069
Acquisition of subsidiaries	**15,200**	4,169
At 31 December	**74,335**	59,826

32. TRADE AND NOTES RECEIVABLES *(Continued)*

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2011 **RMB'000**	2010 RMB'000
Neither past due nor impaired	**824,018**	326,656
Within 90 days past due	**323,403**	335,922
91 to 180 days past due	**32,458**	17,930
Over 180 days past due	**10,928**	18,025
	1,190,807	698,533

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

At 31 December 2011, the Group's trade and notes receivables with a carrying amount of approximately RMB509,613,000 (2010: RMB253,285,000) were pledged to secure bank loans, as set out in note 37 to the financial statements.

At 31 December 2011, the discounted or endorsed but undue notes of approximately RMB8,309,989,000 (2010: RMB6,465,515,000) were derecognised. Subsequent to the end of the reporting period and up to the date of the approval of financial statements, an amount of RMB5,131,969,000 of the aforementioned discounted or endorsed notes fell due.

Credit terms granted to the Group's customers are as follows:

	Credit terms
Steel segment	0 to 90 days
Mining segment	0 to 90 days
Pharmaceuticals and healthcare segment	90 to 180 days
Property segment	30 to 360 days

33. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2011 RMB'000	2010 RMB'000
Group		
Prepayments consist of:		
Prepayments for purchase of raw materials of steel	**758,687**	759,629
Prepayments for purchase of pharmaceutical materials	**212,951**	144,483
Prepayments for purchase of construction materials	**82,876**	184,755
Prepayments for purchase of equipment and others	**397,601**	575,627
Deposits	**577,247**	669,190
Other receivables consist of:		
Funding provided to third parties	**288,949**	113,373
Tax recoverable	**258,614**	600,170
Others	**1,277,039**	943,309
	3,853,964	3,990,536
Company		
Interest receivables	**112**	115
Deposits	**5,608**	721
	5,720	836

34. INVENTORIES

	2011 RMB'000	2010 RMB'000
Raw materials	**3,738,902**	3,348,127
Work in progress	**966,520**	1,239,388
Finished goods	**2,007,616**	1,605,858
Spare parts and consumables	**723,855**	815,036
	7,436,893	7,008,409
Less: Provision for inventories	**(317,345)**	(106,800)
	7,119,548	6,901,609

	2011 RMB'000	2010 RMB'000
Net book value of inventories pledged as security for bank loans (note 37)	**733,876**	600,000

35. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES

	Notes	**2011 RMB'000**	2010 RMB'000
Group			
Due from related companies:			
Associates	*(i)*	**860,611**	571,250
Jointly-controlled entities	*(ii)*	**962,460**	1,208,042
Non-controlling shareholders of subsidiaries	*(iii)*	**481,730**	160,793
		2,304,801	1,940,085
Portion classified as current		**1,856,159**	1,526,292
	(i)	**448,642**	413,793
Company			
Due from subsidiaries	*(iv)*	**11,244,793**	10,887,527

Notes:

(i) As at 31 December 2011, the balances due from associates include the amount of RMB498,850,000 (31 December 2010: RMB459,700,000), which is interest-free, unsecured and is estimated to be repayable in 2013. Subsequent to its initial recognition, the amount due from associates is measured using the effective interest method. As at 31 December 2011, the amortised cost of the amount due from associates was RMB448,642,000 (31 December 2010: RMB413,793,000). The remaining balances due from associates are trade in nature, interest-free and repayable on demand.

(ii) As at 31 December 2011, the balances due from jointly-controlled entities include the amount of RMB961,269,000 (2010: RMB1,206,892,000), which is unsecured, interest-free and repayable on demand. The remaining balances due from jointly-controlled entities are trade in nature, interest-free and repayable on demand.

(iii) As at 31 December 2011, the balances due from non-controlling shareholders include the amount of RMB340,861,000 which is unsecured, interest-free and repayable on demand. The remaining balances due from non-controlling shareholders of subsidiaries are trade in nature, interest-free and repayable on demand.

(iv) As at 31 December 2011, the balances due from subsidiaries are unsecured, interest-free and repayable on demand.

35. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES *(Continued)*

	Notes	2011 RMB'000	2010 RMB'000
Group			
Due to the holding company	*(v)*	**1,431,144**	1,092,250
Due to related companies:			
Associates	*(vi)*	**323,077**	436,747
Non-controlling shareholders of subsidiaries	*(vii)*	**1,848,367**	275,001
Jointly-controlled entities	*(viii)*	**567,113**	242,637
		2,738,557	954,385
Portion classified as current		**1,914,420**	954,385
	(vii)	**824,137**	–
Company			
Due to the holding company	*(v)*	**1,431,144**	1,092,250

Notes:

(v) The balances due to the holding company are unsecured, interest-free and repayable on demand.

(vi) As at 31 December 2011, the balances due to associates include the amount of RMB275,791,000 (2010: RMB407,444,000), which is unsecured, interest-free and repayable on demand. The remaining balances due to associates are trade in nature, interest-free and repayable on demand.

(vii) As at 31 December 2011, the balance due to non-controlling shareholders of subsidiaries comprised of:

- an amount of RMB701,206,000 represented the payables for acquisition of Jinzhou Aohong Pharmaceutical Co., Ltd. ("Jinzhou Aohong") of which RMB388,570,000 is estimated to be repayable in the year of 2012 and RMB345,850,000 is contingent consideration which is estimated to be repayable during the year of 2013 to 2015. As at 31 December 2011, the fair value of the contingent consideration is RMB312,636,000. The amount is unsecured and interest free;
- an amount of RMB255,000,000 represented the payables for the acquisition of Dalian Aleph Biomedical Co., Ltd. ("Dalian Aleph") which is estimated to be repayable during the year of 2012. As at 31 December 2011, the fair value of the contingent consideration is RMB255,000,000. The amount is unsecured and interest free;
- an entrusted bank loan provided by Zhejiang Jiawen Industrial Investment Co., Ltd. of RMB357,841,000, which is unsecured, interest-bearing and is repayable in 2013;
- an entrusted bank loan provided by Jincheng Real Estate Group Co., Ltd. of RMB173,164,000, which is unsecured, interest-free and is estimated to be repayable in 2013. Subsequent to its initial recognition, the amount due to non-controlling shareholder of a subsidiary is measured using the effective interest method. As at 31 December 2011, the amortised cost of the amount due to a non-controlling shareholder of subsidiary was RMB153,660,000; and
- include an amount of RMB39,690,000 which is unsecured, interest-free and repayable on demand.

The remaining balances due to non-controlling shareholders of subsidiaries are trade in nature, interest-free and repayable on demand.

(viii) The balances due to jointly-controlled entities are unsecured, interest-free and repayable on demand.

The nature of the transactions with shareholders and related companies is disclosed in note 52 to the financial statements.

36. NON-CURRENT ASSET/ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	Notes	2011 RMB'000	2010 RMB'000
Carrying amount of investment in an associate before classification as held for sale	*(i)*	**148,049**	229,347
Carrying amount of the assets of a disposal group	*(ii)*	**253,132**	–
Less: Provision for impairment	*(i)*	**(148,049)**	(81,298)
Carrying amount after impairment		**253,132**	148,049
Liabilities directly associated with the assets classified as held for sale	*(ii)*	**57,048**	–

(i) As at 31 December 2010, the non-current asset held for sale represents the Group's investment in an associate, Huixin Biological Paper Co., Ltd. ("Huixin Paper").

On 28 February 2011, the Group through its subsidiaries, Shanghai Fosun Pingyao Investment Management Co., Ltd. and Shanghai Qiguang Investment Management Co., Ltd., entered into a disposal agreement with the original shareholder of Huixin Paper, which is an external third party, for the disposal of the Group's entire equity interest of 30% in Huixin Paper. The additional equity interest of 38.25% in Huixin Paper held by the original shareholder of Huixin Paper is pledged to the Group to secure the recoverability of the disposal consideration. The consideration will be received by instalments from 2012 till 2014.

For the year ended 31 December 2011, an impairment loss amounting to RMB148,049,000 (2010: RMB81,298,000) was provided for non-current asset classified as held for sale.

(ii) On 21 March 2012, the Group through its wholly-owned subsidiaries, Shanghai Fosun Industrial Investment Co., Ltd. entered into an equity transfer agreement with Jiangsu Diyuan Qiuqiuye Mining Engineering Co., Ltd. for the disposal of entire shareholding of 70% in Tuoli Hongshan Mining Co., Ltd. ("Hongshan Mining") for a consideration amounted to RMB256,200,000, of which RMB35,000,000 was for repayment of the loan provided by Fosun Industrial Investment Co., Ltd. to Hongshan Mining. Hongshan Mining is principally engaged in the exploitation and sales of iron ore.

As the disposal transaction is expected to be completed within the next 12 months from 31 December 2011, the carrying amounts of the assets and liabilities of Hongshan Mining were classified as held for sale in the consolidated statement of financial position as at 31 December 2011.

The major classes of assets and liabilities of Hongshan Mining classified as held for sale as at 31 December 2011 are as follows:

	Notes	2011 RMB'000
Assets		
Property, plant and equipment	*14*	**25,291**
Prepaid land lease payment	*16*	**2,652**
Mining rights	*18*	**199,972**
Exploration and evaluation assets	*17*	**5,000**
Cash and bank balances		**127**
Trade and notes receivables		**1,680**
Prepayments, deposits and other receivables		**1,963**
Inventories		**16,447**
Assets of a disposal group classified as held for sale		**253,132**
Liabilities		
Trade and notes payables		**82**
Accrued liabilities and other payables		**56,966**
Liabilities directly associated with the assets classified as held for sale		**57,048**

37. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	Notes	**2011 RMB'000**	2010 RMB'000
Bank loans:	*(1)*		
Guaranteed		**35,000**	1,313,000
Secured		**11,505,854**	12,124,726
Unsecured		**26,358,931**	21,963,487
		37,899,785	35,401,213
Corporate bonds and enterprise bonds	*(2)*	**9,417,071**	5,451,920
Senior notes	*(3)*	**1,863,716**	–
Medium-term notes	*(4)*	**2,568,056**	986,104
Other borrowings, secured	*(5)*	**681,936**	429,900
Other borrowings, unsecured	*(5)*	**1,459,074**	1,552,706
Total		**53,889,638**	43,821,843
Repayable:			
Within one year		**23,532,459**	22,026,769
In the second year		**6,558,772**	4,586,023
In the third to fifth years, inclusive		**18,038,884**	12,073,206
Over five years		**5,759,523**	5,135,845
		53,889,638	43,821,843
Portion classified as current liabilities		**(23,532,459)**	(22,026,769)
Long term portion		**30,357,179**	21,795,074

Notes:

(1) Certain of the Group's bank loans are secured by:

(a) the pledge of certain of the Group's buildings amounting to RMB744,219,000 (2010: RMB888,973,000), plant and machinery amounting to RMB1,785,795,000 (2010: RMB844,578,000), investment properties situated in Mainland China amounting to RMB3,026,000,000 (2010: RMB2,551,167,000), prepaid land lease payments amounting to RMB407,954,000 (2010: RMB171,886,000), properties under development amounting to RMB6,693,504,000 (2010: RMB5,778,577,000), completed properties for sale amounting to RMB281,087,000 (2010: RMB315,519,000), bank balances amounting to RMB160,691,000 (2010: RMB179,091,000), time deposits with original maturity of more than three months amounting to RMB1,411,452,000 (2010: RMB1,968,873,000), trade and notes receivables amounting to RMB509,613,000 (2010: RMB253,285,000), inventories amounting to RMB733,876,000 (2010: RMB600,000,000) and an investment in an associate amounting to RMB303,832,000 (2010: RMB865,487,000), and investment in subsidiaries.

(b) None of the Group's mining rights (2010: RMB131,061,000) was pledged to secure bank loans.

In addition, the Group's related parties have guaranteed certain of the Group's bank loans up to RMB35,000,000 (2010: RMB1,313,000,000).

The bank loans bear interest at rates ranging from 1.00% to 8.28% (2010: 0.22% to 7.31%) per annum.

37. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Group *(Continued)*

Notes: *(Continued)*

(2) Corporate bonds and enterprise bonds

On 27 February 2009, Nanjing Iron & Steel United Co., Ltd. issued long-term enterprise bonds with a par value of RMB2,500,000,000 and an effective interest rate of 6.29% per annum. One half of the principal of the enterprise bonds will be repaid on 27 February 2015 and the remainder on 27 February 2016. The interest will be paid annually in arrears.

On 25 September 2009, Forte issued five-year domestic corporate bonds with a par value of RMB1,900,000,000 and an effective interest rate of 7.73% per annum. The interest will be paid annually in arrears and the maturity date is 22 September 2014.

On 24 December 2010, Fosun Group issued seven-year domestic corporate bonds with a par value of RMB1,100,000,000 and an effective interest rate of 6.17% per annum. The interest will be paid annually in arrears and the maturity date is 23 December 2017.

On 10 May 2011, Nanjing Iron & Steel United Co., Ltd. issued long-term enterprise bonds with a par value of RMB4,000,000,000 and an effective interest rate of 5.8% per annum. The principal of the enterprise bonds will be repaid on 10 May 2018. The interest will be paid annually in arrears.

(3) Senior notes

On 12 May 2011, the Company issued five-year senior notes with a par value of USD300,000,000 and an effective interest rate of 7.9% per annum. The interest will be paid semi-annually in arrears.

(4) Medium-term notes

On 8 November 2010, Fosun Pharma issued five-year medium-term notes with a par value of RMB1,000,000,000 and an effective interest rate of 5.0% per annum. The interest will be paid annually in arrears and the maturity date is 10 November 2015. On 31 March 2011, Fosun Pharma issued five-year medium-term notes with a par value of RMB1,600,000,000 and an effective interest rate of 6.26% per annum. The interest will be paid annually in arrears and the maturity date is 31 March 2016.

(5) The other borrowings represent borrowings from third parties, which bear interest at rates ranging from 2.55% to 12.18% (2010: 2.55% to 12.18%) per annum.

Company

	2011 **RMB'000**	2010 RMB'000
Bank loans:		
Unsecured	**4,996,745**	3,174,250
Senior notes	**1,863,716**	–
Total	**6,860,461**	3,174,250
Repayable:		
Within one year	**441,063**	562,930
In the second year	**598,586**	463,589
In the third to fifth years, inclusive	**5,820,812**	2,147,731
	6,860,461	3,174,250
Portion classified as current liabilities	**(441,063)**	(562,930)
Long term portion	**6,419,398**	2,611,320

The bank loans bear interest at rates ranging from 1.76% to 7.5% (2010: 2.28% to 4.94%) per annum.

38. LOANS FROM RELATED COMPANIES

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Loans from				
– a jointly-controlled entity	**157,830**	86,887	**157,830**	87,722
– an associate	**10,000**	26,678	**10,000**	26,678
	167,830	113,565	**167,830**	114,400
Repayable:				
Within one year	**167,830**	26,678	**167,830**	26,678
In the second to fourth year, inclusive	**–**	86,887	**–**	87,722
	167,830	113,565	**167,830**	114,400
Portion classified as current liabilities	**(167,830)**	(26,678)	**(167,830)**	(26,678)
Non-current portion	**–**	86,887	**–**	87,722

Loans from related companies are interest-free and unsecured. The fair values of these loans as at the date of inception were estimated with reference to the then prevailing interest rates with the same repayment period published by the People's Bank of China. The difference between the amount of loans payable and their fair values as at the date of inception was credited to the consolidated income statement. Subsequent to the initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

39. TRADE AND NOTES PAYABLES

	2011	2010
	RMB'000	RMB'000
Trade payables	**9,276,590**	4,440,072
Notes payable	**2,054,392**	4,177,313
	11,330,982	8,617,385

An aged analysis of trade payables as at the end of the reporting period is as follows:

	2011	2010
	RMB'000	RMB'000
Outstanding balances with ages:		
Within 90 days	**7,843,926**	3,262,713
91 to 180 days	**416,198**	460,137
181 to 365 days	**264,919**	98,504
1 to 2 years	**624,690**	375,793
2 to 3 years	**48,344**	143,341
Over 3 years	**78,513**	99,584
	9,276,590	4,440,072

39. TRADE AND NOTES PAYABLES *(Continued)*

Credit terms granted by the Group's suppliers are as follows:

	Credit terms
Steel segment	0 to 90 days
Mining segment	0 to 90 days
Pharmaceuticals and healthcare segment	0 to 360 days
Property segment	180 to 360 days

40. ACCRUED LIABILITIES AND OTHER PAYABLES

Group

	2011 **RMB'000**	2010 RMB'000
Advances from customers	**6,870,762**	7,790,924
Payables related to:		
Purchases of property, plant and equipment	**940,102**	1,543,079
Deposits received	**656,367**	477,569
Payroll	**613,709**	424,199
Business tax	**154,773**	217,036
Accrued interest expenses	**519,342**	221,845
Value-added tax	**45,951**	70,630
Accrued utilities	**377,676**	281,634
Current portion of other long term payables (note 44)	**46,521**	80,806
Others	**2,810,023**	1,752,678
	13,035,226	12,860,400

Company

	2011 **RMB'000**	2010 RMB'000
Other payables	**49,900**	17,683

41. FINANCE LEASE PAYABLES

Nanjing Iron & Steel United Co., Ltd., a subsidiary of the Group, signed an agreement with a leasing company to lease certain machinery and equipment for its iron and steel business, which are classified as finance leases.

Total future minimum lease payments under finance leases and their present values are as follows:

	2011 RMB'000	2010 RMB'000
Repayable:		
Within one year	**49,614**	49,322
In the second year	**47,029**	48,577
In the third to fifth years, inclusive	**89,910**	135,370
Total minimum finance lease payments	**186,553**	233,269
Less: Future finance charges	**(22,589)**	(28,975)
	163,964	204,294
Portion classified as current finance lease payable	**(43,966)**	(40,116)
Long term portion	**119,998**	164,178

For the year ended 31 December 2011, interest was charged at a rate of 5.60% per annum (2010: 5.60%).

42. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	**2011 RMB'000 Liabilities**	2010 RMB'000 Liabilities
Forward currency contracts	*(i)*	**9,228**	37,559
Commodity derivative contracts	*(ii)*	**–**	47,007
		9,228	84,566

(i) The Group entered into various forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting. Changes in the fair value of such derivatives which have not been settled as at 31 December 2011 amounting to RMB9,228,000 (2010: RMB37,559,000) were debited to other expenses during the year as set out in note 8 to the financial statements.

(ii) The Group uses commodity derivative contracts to hedge its commodity price risk, which does not meet the criteria of hedge accounting. Commodity derivative contracts utilised by the Group are standardised steel futures contracts on the Shanghai Futures Exchange. As at 31 December 2011, there was no outstanding commodity derivative contracts held by the Group.

43. DEFERRED INCOME

Deferred income represents government grants received related to assets.

	2011 RMB'000	2010 RMB'000
Special purpose fund for technology improvement	213,060	144,876

44. OTHER LONG TERM PAYABLES

	2011 RMB'000	2010 RMB'000
Payables for rehabilitation:		
At 1 January	37,374	34,206
Additions	3,534	15,368
Classified as current portion (note 40)	–	(12,200)
At 31 December	40,908	37,374
Payables for retirement benefits:		
At 1 January	437,092	527,715
Additions	15,322	16,450
Interest increment (note 7)	24,926	22,891
Payments made	(136,863)	(61,358)
Classified as current portion (note 40)	(46,521)	(68,606)
At 31 December	293,956	437,092
Total	334,864	474,466

Payables for rehabilitation are in relation to the costs of the Group's obligations for land reclamation.

Payables for retirement benefits represent liabilities taken over by the Group from the former parent company of the Former SOEs, which are state-owned enterprises, in respect of the retirement benefits of the Qualified SOE Employees and the Qualified Retirees.

The long term payables are based on estimates of future payments made by management and are discounted at rates in the range of 5.70% to 7.83% (2010: 5.71% to 7.83%).

45. SHARE CAPITAL

Shares

	2011	2010
	RMB'000	RMB'000
Authorised:		
100,000,000,000 (2010: 100,000,000,000) ordinary shares of HKD0.1 each	**9,746,013**	9,746,013
Issued and fully paid:		
6,421,594,500 (2010: 6,421,594,500) ordinary shares of HKD0.1 each	**621,497**	621,497

The following changes in the Company's authorised and issued share capital took place during the period from 1 January 2010 to 31 December 2011 are as follows:

	Number of ordinary shares	Nominal value of ordinary shares RMB'000
Authorised:		
As at 31 December 2010 and 31 December 2011	100,000,000,000	100,000,000,000
Issued and fully paid:		
As at 31 December 2010 and 31 December 2011 (6,421,594,500 shares of HKD0.1 each)	6,421,594,500	6,421,594,500

46. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

46. RESERVES *(Continued)*

Company

	Issued capital RMB'000 (note 45)	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Capital redemption reserve RMB'000	Retained earnings RMB'000	Proposed final dividend RMB'000 (note 12)	Total equity RMB'000
At 1 January 2010	621,497	11,785,713	(948,879)	1,465	3,188,442	927,270	15,575,508
Final dividend declared	–	–	–	–	–	(927,270)	(927,270)
Proposed final dividend	–	–	–	–	(928,936)	928,936	–
Exchange realignment	–	–	(468,904)	–	–	–	(468,904)
Total comprehensive income for the year	–	–	–	–	1,664,813	–	1,664,813
At 31 December 2010 and 1 January 2011	**621,497**	**11,785,713**	**(1,417,783)**	**1,465**	**3,924,319**	**928,936**	**15,844,147**
Final dividend declared	**–**	**–**	**–**	**–**	**–**	**(928,936)**	**(928,936)**
Proposed final dividend	**–**	**–**	**–**	**–**	**(817,340)**	**817,340**	**–**
Exchange realignment	**–**	**–**	**(916,802)**	**–**	**–**	**–**	**(916,802)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(458,139)**	**–**	**(458,139)**
At 31 December 2011	**621,497**	**11,785,713**	**(2,334,585)**	**1,465**	**2,648,840**	**817,340**	**13,540,270**

(a) Other deficits

The opening balance of other deficits as at 1 January 2009 represented the acquisition of the entire equity interest in Fosun Group pursuant to the reorganisation of the Group prior to the listing of its shares on the Hong Kong Stock Exchange, after netting off paid-up capital and capital reserve (arising from the bonus share issue of its subsidiaries) of Fosun Group.

(b) Statutory surplus reserve (the "SSR")

In accordance with the Company Law of the PRC and the respective articles of association of the subsidiaries established in Mainland China (the "PRC Subsidiaries"), each PRC Subsidiary is required to allocate 10% of its profits after tax, as determined in accordance with the applicable PRC accounting standards and regulations, to the SSR until such reserve reaches 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the SSR can be capitalised as paid-up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(c) Distributable reserves

For dividend purposes, the amount which the PRC subsidiaries can legally distribute by way of a dividend is determined by reference to the distributable profits as reflected in their PRC statutory financial statements which are prepared in accordance with the applicable PRC accounting standards and regulations.

In accordance with the Company Law of the PRC, profits after tax of the PRC subsidiaries can be distributed as dividends after the appropriation to the SSR as set out above.

47. BUSINESS COMBINATION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries

The major acquisition during the year is set out as follows:

(i) On 31 August 2011, Fosun Industrial (HK) Co., Ltd. ("Fosun Industrial") and Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. ("Fosun Pharmaceutical Industrial"), two wholly-owned subsidiaries of Fosun Pharma collectively acquired a 75% equity interest in Dalian Aleph. Dalian Aleph is mainly engaged in research, development and production of influenza vaccine. The Group acquired Dalian Aleph in order to enter into the market of influenza vaccine. The acquisition has been accounted for using the acquisition method. The total purchase consideration was in the form of cash and amounted to RMB675,000,000, of which RMB255,000,000 was contingent consideration and will be paid when certain conditions are fulfilled before 30 December 2012, or and no later than 30 December 2014. As at 31 December 2011, the purchase consideration amounting to RMB420,000,000 was paid by the Group in cash.

(ii) On 31 August 2011, Fosun Pharmaceutical Industrial, a wholly-owned subsidiary of Fosun Pharma acquired a 70% equity interest in Jinzhou Aohong. Jinzhou Aohong was principally engaged in the manufacture and sale of pharmaceutical products. The total purchase consideration was in the form of cash and amounted to RMB1,365,000,000, of which RMB345,800,000 was contingent consideration to be payable by instalments dependent on the amount of financial results of Jinzhou Aohong during the years of 2012 to 2014 subsequent to acquisition. As at 31 December 2011, the first and second instalments of purchase consideration amounting to RMB630,630,000 was paid by the Group in cash.

(iii) In December 2011, Rathnew Limited ("Rathnew"), a wholly-owned subsidiary of Forte acquired another 50% equity interest of Total Year Limited, a previously joint-controlled entity, from Wharf (Holdings) Limited ("Wharf"). After the acquisition, Total Year Limited became a wholly-owned subsidiary of the Group. The major business of Total Year Limited is the development of property in the city of Wuxi, Mainland China. The total purchase consideration was in the form of cash and amounted to HKD483,950,000 (equivalent to RMB393,338,000), of which HKD466,807,000 (equivalent to RMB378,440,000) was for the purchase of the shareholder's loan from Wharf. On the same day, as part of the acquisition, 50% equity interests of Show All Limited, which is held by China Alliance Properties Limited, a wholly-owned subsidiary of Forte, was disposed to Wharf for a total consideration amounting to HKD686,037,000 (equivalent to RMB556,170,000), of which HKD480,071,000 (equivalent to RMB389,194,000) was for the disposal of the shareholder's loan provided by China Alliance Properties Limited (the transactions collectively known as the "equity swap transaction"). As at 31 December 2011, the equity swap transaction was completed and all the cash considerations were settled by the Group and Wharf. The gain on bargain purchase amounting to RMB33,337,000 and the gain on disposal of joint-controlled entities amounting to RMB169,416,000 were credited to other income and gains of the Group for the year ended 31 December 2011.

47. BUSINESS COMBINATION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

The fair values of the identifiable assets and liabilities of all the subsidiaries acquired during the year were as follows:

	2011 Fair value recognised on acquisition RMB'000
Property, plant and equipment (note 14)	359,982
Prepaid land lease payments (note 16)	148,382
Intangible assets (note 19)	982,058
Deferred tax assets (note 29)	3,119
Properties under development	3,409,012
Cash and bank balances	151,478
Trade and notes receivables	30,006
Prepayments, deposits and other receivables	268,126
Inventories	75,719
Interest-bearing bank and other borrowings	(143,000)
Trade and notes payables	(160,227)
Accrued liabilities and other payables	(2,676,270)
Tax payable	(9,681)
Deferred tax liabilities (note 29)	(266,312)
Non-controlling interests	(841,400)
Total identifiable net assets at fair value	1,330,992
Gain on bargain purchase recognized in other income and gains in the consolidated income statements (note 6)	(33,337)
Goodwill on acquisitions (note 20)	1,282,550
	2,580,205
Satisfied by:	
Cash	1,428,352
Investments in jointly-controlled entities	164,759
Cash consideration unpaid	987,094
	2,580,205

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB29,006,000 and RMB251,745,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB44,205,000 and RMB252,447,000, respectively, of which trade receivables and other receivables of RMB15,200,000 and RMB702,000 are expected to be uncollectible, respectively.

47. BUSINESS COMBINATION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

The Group has elected to measure the non-controlling interests in all the subsidiaries acquired during the year at the non-controlling interests' proportionate share of the acquired subsidiaries' identifiable net assets.

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash consideration	(1,428,352)
Cash and bank balances acquired	116,478
	(1,311,874)
Payment of unpaid cash consideration as at 31 December 2010	(12,743)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,324,617)
Transaction costs of these acquisitions included in cash flows from operating activities	2,996
	(1,321,621)

The effect of all the acquisitions on the financial results of the Group from the respective dates of acquisition to the end of the year is as follows:

	RMB'000
Financial results:	
Revenue	259,445
Profit for the year	98,866

Since the acquisition, the acquired subsidiaries contributed RMB259,445,000 to the Group's turnover and profit of RMB98,866,000 to the consolidated profit for the year ended 31 December 2011.

Had the combinations taken place at the beginning of the year, the revenue of the Group and the net profit of the Group for the year ended 31 December 2011 would have been RMB57,063,278,000 and RMB5,157,832,000 respectively.

47. BUSINESS COMBINATION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of subsidiaries

The major disposal during the year is set out as follows:

On 13 April 2011, Forte Group entered into an equity transfer agreement to dispose of its 49% equity interest in Chengdu Honghui Property Co., Ltd. ("Chengdu Honghui"), at a total consideration of RMB294,000,000. Subsequent to the completion of the equity transfer on 1 June 2011, as Forte Group lost the control over the board of directors as well as the operating and financial policies of Chengdu Honghui, Chengdu Honghui was not a subsidiary of the Group any more and the remaining 51% equity investment in Chengdu Honghui was accounted for as investment in a jointly-controlled entity.

The net assets disposed of all subsidiaries disposed during the year were as follows:

	2011 **RMB'000**	2010 RMB'000
Net assets disposed of:		
Property, plant and equipment (note 14)	**28,979**	6,683
Prepaid land lease payments (note 16)	**4,592**	–
Intangible assets (note 19)	**4,080**	–
Investment in an associate	**3,720**	–
Available-for-sale investments	**500**	–
Cash and bank balances	**35,191**	222,289
Trade and notes receivables	**69,435**	741
Properties under development	**753,239**	434,966
Deferred tax assets	**–**	7,081
Prepayments, deposits and other receivables	**18,489**	168,575
Inventories	**50,818**	1,430,875
Interest-bearing bank and other borrowings	**(24,000)**	–
Trade and notes payables	**(81,823)**	(179,199)
Accrued liabilities and other payables	**(118,447)**	(1,931,195)
Tax payable	**(46)**	(64,994)
Deferred tax liabilities (note 29)	**(1,020)**	–
Non-controlling interests	**(14,175)**	(75,006)
	729,532	20,816
Fair value of the retained interests in subsidiaries disposed of	**(443,064)**	(68,742)
Professional fee directly attributable to the disposals	**–**	36,000
Net gain on disposal of subsidiaries (note 6)	**59,304**	964,164
	345,772	952,238

47. BUSINESS COMBINATION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of subsidiaries *(Continued)*

An analysis of the cash flows in respect of the disposal of subsidiaries is as follows:

	2011 **RMB'000**	2010 RMB'000
Satisfied by:		
Cash	**335,531**	939,717
Other receivables	**10,241**	12,521
	345,772	952,238
Cash consideration	**335,531**	939,717
Cash paid for the professional fee directly attributable to the disposals	**–**	(36,000)
Cash and bank balances disposed of	**(35,191)**	(222,289)
Net inflow of cash and cash equivalents included in cash flows from investing activities	**300,340**	681,428

(c) On 20 September 2008, the Group acquired a 55% equity interest in Zunyi Shiji Nonferrous Metal Limited Liability Company ("Zunyi Shiji") through a wholly-owned subsidiary at a total cash consideration of RMB190,000,000, of which RMB60,000,000 was contingent consideration and would be paid when certain conditions were fulfilled before 31 December 2011. Zunyi Shiji is engaged in the mining and ore processing business in Guizhou Province. A gain on bargain purchase in Zunyi Shiji arising from the acquisition was recognized in the consolidated income statement for the year ended 31 December 2008.

As at 31 December 2011, since certain conditions for the payment of contingent consideration amounting to RMB60,000,000 were not fulfilled thus the contingent consideration would not be paid by the Group. The cost of the business combination recognised in the year of 2008 was adjusted retrospectively and therefore amount of RMB60,000,000 was adjusted to gain on bargain purchase recognized in the prior year through retained earnings as an opening adjustment.

48. SHARE BASED PAYMENT

Chindex Medical Limited ("CML") was established as at 31 December 2010 whereby Ample Up Limited, an indirect subsidiary of Fosun Pharma, and Chindex Medical Holdings (BVI) Limited, a subsidiary of Chindex International Inc. ("Chindex", listed in the NASDAQ market), held 51% and 49% equity interests respectively. CML was included in the consolidated financial statements of the Group since its establishment.

Certain employees of Chindex, who operates a share option scheme to its employees provide services to CML. The services agreement between CML and Chindex provides that the full compensation cost of certain Chindex employees will be charged to CML, which will also include the cost of the share-based compensation, if applicable to the individual. In addition, certain former Chindex employees who are now employees of CML still retained the rights to vest the share options granted to them in the prior years, and the cost of these share options for the year of 2011 was charged to staff costs of CML as the incentive and reward for the services provided to CML. For the year ended 31 December 2011, the equity settled share-based payment expenses amounting to RMB7,712,000 was recognised in the consolidated income statements as set out in note 8 to the financial statements.

49. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties, as set out in note 14 to the financial statements, under operating lease arrangements, with negotiated terms ranging from one to ten years.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

Group

	2011 **RMB'000**	2010 RMB'000
Within one year	**70,796**	64,806
In the second to fifth years, inclusive	**91,870**	111,202
Over five years	**16,508**	28,554
	179,174	204,562

As lessee

The Group leases certain of its office properties, shop lots, land and plant buildings under operating lease arrangements, with negotiated terms ranging from one to nineteen years.

At the end of the reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	2011 **RMB'000**	2010 RMB'000
Within one year	**117,851**	74,799
In the second to fifth years, inclusive	**319,196**	258,080
Over five years	**529,478**	516,124
	966,525	849,003

Company

	2011 **RMB'000**	2010 RMB'000
Within one year	**5,760**	1,930
In the second to fifth years, inclusive	**2,638**	1,000
	8,398	2,930

50. COMMITMENTS

In addition to the operating lease commitments detailed in note 49 above, the Group and the Company had the following capital commitments at the end of the reporting period:

Group

	2011 RMB'000	2010 RMB'000
Contracted, but not provided for:		
In respect of:		
Plant and machinery	**2,653,036**	576,433
Properties under development	**5,421,951**	3,576,589
Intangible assets	**–**	210
Mining and exploration rights	**–**	3,780
Investments	**765,346**	624,098
	8,840,333	4,781,110
Authorised, but not contracted for:		
In respect of:		
Plant and machinery	**71,115**	13,259
Investments	**458,467**	307,821
	529,582	321,080

In addition, the Group's and the Company's share of the jointly-controlled entities' own capital commitments, which are not included in the above, is as follows:

Group

	2011 RMB'000	2010 RMB'000
Contracted but not provided for:		
Properties under development	**404,249**	199,999

Company

	2011 RMB'000	2010 RMB'000
Authorised, but not contracted for:		
Investments	**458,467**	307,821

51. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the end of the reporting period:

	2011 RMB'000	2010 RMB'000
Guaranteed bank loans of:		
Related parties (note 52)	956,800	1,026,800
Third parties	123,400	73,400
	1,080,200	1,100,200
Qualified buyers' mortgage loans*	2,511,362	3,013,599
	3,591,562	4,113,799

* The Group provided guarantees of approximately RMB2,511,362,000 (2010: RMB3,013,599,000) in favour of their customers in respect of mortgage loans provided by banks to such customers for their purchases of the Group's developed properties where the underlying real estate certificates can only be provided to the banks in a time delayed manner due to administrative procedures in the PRC. These guarantees provided by the Group will be released when the customers pledge their real estate certificates as security to the banks for the mortgage loans granted by the banks.

The Directors consider that in case of default in payments, the net realisable value of the related properties can cover the outstanding mortgage principal together with the accrued interest and penalties and therefore no provision has been made in the financial statements for the guarantees.

52. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

Name of related parties	Nature of transactions	2011 RMB'000	2010 RMB'000
Sales of goods			
Sinopharm Group Co. Ltd. (Note 4)	Sales of pharmaceutical products	316,474	182,849
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd. (Notes 2 & 4)	Sales of scrap material	64,067	–
Shanghai Lianhua Fosun Pharmacy Chain Operation Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	24,834	27,275
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	22,182	359
Shanghai Yaofang Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	12,205	7,106
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	7,694	–

52. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2011 RMB'000	2010 RMB'000
Sales of goods *(Continued)*			
Shanghai Huifeng Fomei Pharmacy Co., Ltd. (Notes 2 & 4)	Sales of pharmaceutical products	4,651	5,577
Shanghai Liyi Pharmacy Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	3,386	3,023
Guilin Auspicious Pharmaceutical Industrial Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	1,338	–
Zhejiang Crystal-Optech Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	225	–
Suzhou Laishi Transfusion Equipment Co., Ltd. (Notes 4)	Sales of pharmaceutical products	–	6,924
Shanghai Transfusion Technology Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	–	3,680
Total sales of goods		457,056	236,793
Purchases of goods			
Sinopharm Group Co. Ltd. (Note 4)	Purchases of pharmaceutical products	119,350	97,308
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd. (Notes 2 & 4)	Purchases of utility	51,482	–
Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd. (Notes 1 & 4)	Purchases of coking coal products	47,498	113,455
Hainan Iron and Steel Co., Ltd. (Notes 3, 4 & 14)	Purchases of iron ore products	44,290	41,504
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (Notes 1 & 4)	Purchases of pharmaceutical products	8,136	–
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd. (Notes 1 & 4)	Purchases of pharmaceutical products	8,000	–
Shanghai Yaofang Co., Ltd. (Notes 1 & 4)	Purchases of pharmaceutical products	1,923	2,153
Suzhou Laishi Transfusion Equipment Co., Ltd. (Notes 4)	Purchases of pharmaceutical products	–	3,652
Total purchases of goods		280,679	258,072

52. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2011 RMB'000	2010 RMB'000
Service income			
Fuyang Furun Property Co., Ltd. (Notes 2 & 5)	Consulting services provided to the related company	**5,325**	–
Wuxi Forte Real Estate Development Co., Ltd. (Notes 2 & 5)	Consulting services provided to the related company	**–**	993
Total service income		**5,325**	993
Interest income			
Shaanxi Jianqin Real Estate Development Co., Ltd. (Notes 2 & 7)	Interest income	**45,066**	23,191
Nanjing Dahua Investment Development Co., Ltd. (Notes 1 & 7)	Interest income	**–**	10,507
Total interest income		**45,066**	33,698
Interest expense			
Shanghai Yuyuan Mart Real Estate Development Co., Ltd. (Notes 1 & 7)	Interest expense	**22,027**	13,984
Other expenses			
Nanjing Xinwu Shipping Co., Ltd. (Notes 1 & 6)	Transportation fees	**105,877**	82,028
Shanghai Foreal Property Management Co., Ltd. (Notes 1, 6 & 14)	Property management services provided by the related company	**28,597**	12,765
Hainan Iron and Steel Co., Ltd. (Notes 3, 6 & 14)	Operating lease in respect of land leased from the related company	**16,971**	16,548
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (Notes 1 & 6)	Operating lease in respect of office buildings leased from the related company	**3,000**	–
Shanghai Yinping Investment Management Co., Ltd. (Notes 1 & 6)	Operating lease in respect of office buildings leased from the related company	**1,600**	–
Nanjing Iron & Steel (Group) Co., Ltd. (Notes 3, 6 & 14)	Operating lease in respect of office buildings leased from the related company	**–**	4,677
Total other expenses		**156,045**	116,018

52. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2011 RMB'000	2010 RMB'000
Underlying notional interest of loans from related companies			
Wuxi Forte Real Estate Development Co., Ltd. (Notes 2 & 9)	Notional interest	**5,943**	5,562
Tianjin Binhai Auto Parts Industry Base Co., Ltd. (Notes 1 & 11)	Notional interest	**1,322**	1,384
Yangzte Tianjin Limited	Notional interest	**–**	5,553
Total notional interest		**7,265**	12,499
Loans from related companies			
Wuxi Forte Real Estate Development Co., Ltd. (Notes 2,7 & 10)	Loan provided by the related company	**65,000**	–
Chengde Jingfukang Pharmaceutical Co., Ltd. (Notes 1,7 & 10)	Loan provided by the related company	**10,000**	–
Shanghai Yuyuan Mart Real Estate Co., Ltd. (Notes 1 & 7)	Loan provided by the related company	**–**	150,000
Total loans from related companies		**75,000**	150,000
Guarantees of bank loans			
Nanjing Iron & Steel (Group) Co., Ltd. (Notes 3, 8 & 14)	Bank loans guaranteed by the related company	**2,835,405**	3,852,500
Beijing Hehua Property Development Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	**441,000**	441,000
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd. (Notes 2 & 8)	Guarantees granted for bank loans of the related company	**160,000**	175,000
Tianjin Jianlong Iron & Steel Industrial Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	**150,000**	170,000
Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	**134,800**	110,800
Nanjing Xinwu Shipping Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	**71,000**	30,000
Beijing Yuquanxincheng Property Development Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	**–**	100,000

52. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2011 RMB'000	2010 RMB'000
Loans to related companies			
Shaanxi Jianqin Real Estate Development Co., Ltd. (Notes 2, 7 & 12)	Entrusted loan provided to the related company	**500,000**	110,000
Haizhimen (Notes 1, 7 & 12)	Shareholder loan provided to the related company	**291,000**	4,218,482
Sinopharm Industrial Investment Co., Ltd. (Notes 1, 7 & 12)	Entrusted loan provided to the related company	**98,000**	–
Chengdu Meijili Business Services Co., Ltd. (Notes 2, 7 & 12)	Shareholder loan provided to the related company	**66,000**	–
Show All Limited (Notes 1 & 7)	Shareholder loan provided to the related company	**–**	219,810
Total loans to related companies		**955,000**	4,548,292

Notes:

(1) They are associates of the Group.

(2) They are jointly-controlled entities of the Group.

(3) They are non-controlling shareholders of the subsidiaries of the Group.

(4) The Directors consider that the sales and purchases were undertaken on commercial terms similar to those offered to/by unrelated customers/suppliers in the ordinary course of business of the relevant companies.

(5) The Directors consider that the fees for consulting services and sales agency services were determined based on prices available to third party customers.

(6) The Directors consider that the fees for property management services, transportation services and leasing paid to related companies were determined based on prices available to third party customers of the related companies.

(7) The Directors consider that the loans provided by/to the related companies are unsecured, repayable on demand, and the applicable interest rates are determined in accordance with the prevailing market borrowing rates.

(8) The bank loans were guaranteed by related companies free of charge. The guarantees were given by the Group for bank loans of related companies free of charge.

52. RELATED PARTY TRANSACTIONS *(Continued)*

Notes: *(Continued)*

(9) The entrusted bank loan in the amount of RMB93,000,000 is provided by Wuxi Forte Real Estate Development Co., Ltd. and is interest-free, unsecured and repayable by 2012 as set out in note 38 to the financial statements. The corresponding notional interest for the year ended 31 December 2011 amounted to approximately RMB5,943,000 (2010: RMB5,562,000).

(10) The entrusted bank loan in the amount of RMB10,000,000 is provided by Chengde Jingfukang Pharmaceutical Co., Ltd. The entrusted loan bears interest at a rate of 6.94% per annum and the maturity date is 5 May 2012. The entrusted bank loan in the amount of RMB65,000,000 is provided by Wuxi Forte Real Estate Development Co., Ltd. The entrusted loan bears interest at a rate of 3.5% per annum and the maturity date is 28 November 2012.

(11) The loan in the amount of RMB28,000,000 was provided by Tianjin Binhai Auto Parts Industry Base Co., Ltd. and was interest-free, unsecured and has been repaid by 31 December 2011. The corresponding notional interest for the year ended 31 December 2011 amounted to approximately RMB1,322,000 (2010: RMB1,384,000).

(12) The balances of shareholders' loans provided to Shaanxi Jianqin Real Estate Development Co., Ltd. and Chengdu Meijili Business Services Co., Ltd. as at 31 December 2011 was RMB500,000,000 and RMB66,000,000 respectively as set out in note 27 and note 22 to the financial statements. The balances of shareholders' loans provided to Haizhimen as at 31 December 2011 is RMB4,509,482,000 as set out in note 23 and note 27 to the financial statements. One of the Group's subsidiaries, Shanghai Qishen Investment Management Co., Ltd. offered an entrusted loan amounting to RMB98,000,000 to an associate of the Group, Sinopharm Industrial Investment Co., Ltd. which had been received during the year of 2011.

(13) Compensation of key management personnel of the Group:

	2011 **RMB'000**	2010 RMB'000
Short term employee benefits	**32,731**	19,652
Pension scheme contributions	**280**	266
Total compensation paid to key management personnel	**33,011**	19,918

(14) These transactions constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules. They are exempted from the disclosure requirements under Chapter 14A of the Listing Rules.

53. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2011 Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading RMB'000	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Available-for-sale financial investments RMB'000	Total RMB'000
Available-for-sale investments	–	–	–	8,437,265	8,437,265
Loans receivables	–	–	2,366,682	–	2,366,682
Cash and bank balances	–	–	16,777,753	–	16,777,753
Equity investments at fair value through profit or loss	7,406,727	–	–	–	7,406,727
Trade and notes receivables	–	–	6,506,112	–	6,506,112
Financial assets included in prepayments, deposits and other receivables (note 33)	–	–	2,401,849	–	2,401,849
Due from related companies	–	–	2,304,801	–	2,304,801
	7,406,727	–	30,357,197	8,437,265	46,201,189

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	53,889,638	–	53,889,638
Loans from related companies	167,830	–	167,830
Trade and notes payables	11,330,982	–	11,330,982
Financial liabilities included in accrued liabilities and other payables (note 40)	5,963,740	–	5,963,740
Due to related companies and the holding company	4,169,701	–	4,169,701
Other long term payables	334,864	–	334,864
Financial lease payables	163,964	–	163,964
Derivative financial instruments	–	9,228	9,228
	76,020,719	9,228	76,029,947

53. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

2010 Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading RMB'000	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Available-for-sale financial investments RMB'000	Total RMB'000
Held-to-maturity investments	–	14,312	–	–	14,312
Available-for-sale investments	–	–	–	7,327,045	7,327,045
Loans receivables	–	–	1,713,432	–	1,713,432
Cash and bank balances	–	–	21,334,977	–	21,334,977
Equity investments at fair value through profit or loss	6,478,648	–	–	–	6,478,648
Trade and notes receivables	–	–	5,496,535	–	5,496,535
Financial assets included in prepayments, deposits and other receivables (note 33)	–	–	2,326,042	–	2,326,042
Due from related companies	–	–	1,940,085	–	1,940,085
	6,478,648	14,312	32,811,071	7,327,045	46,631,076

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	43,821,843	–	43,821,843
Loans from related companies	113,565	–	113,565
Trade and notes payables	8,617,385	–	8,617,385
Financial liabilities included in accrued liabilities and other payables (note 40)	4,781,810	–	4,781,810
Due to related companies and the holding company	2,046,635	–	2,046,635
Other long term payables	474,466	–	474,466
Financial lease payables	204,294	–	204,294
Derivative financial instruments	–	84,566	84,566
	60,059,998	84,566	60,144,564

53. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

2011 Company

Financial assets

	Financial assets at fair value through profit or loss – held for trading RMB'000	Loans and receivables RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	4,685,741	–	4,685,741
Cash and bank balances	–	2,223,886	2,223,886
Financial assets included in prepayments, deposits and other receivables (note 33)	–	5,720	5,720
Due from subsidiaries	–	11,244,793	11,244,793
	4,685,741	13,474,399	18,160,140

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in accrued liabilities and other payables (note 40)	49,900
Interest-bearing bank and other borrowings	6,860,461
Due to the holding company	1,431,144
	8,341,505

53. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

2010 Company

Financial assets

	Financial assets at fair value through profit or loss – held for trading RMB'000	Loans and receivables RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	5,483,461	–	5,483,461
Cash and bank balances	–	1,786,810	1,786,810
Financial assets included in prepayments, deposits and other receivables (note 33)	–	836	836
Due from subsidiaries	–	10,887,527	10,887,527
	5,483,461	12,675,173	18,158,634

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in accrued liabilities and other payables (note 40)	17,683
Interest-bearing bank loans	3,174,250
Due to the holding company	1,092,250
	4,284,183

54. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Available-for-sale investments	**8,437,265**	7,327,045	**8,437,265**	7,327,045
Loan receivables	**2,366,682**	1,713,432	**2,366,682**	1,713,432
Trade and notes receivables	**6,506,112**	5,496,535	**6,506,112**	5,496,535
Equity investments at fair value through profit or loss	**7,406,727**	6,478,648	**7,406,727**	6,478,648
Financial assets included in prepayments, deposits and other receivables (note 33)	**2,401,849**	2,326,042	**2,401,849**	2,326,042
Cash and bank balances	**16,777,753**	21,334,977	**16,777,753**	21,334,977
Due from related companies	**2,304,801**	1,940,085	**2,304,801**	1,940,085
Held-to-maturity investments	**–**	14,312	**–**	14,312
	46,201,189	46,631,076	**46,201,189**	46,631,076
Financial liabilities				
Interest-bearing bank and other borrowings	**53,889,638**	43,821,843	**53,861,337**	43,770,570
Trade and notes payables	**11,330,982**	8,617,385	**11,330,982**	8,617,385
Financial liabilities included in accrued liabilities and other payables (note 40)	**5,963,740**	4,781,810	**5,963,740**	4,781,810
Due to related companies and the holding company	**4,169,701**	2,046,635	**4,169,701**	2,046,635
Other long term payables	**334,864**	474,466	**334,864**	474,466
Financial lease payables	**163,964**	204,294	**163,964**	204,294
Derivative financial instruments	**9,228**	84,566	**9,228**	84,566
Loans from related companies	**167,830**	113,565	**167,830**	114,400
	76,029,947	60,144,564	**76,001,646**	60,094,126

54. FAIR VALUE AND FAIR VALUE HIERARCHY *(Continued)*

Company

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Equity investments at fair value through profit or loss	**4,685,741**	5,483,461	**4,685,741**	5,483,461
Financial assets included in prepayments, deposits and other receivables (note 33)	**5,720**	836	**5,720**	836
Cash and bank balances	**2,223,886**	1,786,810	**2,223,886**	1,786,810
Due from subsidiaries	**11,244,793**	10,887,527	**11,244,793**	10,887,527
	18,160,140	18,158,634	**18,160,140**	18,158,634
Financial liabilities				
Interest-bearing bank and other borrowings	**6,860,461**	3,174,250	**6,902,511**	3,210,970
Financial liabilities included in accrued liabilities and other payables (note 40)	**49,900**	17,683	**49,900**	17,683
Due to holding company	**1,431,144**	1,092,250	**1,431,144**	1,092,250
	8,341,505	4,284,183	**8,383,555**	4,320,903

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

For the financial assets and liabilities with active market, their fair values are measured using quoted market price. For the financial assets and liabilities without active market, the Group uses valuation techniques to measure their fair values.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit ratings. Derivative financial instruments include commodity derivative contracts and forward currency contracts. As at 31 December 2011, the fair value of commodity derivative contracts were measured using quoted market price of commodity future contracts while the fair value of the forward currency contracts are measured using valuation techniques similar to forward pricing models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The carrying amounts of the commodity derivative contracts and forward currency contracts are the same as their fair values.

54. FAIR VALUE AND FAIR VALUE HIERARCHY *(Continued)*

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

Group

As at 31 December 2011

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Available-for-sale investments:				
Equity investments (note 25)	**581,257**	**2,503,646**	**–**	**3,084,903**
Equity investments at fair value through profit or loss (note 31)	**7,169,861**	**236,866**	**–**	**7,406,727**
	7,751,118	**2,740,512**	**–**	**10,491,630**

As at 31 December 2010

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments:				
Equity investments (note 25)	2,310,042	738,258	–	3,048,300
Equity investments at fair value through profit or loss (note 31)	6,478,648	–	–	6,478,648
	8,788,690	738,258	–	9,526,948

54. FAIR VALUE AND FAIR VALUE HIERARCHY *(Continued)*

Fair value hierarchy *(Continued)*

Assets measured at fair value: (Continued)

Company

As at 31 December 2011

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	**4,448,875**	**236,866**	**–**	**4,685,741**

As at 31 December 2010

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	5,483,461	–	–	5,483,461

Liabilities measured at fair value:

Group

As at 31 December 2011

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial instruments	**–**	**9,228**	**–**	**9,228**

As at 31 December 2010

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial instruments	47,007	37,559	–	84,566

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2010: Nil).

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and other borrowings, finance lease and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables and trade and notes payables, which arise directly from its operations.

The Group also entered into derivative transactions, representing forward currency contracts and commodity derivative contracts during the year ended 31 December 2011. The purpose is to manage the foreign currency risks and commodity price risk arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. At 31 December 2011, approximately 37% (2010: 28%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

Group:

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2011	**75**	**(176,440)**
	(25)	**58,813**
2010	75	(140,574)
	(25)	46,858

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies.

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar and Hong Kong dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Group:

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000
2011		
If RMB weakens against United States dollar	**5**	**(195,740)**
If RMB strengthens against United States dollar	**(5)**	**195,740**
If RMB weakens against Hong Kong dollar	**5**	**(77,418)**
If RMB strengthens against Hong Kong dollar	**(5)**	**77,418**
2010		
If RMB weakens against United States dollar	5	(297,608)
If RMB strengthens against United States dollar	(5)	297,608
If RMB weakens against Hong Kong dollar	5	(58,707)
If RMB strengthens against Hong Kong dollar	(5)	58,707

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, held-to-maturity investments, available-for-sale investments, equity investments at fair value through profit or loss, amounts due from related companies, and other receivables, arises from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 51 to the financial statements.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and notes receivables are disclosed in note 32 to the financial statements.

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans. The Group's policy is that not more than 80% of the borrowings should mature in any 12-month period 44% (2010: 50%) of the Group's debts would mature in less than one year as at 31 December 2011 based on the carrying value of borrowings reflected in the financial statements.

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payment, is as follows:

2011 Group

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	1,506,290	23,632,186	25,931,819	6,175,994	57,246,289
Loans from related companies	–	–	168,000	–	–	168,000
Trade and notes payables	6,523,372	790,906	4,016,704	–	–	11,330,982
Due to related companies and the holding company	3,345,564	–	–	876,805	–	4,222,369
Financial liabilities included in accrued liabilities and other payables	5,963,740	–	–	–	–	5,963,740
Other long term payables	–	–	–	334,864	–	334,864
Financial lease payable	–	–	43,966	119,998	–	163,964
Derivative financial instruments	–	–	9,228	–	–	9,228
	15,832,676	2,297,196	27,870,084	27,263,486	6,175,994	79,439,436

2010 Group

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	1,314,961	20,980,110	19,529,372	3,788,154	45,612,597
Loans from related companies	–	–	28,000	93,000	–	121,000
Trade and notes payables	2,240,568	553,068	5,823,749	–	–	8,617,385
Due to related companies and the holding company	2,046,635	–	–	–	–	2,046,635
Financial liabilities included in accrued liabilities and other payables	4,781,810	–	–	–	–	4,781,810
Other long term payables	–	–	–	474,466	–	474,466
Financial lease payable	–	12,331	36,992	183,946	–	233,269
Derivative financial instruments	–	–	84,566	–	–	84,566
	9,069,013	1,880,360	26,953,417	20,280,784	3,788,154	61,971,728

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The disclosed derivative financial instruments in the above table are stated at net of undiscounted cash flows which approximate to their aggregate carrying amount since almost all of the amounts will be settled in net amount.

In addition, the guarantees provided by the Group will be called in case of default in payments by the guaranteed companies as set out in note 51.

2011 Company

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	–	441,063	6,587,442	–	7,028,505
Due to the holding company	1,431,144	–	–	–	–	1,431,144
Financial liabilities included in accrued liabilities and other payables	49,900	–	–	–	–	49,900
	1,481,044	–	441,063	6,587,442	–	8,509,549

2010 Company

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	–	562,930	2,611,320	–	3,174,250
Due to the holding company	1,092,250	–	–	–	–	1,092,250
Financial liabilities included in accrued liabilities and other payables	17,683	–	–	–	–	17,683
	1,109,933	–	562,930	2,611,320	–	4,284,183

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as trading equity investments (note 31) and available-for-sale investments measured at fair value (note 25) as at 31 December 2011. The Group's listed investments are listed on the Hong Kong, Shenzhen, Shanghai, United States and Europe stock exchanges and are valued at quoted market prices at the end of the reporting period.

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk *(Continued)*

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the income statement.

		Carrying amount of equity investments RMB'000	Increase in profit before tax RMB'000	Increase in equity RMB'000
2011				
Investments listed in:				
Hong Kong	– Available-for-sale	**98,914**	**–**	**4,946**
	– Held-for-trading	**3,286,557**	**164,328**	**–**
Shenzhen	– Available-for-sale	**1,704,811**	**–**	**85,241**
	– Held-for-trading	**60**	**3**	**–**
Shanghai	– Available-for-sale	**1,062,778**	**–**	**53,139**
	– Held-for-trading	**103,010**	**5,151**	**–**
United States	– Available-for-sale	**218,400**	**–**	**10,920**
	– Held-for-trading	**3,256,871**	**162,844**	**–**
Europe	– Held-for-trading	**760,229**	**38,012**	**–**
2010				
Investments listed in:				
Hong Kong	– Available-for-sale	300,478	–	15,024
	– Held-for-trading	1,141,171	57,059	–
Shenzhen	– Available-for-sale	444,319	–	22,216
	– Held-for-trading	103	5	–
Shanghai	– Available-for-sale	1,632,847	–	81,642
	– Held-for-trading	350,921	17,546	–
United States	– Available-for-sale	670,656	–	33,533
	– Held-for-trading	4,534,183	226,709	–
Europe	– Held-for-trading	452,270	22,614	–

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio between 20% and 60%. Net debt includes interest-bearing bank and other borrowings, and loans from related companies, less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests. The gearing ratios as at the ends of the reporting periods were as follows:

Group

	2011 **RMB'000**	2010 RMB'000
Interest-bearing bank and other borrowings	**53,889,638**	43,821,843
Loans from related companies	**167,830**	113,565
Less: Cash and cash equivalents	**(13,908,383)**	(16,826,592)
Net debt	**(40,149,085)**	27,108,816
Total equity	**48,486,154**	44,999,086
Total equity and net debt	**(88,635,239)**	72,107,902
Gearing ratio	**45%**	38%

56. EVENTS AFTER THE REPORTING PERIOD

(i) On 21 February 2012, the Group, through its subsidiaries Spread Grand Limited and Shanghai Star Capital Co., Ltd., participated in a bid ("Bid") for a land use right of a parcel of land located at Putuo District, Shanghai, the PRC at a bid price of RMB1,700,000,000. The Group succeeded in the Bid on 23 February 2012, and received a confirmation thereof.

(ii) On 25 March 2012, the board of directors of a non-wholly owned subsidiary of the Group, Nanjing Iron & Steel Co., Ltd ("Nanjing Iron & Steel") approved a resolution regarding to the accounting estimation change to extend the previously estimated useful lives of its property, plant and equipment. Such change is a result of technical innovations and maintenance effort on its property, plant and equipment by the management of Nanjing Iron & Steel in the past few years and substantial extension of the remaining useful lives of its property, plant and equipment. It will be applied prospectively which will decrease the depreciation charges and increase the profit of Nanjing Iron & Steel for the year ended 31 December 2012.

The directors of Nanjing Iron & Steel has made a preliminary assessment of the impact of the above estimation change on the depreciation charges and profit of Nanjing Iron & Steel for the year ended 31 December 2012 and the relevant resolution will be subject to the approval of the annual general meeting of Nanjing Iron & Steel on 20 April 2012.

57. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the presentation of certain items in the financial statements have been revised to comply with the new requirements. In addition, as stated in note 5 to the financial statements, the comparative segment information has been restated to reflect the change of the reporting segments of the Group.

58. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2012.

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安永會計師事務所

18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

To the shareholders of Fosun International Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Fosun International Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 62 to 193, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst and Young
Certified Public Accountants

Hong Kong
28 March 2011

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
REVENUE	*6*	**44,643,702**	34,855,818
Cost of sales		**(35,277,157)**	(29,161,430)
Gross profit		**9,366,545**	5,694,388
Other income and gains	*6*	**4,304,874**	6,492,385
Selling and distribution costs		**(1,470,694)**	(1,175,543)
Administrative expenses		**(2,075,864)**	(1,751,807)
Other expenses		**(825,750)**	(951,951)
Finance costs	*7*	**(1,572,100)**	(1,108,335)
Share of profits and losses of:			
Jointly-controlled entities	*21*	**(23,156)**	13,825
Associates		**949,437**	962,563
PROFIT BEFORE TAX	*8*	**8,653,292**	8,175,525
Tax	*10*	**(2,506,590)**	(1,357,154)
PROFIT FOR THE YEAR		**6,146,702**	6,818,371
Attributable to:			
Owners of the parent	*45*	**4,227,092**	4,646,679
Non-controlling interests		**1,919,610**	2,171,692
		6,146,702	6,818,371
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted (RMB)	*12*	**0.66**	0.72

Details of the dividends payable and proposed for the year are disclosed in note 11 to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
PROFIT FOR THE YEAR		**6,146,702**	6,818,371
OTHER COMPREHENSIVE INCOME			
Available-for-sale investments:			
Changes in fair value		**2,474,233**	705,720
Reversal of changes in fair value arising from an available-for-sale investment becoming an associate (note 22)		**(152,931)**	–
Reclassification adjustments for gains included in the consolidated income statement – gain on disposal		**(7,505)**	(52,910)
Income tax effect	*28*	**(554,046)**	(120,851)
		1,759,751	531,959
Share of other comprehensive income of jointly-controlled entities		**3,740**	2,515
Share of other comprehensive income of associates		**297,700**	180,255
Reserves released upon disposal of associates		**–**	(528)
Exchange differences on translation of foreign operations		**(132,355)**	(149,702)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**1,928,836**	564,499
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**8,075,538**	7,382,870
Attributable to:			
Owners of the parent		**5,797,609**	5,065,043
Non-controlling interests		**2,277,929**	2,317,827
		8,075,538	7,382,870

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**20,553,341**	17,767,235
Investment properties	14	**2,551,167**	2,057,400
Prepaid land lease payments	15	**1,278,066**	1,162,655
Exploration and evaluation assets	16	**437,762**	420,689
Mining rights	17	**717,680**	733,586
Intangible assets	18	**240,978**	34,486
Goodwill	19	**376,875**	126,929
Investments in jointly-controlled entities	21	**1,070,429**	755,823
Investments in associates	22	**15,238,649**	9,621,368
Held-to-maturity investments	23	**14,312**	79,220
Available-for-sale investments	24	**7,327,045**	2,943,458
Properties under development	25	**6,931,439**	5,089,455
Due from related companies	35	**413,793**	191,905
Loans receivable	26	**1,493,432**	220,000
Prepayments	27	**756,748**	616,313
Deferred tax assets	28	**1,005,809**	793,985
		60,407,525	42,614,507
Non-current asset held for sale	29	**148,049**	–
Total non-current assets		**60,555,574**	42,614,507
CURRENT ASSETS			
Cash and bank balances	30	**21,334,977**	15,947,571
Equity investments at fair value through profit or loss	31	**6,478,648**	4,922,253
Trade and notes receivables	32	**5,496,535**	4,768,991
Prepayments, deposits and other receivables	33	**3,990,536**	3,293,096
Inventories	34	**6,901,609**	5,583,671
Completed properties for sale		**2,014,437**	1,698,292
Properties under development	25	**9,856,198**	6,868,166
Loans receivable	26	**220,000**	–
Due from related companies	35	**1,526,292**	908,592
		57,819,232	43,990,632
Assets of a disposal group classified as held for sale	29	**–**	1,548,894
Total current assets		**57,819,232**	45,539,526

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	36	**22,026,769**	16,792,363
Loans from a related company	37	**26,678**	–
Trade and notes payables	38	**8,617,385**	6,861,967
Accrued liabilities and other payables	39	**12,860,400**	10,531,066
Tax payable		**2,531,045**	1,468,607
Finance lease payables	40	**40,116**	–
Derivative financial instruments	41	**84,566**	–
Due to the holding company	35	**1,092,250**	878,749
Due to related companies	35	**954,385**	345,423
		48,233,594	36,878,175
Liabilities directly associated with the assets classified as held for sale	29	**–**	997,393
Total current liabilities		**48,233,594**	37,875,568
NET CURRENT ASSETS		**9,585,638**	7,663,958
TOTAL ASSETS LESS CURRENT LIABILITIES		**70,141,212**	50,278,465
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	36	**21,795,074**	11,913,006
Loans from related companies	37	**86,887**	106,618
Finance lease payables	40	**164,178**	–
Deferred income	42	**144,876**	82,669
Other long term payables	43	**474,466**	561,921
Deferred tax liabilities	28	**2,476,645**	1,241,973
Total non-current liabilities		**25,142,126**	13,906,187
Net assets		**44,999,086**	36,372,278
EQUITY			
Equity attributable to owners of the parent			
Issued capital	44	**621,497**	621,497
Reserves	45	**28,322,703**	22,935,553
Proposed final dividend	11	**928,936**	927,270
		29,873,136	24,484,320
Non-controlling interests		**15,125,950**	11,887,958
Total equity		**44,999,086**	36,372,278

Guo Guangchang
Director

Ding Guoqi
Director

STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Office equipment	13	**–**	22
Investments in subsidiaries	20	**1,914,476**	1,920,386
Investment in an associate	22	**82,421**	82,421
Held-to-maturity investments	23	**–**	35,320
Total non-current assets		**1,996,897**	2,038,149
CURRENT ASSETS			
Cash and bank balances	30	**1,786,810**	2,458,576
Equity investments at fair value through profit or loss	31	**5,483,461**	4,106,493
Prepayments, deposits and other receivables	33	**836**	1,567
Due from subsidiaries	35	**10,887,527**	8,334,529
Total current assets		**18,158,634**	14,901,165
CURRENT LIABILITIES			
Interest-bearing bank loans	36	**562,930**	411,848
Accrued liabilities and other payables	39	**17,683**	1,489
Tax payable		**27,201**	1,282
Due to the holding company	35	**1,092,250**	878,749
Total current liabilities		**1,700,064**	1,293,368
NET CURRENT ASSETS		**16,458,570**	13,607,797
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,455,467**	15,645,946
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	36	**2,611,320**	70,438
Net assets		**15,844,147**	15,575,508
EQUITY			
Issued capital	44	**621,497**	621,497
Reserves	45	**14,293,714**	14,026,741
Proposed final dividend	11	**928,936**	927,270
Total equity		**15,844,147**	15,575,508

Guo Guangchang
Director

Ding Guoqi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

Group

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 44)	Share premium RMB'000	Other deficits RMB'000 (note 45(a))	Statutory surplus reserve RMB'000 (note 45(b))	Available-for-sale investments revaluation reserve RMB'000	Capital redemption reserve RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000 (note 11)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2009	621,497	11,785,713	(443,540)	2,025,450	147,275	1,465	5,494,898	(215,531)	453,051	19,870,278	10,172,809	30,043,087
Total comprehensive income for the year	–	–	–	–	566,841	–	4,646,679	(148,477)	–	5,065,043	2,317,827	7,382,870
Acquisition of subsidiaries (note 46(a))	–	–	–	–	–	–	–	–	–	–	4,550	4,550
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	166,281	166,281
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(607,356)	(607,356)
Final 2008 dividend declared	–	–	–	–	–	–	–	–	(453,051)	(453,051)	–	(453,051)
Proposed final dividends	–	–	–	–	–	–	(927,270)	–	927,270	–	–	–
Transfer from retained profits	–	–	–	198,439	–	–	(198,439)	–	–	–	–	–
Liquidation of a subsidiary	–	–	–	–	–	–	–	–	–	–	(18,795)	(18,795)
Disposal of partial interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	23,511	23,511
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	(182,742)	(182,742)
Equity-settled share-based payment	–	2,050	–	–	–	–	–	–	–	2,050	1,832	3,882
Compensation arising from LAT provision	–	–	–	–	–	–	–	–	–	–	10,041	10,041
At 31 December 2009	621,497	11,787,763*	(443,540)*	2,223,889*	714,116*	1,465*	9,015,868*	(364,008)*	927,270	24,484,320	11,887,958	36,372,278

* These reserves accounts comprise the consolidated reserve of RMB22,935,553,000(2008: RMB18,795,730,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

Group *(continued)*

	Attributable to owners of the parent												
	Issued capital RMB'000 (note 44)	Share premium RMB'000	Other deficits RMB'000 (note 45(a))	Statutory surplus reserve RMB'000 (note 45(b))	Available-for-sale investments revaluation reserve RMB'000	Capital redemption reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000 (note 11)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	621,497	11,787,763	(443,540)	2,223,889	714,116	1,465	-	9,015,868	(364,008)	927,270	24,484,320	11,887,958	36,372,278
Reversal of impairment loss arising from an available-for-sale investment becoming an associate (note 22)	-	-	-	-	-	-	-	134,223	-	-	134,223	56,003	190,226
As restated	621,497	11,787,763	(443,540)	2,223,889	714,116	1,465	-	9,150,091	(364,008)	927,270	24,618,543	11,943,961	36,562,504
Total comprehensive income for the year	-	-	-	-	1,718,598	-	-	4,227,092	(148,081)	-	5,797,609	2,277,929	8,075,538
Acquisition of subsidiaries (note 46(a))	-	-	-	-	-	-	-	-	-	-	-	441,549	441,549
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	1,603,309	1,603,309
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(562,071)	(562,071)
Final 2009 dividend declared	-	-	-	-	-	-	-	-	-	(927,270)	(927,270)	-	(927,270)
Proposed final dividend	-	-	-	-	-	-	-	(928,936)	-	928,936	-	-	-
Transfer from retained profits	-	-	-	166,648	-	-	-	(166,648)	-	-	-	-	-
Disposal of subsidiaries (note 46(b))	-	-	-	-	-	-	-	-	-	-	-	(75,006)	(75,006)
Liquidation of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(31,451)	(31,451)
Deemed disposal of partial interests in subsidiaries without losing control	-	-	-	-	-	-	171,683	-	-	-	171,683	(171,683)	-
Disposal of partial interests in a subsidiary without losing control	-	-	-	-	-	-	19,648	-	-	-	19,648	21,243	40,891
Deemed acquisition of additional interests in subsidiaries	-	-	-	-	-	-	285,278	-	-	-	285,278	(285,278)	-
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	(92,355)	-	-	-	(92,355)	(69,190)	(161,545)
Compensation arising from LAT provision	-	-	-	-	-	-	-	-	-	-	-	32,638	32,638
At 31 December 2010	621,497	11,787,763*	(443,540)*	2,390,537*	2,432,714*	1,465*	384,254*	12,281,599*	(512,089)*	928,936	29,873,136	15,125,950	44,999,086

* These reserves accounts comprise the consolidated reserve of RMB28,322,703,000(2009: RMB22,935,553,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**8,653,292**	8,175,525
Adjustments for:			
Depreciation of items of property, plant and equipment	8	**1,734,183**	1,806,875
Amortisation of prepaid land lease payments	15	**27,324**	20,947
Amortisation of intangible assets	18	**5,266**	9,826
Amortisation of mining rights	17	**89,743**	110,573
Provision for impairment of items of property, plant and equipment	13	**6,500**	1,043
Provision for impairment of available-for-sale investments	8	**723**	167,143
Provision for impairment of goodwill	8	**64,983**	3,179
Provision for impairment of intangible assets	18	**–**	1,094
Provision for impairment of mining rights	17	**–**	266,562
Net loss on disposal of items of property, plant and equipment	6,8	**32,228**	5,283
Gain on disposal of available-for-sale investments	8	**(95,890)**	(133,643)
Gain on disposal of equity investments at fair value through profit or loss	6	**(917,594)**	(42,379)
Net gain on disposal of subsidiaries	46(b)	**(964,164)**	(494)
Gain on disposal of associates	6	**(194,681)**	(640,145)
Net gain on disposal of non-current assets classified as held for sale	6,8	**–**	(16,985)
Gain on deemed acquisition of interests in a subsidiary	6	**–**	(26,446)
Gain on disposal of partial interest in associates	6	**–**	(27,096)
Loss on disposal of investment properties	8	**–**	790
Gain on deemed disposal of interests in associates	6	**(97,849)**	(2,605,609)
Equity-settled share-based payment expense	8	**–**	16,426
Provision/(reversal) for impairment of receivables	8	**12,655**	(539)
Provision for inventories	8	**39,720**	54,693
Reversal for impairment of properties under development	8	**–**	(19,168)
Interest expenses		**1,503,799**	1,081,131
Fair value adjustment on equity investments at fair value through profit or loss	6	**(912,920)**	(2,015,010)
Gain on acquisition of interests in subsidiaries	6	**–**	(4,057)
Gain on settlement of derivative financial instruments	6	**(30,475)**	–
Dividends from equity investments at fair value through profit or loss	6	**(5,951)**	(1,414)
Fair value gains on investment properties	14	**(264,578)**	(85,195)
Fair value loss on derivative financial instruments		**84,566**	–
Interest income	6	**(244,513)**	(159,312)
Dividends from available-for-sale investments	6	**(77,509)**	(109,835)
Provision for impairment of non-current assets held for sale	8	**81,298**	–
Share of profits and losses of associates		**(949,437)**	(962,563)
Subtotal carried forward		**7,580,719**	4,871,200

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)			
Subtotal brought forward		**7,580,719**	4,871,200
Share of profits and losses of jointly-controlled entities		**23,156**	(13,825)
Provision for indemnity of LAT	8	**32,638**	10,041
CASH INFLOW BEFORE WORKING CAPITAL CHANGES		**7,636,513**	4,867,416
(Increase)/decrease in properties under development		**(2,341,530)**	715,910
Increase in properties held for sale		**(271,358)**	(2,186,350)
Increase in investment property		**(67,490)**	–
Increase in trade and notes receivables		**(482,458)**	(2,331,358)
Increase in prepayments, deposits and other receivables		**(249,292)**	(1,288,374)
(Increase)/decrease in inventories		**(1,084,363)**	572,750
(Increase)/decrease in amounts due from related companies		**(839,588)**	144,361
Increase in trade and notes payables		**1,359,288**	1,960,632
Increase in accrued liabilities and other payables		**3,941,091**	3,532,274
Increase in deferred income		**62,207**	34,967
Decrease in other long term payables		**(87,455)**	(72,330)
Increase/(decrease) in amounts due to related companies		**548,962**	(117,552)
CASH INFLOW FROM OPERATIONS		**8,124,527**	5,832,346
Interest paid		**(425,452)**	(449,190)
Income tax paid		**(1,574,537)**	72,616
NET CASH FLOWS FROM OPERATING ACTIVITIES		**6,124,538**	5,455,772

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(4,456,524)**	(2,879,913)
Increase of prepaid land lease payments		**(41,868)**	(292,044)
Purchase of intangible assets		**(29,110)**	(27,531)
Purchase of held-to-maturity investments		**–**	(13,656)
Purchase of exploration and evaluation assets		**(73,837)**	(34,044)
Purchase of mining rights		**(17,073)**	–
Purchase of available-for-sale investments		**(2,249,311)**	(705,256)
Purchase of equity investments at fair value through profit or loss		**(2,614,383)**	(1,826,841)
Acquisition of additional interests in subsidiaries		**(992,054)**	(191,756)
Proceeds from disposal of equity investments at fair value through profit or loss		**2,715,155**	495,820
Proceeds from disposal of available-for-sale investments		**209,385**	297,446
Proceeds from disposal of investment properties		**–**	428,210
Proceeds from disposal of items of property, plant and equipment		**323,195**	87,485
Proceeds from disposal of intangible assets		**4,374**	10,951
Proceeds from disposal of held-to-maturity investments		**80,429**	280
Proceeds from disposal of subsidiaries	*46(b)*	**681,428**	2,841
Proceeds from disposal of associates		**845,188**	1,040,045
Proceeds from disposal of non-current assets classified as held for sale		**–**	407,394
Acquisition of subsidiaries	*46(a)*	**(988,442)**	(628,873)
Acquisition of associates		**(5,219,263)**	(719,872)
Acquisition of jointly-controlled entities		**(269,020)**	(110,515)
Liquidation of a subsidiary		**–**	(18,795)
Dividends received from available-for-sale investments	*6*	**77,509**	109,835
Dividends received from equity investments at fair value through profit or loss	*6*	**5,951**	1,414
Dividends received from associates		**295,078**	498,425
Shareholder loans provided to a jointly-controlled entity and an associate		**(1,493,432)**	–
Increase in pledged bank balances and time deposits with original maturity of more than three months		**(111,054)**	(2,284,011)
Prepayment for proposed acquisitions		**(275,901)**	(143,500)
Interest received	*6*	**244,513**	159,312
Proceeds from settlement of derivative financial instruments		**30,475**	–
Return of prepayment in respect of a proposed acquisition		**–**	44,880
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(13,318,592)**	(6,292,269)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Note	**2010 RMB'000**	2009 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sales and lease-back of machinery		**175,000**	–
Capital contribution from non-controlling shareholders of subsidiaries		**1,603,309**	166,281
New bank and other borrowings		**36,613,831**	30,678,521
Repayment of bank and other borrowings		**(22,803,659)**	(25,960,614)
Dividends paid to non-controlling shareholders of subsidiaries		**(502,071)**	(811,356)
Dividends paid		**(1,176,023)**	(143,121)
Interest paid		**(1,484,799)**	(1,075,851)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**12,425,588**	2,853,860
NET INCREASE IN CASH AND CASH EQUIVALENTS		**5,231,534**	2,017,363
Cash and cash equivalents at beginning of year		**11,595,058**	9,577,695
CASH AND CASH EQUIVALENTS AT END OF YEAR		**16,826,592**	11,595,058
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:			
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	*30*	**16,826,592**	11,550,240
Cash and pledged deposits attributable to assets of a disposal group classified as held for sale		**–**	44,818
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS		**16,826,592**	11,595,058

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

1. CORPORATE INFORMATION

Fosun International Limited (the "Company") was incorporated as a company with limited liability in Hong Kong on 24 December 2004 under the Hong Kong Companies Ordinance (Chapter 32).

The registered office of the Company is located at Room 808, ICBC Tower, 3 Garden Road, Central, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the manufacture and sale of pharmaceutical products, property development, the manufacture and sale of iron and steel products, mining and ore processing of various metals, and the management of investments.

The holding company and the ultimate holding company of the Company are Fosun Holdings Limited and Fosun International Holdings Ltd. which are incorporated in Hong Kong and the British Virgin Islands, respectively.

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 16 July 2007.

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and certain equity investments, which have been measured at fair value. Disposal groups and non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

2.1 BASIS OF PRESENTATION *(Continued)*

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests(formerly known as minority interests), prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 (Revised in December 2009), the adoption of the new and revised HKFRSs have had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

(a) *(Continued)*

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

  Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

  The Group has reassessed its leases in Mainland China, previously classified as operating leases, upon the adoption of the amendments. The classification of leases in Mainland China remained as operating leases.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2013

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting derecognition and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2013.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

Except as stated above, the Group expects that the adoption of the above new and revised HKFRSs is unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Business combinations from 1 January 2010 *(Continued)*

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Business combinations prior to 1 January 2010

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Impairment of non-financial assets

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties under development, completed properties held for sale, financial assets, deferred tax assets, investment properties, goodwill and non-current assets/assets of a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly, or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognised such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	15 to 40 years
Plant and machinery	8 to 15 years
Office equipment	5 years
Motor vehicles	5 years
Mining infrastructure	18 years
Leasehold improvements	The shorter of the lease terms or their useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery under construction or installation and testing which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction or installation and testing and capitalised borrowing costs on related borrowed funds during the period of construction or installation and testing. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties, deferred tax assets and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Trademark

Trademark with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of trademark is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Patents, licences and technical know-how

Purchased patents, licences and technical know-how are stated at cost less any impairment losses and are amortised on the straight-line basis over the respective estimated useful lives of not exceeding 10 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

Research and development costs

All research costs are charged to the consolidated income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses. Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure incurred prior to accruing legal rights to explore an area is written off as incurred. When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to mining rights and are amortised on the units of production ("UOP") method based on the proven and probable mineral reserves. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Mining rights include the cost of acquiring mining licences, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortised over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proven and probable reserves of the mines using the UOP method. Mining rights are written off to the consolidated income statement if the mining property is abandoned.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases, net of any incentives received from the lessor are charged to the consolidated income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivable, quoted and unquoted financial instruments and amounts due from related companies.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the other income and gains or other expenses in the consolidated income statement. These net fair value changes recognised do not include any dividends on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial investments or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the financial costs in the consolidated income statement. The loss arising from impairment is recognised in the consolidated income statement.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other expenses in the consolidated income statement. The loss arising from impairment is recognised in the consolidated financial statements in finance costs.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in other operating expenses and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the consolidated income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial investments whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Available-for-sale financial investments *(Continued)*

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. 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 assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expense in the consolidated income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is removed from other comprehensive income and recognised in the consolidated income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement – is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Initial recognition and measurement *(Continued)*

The Group's financial liabilities include trade and notes payables, other payables and accruals, an amount due to the holding company, amounts due to related companies, loans from related companies, derivative financial instruments and interest-bearing loans and other borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated income statement. The net fair value gain or loss recognised in the consolidated income statement does not include any interest charged on these financial liabilities.

Loans and other borrowings

After initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement *(Continued)*

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm’s length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts and commodity derivative contracts to hedge its foreign currency risk and commodity price risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work-in-progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads.

Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Properties under development

Properties under development are stated at cost which includes all development expenditures, including land costs, interest charges and other costs directly attributable to such properties.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle.

Properties under development are valued at the lower of cost and net realisable value at the end of reporting period and any excess of cost over net realisable value of individual item of properties under development is accounted for as a provision. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Completed properties for sale

Completed properties for sale are recognised in the consolidated statement of financial position at the lower of cost and the net realisable value. Net realisable value is estimated by the Directors based on the prevailing market conditions. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Any excess of cost over net realisable value of individual item of completed properties for sale is accounted for as a provision.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statement.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liabilities arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and jointly-controlled entities, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and jointly-controlled entities, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated income statement over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

(b) Sale of completed properties

Revenue from the sale of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

(c) Service fees

Property agency fees, property sales planning and advertising fees, construction supervisory fees and property management fees are recognised when the relevant services have been rendered and it is probable that economic benefits will flow to the Group and the relevant fees can be measured reliably.

(d) Rental income

Revenue is recognised on a time proportion basis over the lease terms.

(e) Interest income

Revenue is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset. and

(f) Dividend income

Revenue is recognised when the Group's right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits

The Group did not provide post employment benefits, other than (i) defined contribution pension schemes and (ii) other employee benefits to qualified former employees ("Qualified SOE Employees") and qualified retirees ("Qualified Retirees") of former state-owned enterprises, as set out below.

(i) Defined contribution pension schemes

The full-time employees of the Group, other than Qualified SOE Employees and Qualified Retirees of former state-owned enterprises ("Former SOEs") as set out below, are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred.

(ii) Other employee benefits to Qualified SOE Employees and Qualified Retirees

The Group took over Qualified SOE Employees and Qualified Retirees from the Former SOEs upon the Group's acquisition of the Former SOEs. A liability in respect of the retirement benefits of Qualified SOE Employees and Qualified Retirees was taken over by the Group from the former parent company of the Former SOEs upon taking up Qualified SOE Employees and Qualified Retirees. All the following retirement benefits are covered by the abovementioned liability taken over and the details of the retirement benefits are as follows:

Qualified SOE Employees

The Qualified SOE Employees consist of two different categories of employees:

(a) Qualified SOE Employees being made redundant by the Former SOEs before their statutory retirement age prior to the Group's acquisition of the Former SOEs.

The Former SOEs paid basic salary and social benefit funds on a monthly basis to these Qualified SOE Employees until they reach statutory retirement age as stipulated by the State Regulations. The Group is required to continue paying such monthly payments to these redundant Qualified SOE Employees until they reach statutory retirement age as stipulated by the State Regulations; and

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits *(Continued)*

(ii) Other employee benefits to Qualified SOE Employees and Qualified Retirees *(Continued)*

Qualified SOE Employees (Continued)

(b) Qualified SOE Employees not being made redundant by the Former SOEs before their statutory retirement age prior to the Group's acquisition of the Former SOEs and entering into new employment contracts with the Group upon acquisition of the Former SOEs by the Group.

The Former SOEs implemented early retirement plans for these Qualified SOE employees. The benefits of the early retirement plans of the Qualified SOE Employees were calculated based on factors including the number of years of qualified service with the Former SOEs, salary amount and other agreed terms for Qualified SOE Employees upon the Group's acquisition of the Former SOEs. The Group is required to pay these Qualified SOE Employees a redundancy payment if they opt for early retirement or are made redundant by the Group before their statutory retirement age as stipulated by State Regulations. These Qualified SOE Employees are not entitled to early retirement benefits upon reaching statutory retirement age.

Qualified Retirees

The Former SOEs also provided post retirement benefits to their employees who were not covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. Upon being acquired by the Group, the Former SOEs had certain Qualified Retirees to whom the Former SOEs had an obligation to pay a fixed amount on a monthly basis until their death, where the Group is required to continue paying such monthly payments to these Qualified Retirees. The post retirement benefits of Qualified Retirees were calculated based on the monthly pension multiplied by an estimated life expectancy of Qualified Retirees.

The Group recognises the liability taken over as a non-current liability at initial recognition, and subsequent payments of the retirement benefits to Qualified SOE Employees and Qualified Retirees are debited against the non-current liability. Payments are made by the Group to Qualified SOE Employees and Qualified Retirees, but the use of the fund is monitored and supervised jointly by the former parent company of the Former SOEs and the union. Except for the payment of the retirement benefits of the Qualified SOE Employees and the Qualified Retirees, the fund cannot be used for any other purpose including the transfer to the Group's income statement or reserve, without the joint approval from the former parent company of Former SOEs, the union and the Municipal Labour & Social Security Bureau.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Accommodation benefits

According to the relevant PRC rules and regulations, the PRC companies now comprising the Group and their employees are each required to make contributions which are in proportion to the salaries and wages of the employees to an accommodation fund administered by the government agencies in the PRC. There is no further obligation on the part of the Group except for such contributions to the accommodation fund. Contributions to an accommodation fund administrated by government agency are charged to the consolidated income statement as and when they incurred.

Mandatory Provident Fund retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all employees of the companies in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed to the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the costs of those assets. The capitalisation of such borrowing costs cease when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation

The functional currency of the Company and its subsidiaries incorporated outside Mainland China is Hong Kong dollars ("HKD"). The functional currency of the PRC subsidiaries is RMB. The financial statements are presented in RMB, which is the Group's presentation currency.

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the consolidated income statement. Non-monetary items that are measured in items of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of the Company and its subsidiaries incorporated outside Mainland China is currency other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates ruling at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequent recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) Operating lease commitments – the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

(ii) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion held for use in the production or supply of goods or services or for administrative purposes.

If an item of any property under development becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in consolidated income statement under HKAS 40.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(iii) Deferred tax liabilities

Deferred tax liabilities are recognised for withholding corporate income taxes relating to the unremitted earnings of the Group's subsidiaries established in Mainland China that are subject to withholding taxes. Significant management judgement is required to determine the amount of deferred tax liabilities, based upon the likely distribution level of such earnings from these subsidiaries in the foreseeable future. The carrying value of deferred tax liabilities arising from the withholding tax associated with the investments in subsidiaries in Mainland China for the year ended 31 December 2010 was RMB60,891,000 (2009: RMB63,821,000). Further details are contained in note 28 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2010 was RMB376,875,000 (2009: RMB126,929,000). Further details are given in note 19.

(ii) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. For the year ended 31 December 2010, impairment losses in the amount of RMB87,798,000 (2009: RMB268,699,000) have been recognised as set out in note 8 to the financial statements.

(iii) Impairment of available-for-sale financial investments

The Group classifies certain investments as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the consolidated income statement. For the year ended 31 December 2010, impairment losses in the amount of RMB723,000 (2009: RMB167,143,000) have been recognised for available-for-sale financial assets. As at 31 December 2010, the carrying amount of available-for-sale assets was RMB7,327,045,000 (2009: RMB2,943,458,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(iv) Estimation of fair value of investment properties

As described in note 14 to the financial statements, investment properties were revalued on 31 December 2010 on an open market value existing use basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of reporting period.

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31 December 2010 was RMB2,551,167,000 (2009: RMB2,057,400,000).

(v) Provision for bad debts of loans and receivables

The Group reviews the recoverability and ageing of loans and advances and provides impairment losses if the balances are not fully recoverable. The assessments involve estimation of the recoverability of these balances. Any change in the key sources of estimations would affect the carrying amount of the loans and advances, and provision expenses in the period in which such estimate has been changed.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(vi) Estimation of rehabilitation cost provision

Provisions for the Group's obligations for land rehabilitation are based on estimates of required expenditure at the mines in accordance with PRC rules and regulations. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation.

Estimates used in the provision of rehabilitation cost are subjective in nature and involve uncertainties and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

(vii) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(viii) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(ix) Net realisable value of inventories, property under development and completed properties for sale

Net realisable value of inventories, property under development and completed properties for sale is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of each reporting period.

4. PARTICULARS OF PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES

Particulars of the principal companies comprising the Group, associates and jointly-controlled entities at 31 December 2010 are set out below:

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Subsidiaries						
上海復星高科技(集團)有限公司 (Shanghai Fosun High Technology (Group) Co., Ltd.)	PRC 21 November 1994	880,000	100.0%	–	100.0%	Investment holding
上海復星工業技術發展有限公司 (Shanghai Fosun Industrial Technology Development Co., Ltd.)	PRC 4 August 2003	1,200,000	–	100.0%	100.0%	Investment holding
上海復星產業投資有限公司 (Shanghai Fosun Industrial Investment Co., Ltd.)	PRC 22 November 2001	600,000	–	100.0%	100.0%	Investment holding
Steel segment						
南京鋼鐵聯合有限公司 (Nanjing Iron & Steel United Co., Ltd.)	PRC 24 March 2003	900,000	–	60.0%	60.0%	Manufacture and sale of iron and steel products
南京南鋼產業發展有限公司 (Nanjing Iron & Steel Industry Development Co., Ltd.)	PRC 27 September 2009	1,850,000	–	83.8%	50.3%	Manufacture and sale of iron and steel products
南京南鋼鋼鐵聯合有限公司 (Nanjing Nangang Iron & Steel United Co., Ltd.)	PRC 20 May 2009	3,000,000	–	60.0%	60.0%	Manufacture and sale of iron and steel products
南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.)	PRC 18 March 1999	3,875,752	–	83.8%	50.3%	Manufacture and sale of iron and steel products

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

4. PARTICULARS OF PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES *(Continued)*

Particulars of the principal companies comprising the Group, associates and jointly-controlled entities at 31 December 2010 are set out below: *(Continued)*

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Steel segment (Continued)						
南京鋼鐵有限公司 (Nanjing Iron & Steel Limited)	PRC 28 June 2001	1,279,637	–	100.0%	50.3%	Manufacture and sale of iron and steel products
南京金騰鋼鐵有限公司 (Nanjing Jinteng Iron & Steel Co., Ltd.)	PRC 22 February 1993	67,484	–	100.0%	50.3%	Manufacture and sale of iron and steel products
香港金騰國際有限公司 (Hong Kong Jinteng International Company Limited)	HK 20 June 2005	HKD20,000,000	–	100.0%	50.3%	International trading
南京鋼鐵集團國際經濟貿易有限公司 (Nanjing Iron & Steel Group International Trading Co., Ltd.)	PRC 15 April 1998	100,000	–	100.0%	50.3%	International trading
Pharmaceuticals and healthcare segment						
上海復星醫藥(集團)股份有限公司 * (Shanghai Fosun Pharmaceutical (Group) Co., Ltd.)	PRC 13 July 1998	1,904,392	–	48.1%	48.1%	Manufacture and sale of pharmaceutical products
上海復星醫藥產業發展有限公司 (Shanghai Fosun Pharmaceuticals Industrial Development Co., Ltd.)	PRC 27 November 2001	92,250	–	100.0%	48.1%	Investment holding
上海復星醫藥投資有限公司 (Shanghai Fosun Pharmacy Investment Co., Ltd.)	PRC 1 September 2000	689,600	–	100.0%	48.1%	Investment holding
上海復星化工醫藥投資有限公司 (Shanghai Fosun Chemical Pharmacy Investment Co., Ltd.)	PRC 23 November 2003	75,000	–	96.0%	46.2%	Investment holding

4. PARTICULARS OF PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES *(Continued)*

Particulars of the principal companies comprising the Group, associates and jointly-controlled entities at 31 December 2010 are set out below: *(Continued)*

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company Direct	Indirect	Effective	Principal activities
Property segment						
復地(集團)股份有限公司 (Shanghai Forte Land Co., Ltd.)	PRC 13 August 1998	505,861	12.9%	57.7%	70.6%	Property development
上海復地投資管理有限公司 (Shanghai Forte Investment Co., Ltd.)	PRC 21 July 2006	80,000	–	100%	70.6%	Investment holding
上海柏斯置業有限公司 (Shanghai Perth Property Co., Ltd.)	PRC 14 November 2002	50,000	–	100%	70.6%	Property development
北京西單佳慧房地產開發有限公司 (Beijing Xidan Jiahui Property Development Co., Ltd.)	PRC 27 August 2002	41,379	–	100%	70.6%	Property development
浙江復地房地產開發有限公司 (Zhejiang Forte Property Development Co., Ltd.)	PRC 20 November 2006	440,000	–	75%	53.0%	Property development
Mining segment						
海南礦業股份有限公司 (Hainan Mining Co., Ltd.)	PRC 1 September 2007	1,500,000	–	60.0%	60.0%	Mining and ore processing
安徽金安礦業有限公司 (Anhui Jin'an Mining Co., Ltd.)	PRC 24 July 2006	100,000	–	100.0%	50.3%	Mining and ore processing
Associates						
國藥產業投資有限公司 (Sinopharm Industrial Investment Co., Ltd.)	PRC 6 May 2008	700,000	–	49.0%	23.6%	Sale of pharmaceutical products

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

4. PARTICULARS OF PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES *(Continued)*

Particulars of the principal companies comprising the Group, associates and jointly-controlled entities at 31 December 2010 are set out below: *(Continued)*

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company Direct	Indirect	Effective	Principal activities
Associates (Continued)						
上海豫園旅遊商城股份有限公司@ (Shanghai Yuyuan Tourist Mart Co., Ltd.)	PRC 13 May 1992	798,512	–	17.3%	17.3%	Retail
天津建龍鋼鐵實業有限公司 (Tianjin Jianlong Iron & Steel Industrial Co., Ltd.)	PRC 14 September 2010	1,000,000	–	26.7%	26.7%	Manufacture and sale of iron and steel products
上海海之門房地產投資管理有限公司 (Shanghai Haizhimen Property Investment and Management Co., Ltd.)	PRC 26 April 2010	1,000,000	–	50.0%	50.0%	Property investment and management
上海証大房地產有限公司@ (Shanghai Zendai Property Limited)	Bermuda 28 July 2004	HKD208,188,000	–	19.5%	13.8%	Property investment and management
北京華夏建龍礦業科技有限公司@ (Beijing Huaxia Jianlong Mining Technology Co., Ltd.)	PRC 19 September 2003	108,750	–	18.4%	18.4%	Mining and refining of steel ores
Jointly-controlled entities						
無錫復地房地產開發有限公司 (Wuxi Forte Real Estate Development Co., Ltd.)	PRC 28 September 2004	195,000	–	50.0%	35.3%	Property development
陝西省建秦房地產開發有限公司 (Shaanxi Jianqin Real Estate Development Co., Ltd.)	PRC 22 September 1992	130,000	–	50.0%	35.3%	Property development

The English names of the above subsidiaries, associates and jointly-controlled entities are directly translated from their Chinese names.

4. PARTICULARS OF PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES *(Continued)*

The above table lists the subsidiaries, associates and jointly-controlled entities of the Group which, in the opinion of the Directors of the Company, principally affected the results of the Group for the year ended 31 December 2010 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries, associates and jointly-controlled entities would, in the opinion of the Directors of the Company, result in particulars of excessive length.

Notes:

* Shanghai Fosun Pharmaceutical (Group) Co., Ltd ("Fosun Pharma") continues to be accounted for as a subsidiary by virtue of the Group's control over the board of directors as well as the operating and financial policies of this company, despite the fact that the Group's equity interest in this company was diluted to 48.1% in the year ended 31 December 2010.

@ The Group's investments in these associates are accounted for under the equity method of accounting because the Group has significant influence over these entities by way of representation on the board of directors and participation in the policy-making process, despite the fact that the Group's equity interest in these associates were lower than 20% for the year ended 31 December 2010.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

(i) the pharmaceuticals and healthcare segment engages in the research and development, manufacturing, sale and trading of pharmaceutical products;

(ii) the property segment engages in the development and sale of properties in the PRC;

(iii) the steel segment engages in the manufacturing, sale and trading of iron and steel products;

(iv) the mining segment engages in the mining and ore processing of various metals; and

(v) the "others" segment comprises, principally, the management of investments in retail and services industries, and other investments.

Management monitors the results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss after tax. The adjusted profit or loss after tax is measured consistently with the Group's profit or loss after tax except that head office and corporate expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2010

	Pharmaceuticals and healthcare RMB'000	Property RMB'000	Steel RMB'000	Mining RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	4,459,332	8,846,689	29,652,180	1,685,501	–	–	44,643,702
Inter-segment sales	–	–	–	1,494,670	–	(1,494,670)	–
Other income and gains	576,293	1,318,021	307,938	92,402	1,843,826	(157,678)	3,980,802
Total	5,035,625	10,164,710	29,960,118	3,272,573	1,843,826	(1,652,348)	48,624,504
Segment results	544,033	3,810,568	1,326,120	1,767,374	1,674,503	27,199	9,149,797
Interest and dividend income	31,553	51,402	150,799	36,788	125,900	(72,370)	324,072
Unallocated expenses							(174,758)
Finance costs	(162,684)	(302,581)	(775,457)	(32,839)	(298,539)	–	(1,572,100)
Share of profits and losses of							
– Jointly-controlled entities	1,406	(25,775)	1,213	–	–	–	(23,156)
– Associates	553,358	94,519	94,131	75,575	131,854	–	949,437
Profit before tax	967,666	3,628,133	796,806	1,846,898	1,633,718	(45,171)	8,653,292
Tax	(201,607)	(1,724,686)	(115,135)	(350,237)	(134,130)	19,205	(2,506,590)
Profit for the year	766,059	1,903,447	681,671	1,496,661	1,499,588	(25,966)	6,146,702
Segment and total assets	16,763,998	33,520,467	37,480,983	9,626,350	23,386,903	(2,403,895)	118,374,806
Segment and total liabilities	7,426,886	24,704,246	26,953,370	1,733,971	14,740,938	(2,183,691)	73,375,720
Other segment information:							
Depreciation and amortisation	154,423	26,369	1,437,022	230,555	8,147	–	1,856,516
Impairment loss for non-current assets	81,298	71,483	–	723	–	–	153,504
Provision for impairment of current assets	19,244	–	10,009	23,122	–	–	52,375
Research and development costs	119,861	–	79,026	314	–	–	199,201
Fair value gain on fair value adjustments of investment properties	–	(264,578)	–	–	–	–	(264,578)
Fair value gain on equity investments at fair value through profit or loss	(46,213)	–	–	–	(866,707)	–	(912,920)
Investments in jointly-controlled entities	2,143	1,009,073	59,213	–	–	–	1,070,429
Investments in associates	6,057,859	1,780,355	1,900,372	962,511	4,537,552	–	15,238,649
Capital expenditure*	430,946	124,706	3,873,577	322,674	40,043	–	4,791,946

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2009

	Pharmaceuticals and healthcare RMB'000	Property RMB'000	Steel RMB'000	Mining RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	3,775,859	5,184,804	24,611,399	1,283,756	–	–	34,855,818
Inter-segment sales	–	–	–	684,197	–	(684,197)	–
Other income and gains	2,852,484	149,440	833,382	150,102	2,257,496	(21,080)	6,221,824
Total	6,628,343	5,334,244	25,444,781	2,118,055	2,257,496	(705,277)	41,077,642
Segment results	2,879,262	1,119,066	1,690,984	477,131	2,004,773	(21,455)	8,149,761
Interest and dividend income	18,299	8,519	147,607	9,555	201,299	(114,718)	270,561
Unallocated expenses							(112,850)
Finance costs	(142,411)	(76,302)	(699,082)	(44,356)	(146,184)	–	(1,108,335)
Share of profits and losses of							
– Jointly-controlled entities	(1,034)	14,859	–	–	–	–	13,825
– Associates	442,221	(5,433)	432,647	(16,385)	109,513	–	962,563
Profit before tax	3,196,337	1,060,709	1,572,156	425,945	2,169,401	(136,173)	8,175,525
Tax	(700,396)	(451,854)	(46,635)	(66,375)	(97,258)	5,364	(1,357,154)
Profit for the year	2,495,941	608,855	1,525,521	359,570	2,072,143	(130,809)	6,818,371
Segment and total assets	10,955,208	27,456,713	31,911,222	5,679,933	16,945,982	(4,795,025)	88,154,033
Segment and total liabilities	4,573,118	20,950,998	22,146,578	1,636,269	6,944,735	(4,469,943)	51,781,755
Other segment information:							
Depreciation and amortisation	139,845	24,945	1,418,105	357,593	7,733	–	1,948,221
Impairment loss for non-current assets	53,257	3,179	–	266,562	116,023	–	439,021
Provision/(reversal) for impairment of current assets	95	(19,168)	41,845	12,214	–	–	34,986
Research and development costs	72,542	–	87,422	3,950	–	–	163,914
Fair value gain on fair value adjustments of investment properties	–	(85,195)	–	–	–	–	(85,195)
Fair value gain on equity investments at fair value through profit or loss	(6,029)	–	(3,997)	–	(2,004,984)	–	(2,015,010)
Investments in jointly-controlled entities	8,086	689,737	58,000	–	–	–	755,823
Investments in associates	5,690,233	598,892	1,693,961	587,285	1,050,997	–	9,621,368
Capital expenditure*	300,901	99,605	2,858,838	350,740	9,394	–	3,619,478

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, exploration and evaluation assets, mining rights and intangible assets.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

5. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2010 RMB'000	2009 RMB'000
Mainland China	**44,015,731**	34,182,605
Hong Kong	**–**	160
Other countries	**627,971**	673,053
	44,643,702	34,855,818

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2010 RMB'000	2009 RMB'000
Mainland China	**49,186,718**	38,304,622
Hong Kong	**1,114,465**	81,317
	50,301,183	38,385,939

The non-current assets information above is based on the location of assets and excludes financial instruments and deferred tax assets.

Information about a major customer

No revenue amounting to 10% or more of the Group's revenue was derived from sales to a single customer for the years ended 31 December 2010 and 2009.

6. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods or properties sold after allowances for returns, trade discounts and various types of government surcharges, where applicable. In addition, it includes gross rental income received and receivable from investment properties during the year.

An analysis of revenue, other income and gains is as follows:

	2010 **RMB'000**	2009 RMB'000
Revenue		
Sale of goods:		
Pharmaceutical products	**4,455,640**	3,760,378
Properties	**8,912,367**	5,286,497
Iron and steel products	**29,712,287**	24,707,403
Iron concentrates	**1,809,771**	1,383,494
	44,890,065	35,137,772
Rendering of services:		
Property agency	**234,826**	86,209
Property management	**53,162**	38,645
Rental	**153,762**	26,529
Construction supervisory	**4,071**	12,884
Property sales planning and advertising	**1,140**	6,998
Others	**39,877**	45,535
	486,838	216,800
Subtotal	**45,376,903**	35,354,572
Less: Government surcharges	**(733,201)**	(498,754)
	44,643,702	34,855,818

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

6. REVENUE, OTHER INCOME AND GAINS *(Continued)*

	2010 **RMB'000**	2009 RMB'000
Other income		
Interest income	**244,513**	159,312
Dividends from available-for-sale investments	**77,509**	109,835
Dividends from equity investments at fair value through profit or loss	**5,951**	1,414
Gross rental income	**46,755**	43,960
Sale of scrap materials	**16,545**	69,994
Government grants	**111,414**	128,189
Consultancy and other service income	**117,444**	138,248
Exchange gains, net	**116,529**	144,437
Others	**83,435**	88,908
	820,095	884,297
Gains		
Gain on disposal of subsidiaries (note 46(b))	**964,164**	494
Gain on disposal of associates	**194,681**	640,145
Gain on disposal of partial interests in associates	**–**	27,096
Gain on deemed disposal of interests in associates	**97,849**	2,605,609
Gain on disposal of items of property, plant and equipment	**6,628**	7,390
Gain on disposal of available-for-sale investments	**95,890**	135,863
Gain on disposal of equity investments at fair value through profit or loss	**917,594**	42,379
Gain on disposal of non-current assets classified as held for sale	**–**	18,404
Gain on deemed acquisition of interest in a subsidiary	**–**	26,446
Gain on acquisition of interests in subsidiaries	**–**	4,057
Gain on fair value adjustment of investment properties (note 14)	**264,578**	85,195
Gain on fair value adjustment of equity investments at fair value through profit or loss	**912,920**	2,015,010
Gain on settlement of derivative financial instruments (note 41)	**30,475**	–
	3,484,779	5,608,088
Other income and gains	**4,304,874**	6,492,385
Total revenue, other income and gains	**48,948,576**	41,348,203

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2010 **RMB'000**	2009 RMB'000
Interest on bank and other borrowings wholly repayable within five years	**1,821,138**	1,462,897
Interest on bank and other borrowings not wholly repayable within five years	**67,739**	11,132
Incremental interest on other long term payables (note 43)	**22,891**	26,949
	1,911,768	1,500,978
Less: Interest capitalised, in respect of bank and other borrowings (notes 13 and 25)	**(445,859)**	(452,140)
Interest expenses, net	**1,465,909**	1,048,838
Interest on discounted bills	**37,890**	32,293
Interest on finance leases	**894**	–
Bank charges and other financial costs	**67,407**	27,204
Total finance costs	**1,572,100**	1,108,335

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2010 **RMB'000**	2009 RMB'000
Cost of sales	**35,277,157**	29,161,430
Staff costs (including Directors' emoluments as set out in note 9):		
Wages and salaries	**1,864,740**	1,526,406
Accommodation benefits:		
Defined contribution fund	**111,505**	81,022
Retirement costs:		
Defined contribution fund	**342,937**	276,866
Total staff costs	**2,319,182**	1,884,294

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

8. PROFIT BEFORE TAX *(Continued)*

The Group's profit before tax is arrived at after charging/(crediting) *(Continued)*:

	2010 **RMB'000**	2009 RMB'000
Research and development costs	**199,201**	163,914
Auditors' remuneration	**14,500**	14,480
Depreciation of items of property, plant and equipment (note 13)	**1,734,183**	1,806,875
Amortisation of prepaid land lease payments (note 15)	**27,324**	20,947
Amortisation of mining rights (note 17)	**89,743**	110,573
Amortisation of intangible assets (note 18)	**5,266**	9,826
Provision/(reversal) for impairment of receivables	**12,655**	(539)
Provision for inventories	**39,720**	54,693
Reversal for impairment of properties under development	**–**	(19,168)
Provision for impairment of items of property, plant and equipment (note 13)	**6,500**	1,043
Provision for impairment of mining rights (note 17)	**–**	266,562
Provision for impairment of intangible assets (note 18)	**–**	1,094
Provision for impairment of available-for-sale investments	**723**	167,143
Provision for impairment of goodwill	**64,983**	3,179
Provision for impairment of non-current assets held for sale (note 29)	**81,298**	–
Operating lease rentals	**63,590**	58,928
Loss on disposal of an investment property	**–**	790
Loss on disposal of available-for-sale investments	**–**	2,220
Loss on disposal of non-current assets classified as held for sale	**–**	1,419
Loss on disposal of items of property, plant and equipment	**38,856**	12,673
Loss of fair value change on derivative financial instruments	**84,566**	–
Provision for indemnity of LAT (note 10)	**32,638**	10,041
Share-based payment expense	**–**	16,426

9. DIRECTORS' EMOLUMENTS

Directors' remuneration for the year, disclosed pursuant to Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2010 **RMB'000**	2009 RMB'000
Fees	**3,416**	2,658
Salaries, allowances and benefits in kind	**16,054**	9,871
Pension scheme contributions	**448**	252
	19,918	12,781

There were no emoluments paid by the Group to the Directors, as bonus, as an inducement to join the Group, or upon joining the Group, or as compensation for loss of office during the year.

(a) Independent non-executive Directors

The fees paid to independent non-executive Directors during the year were as follows:

	2010 **RMB'000**	2009 RMB'000
Andrew Y. Yan	**348**	353
Chen Kaixian	**400**	400
Zhang Shengman	**348**	353
	1,096	1,106

There were no other emoluments payable to the independent non-executive Directors during the year (2009: Nil).

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

9. DIRECTORS' EMOLUMENTS *(Continued)*

(b) Executive Directors and a non-executive Director

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2010				
Executive Directors:				
Guo Guangchang	300	2,482	64	2,846
Liang Xinjun	300	2,482	64	2,846
Wang Qunbin	300	2,482	64	2,846
Fan Wei	300	2,482	64	2,846
Ding Guoqi	240	2,042	64	2,346
Qin Xuetang	240	2,042	64	2,346
Wu Ping	240	2,042	64	2,346
	1,920	16,054	448	18,422
Non-executive Director:				
Liu Benren	400	–	–	400
	2,320	16,054	448	18,822

9. DIRECTORS' EMOLUMENTS *(Continued)*

(b) Executive Directors and a non-executive Director *(Continued)*

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2009				
Executive Directors:				
Guo Guangchang	180	1,549	36	1,765
Liang Xinjun	180	1,549	36	1,765
Wang Qunbin	180	1,549	36	1,765
Fan Wei	180	1,549	36	1,765
Ding Guoqi	144	1,225	36	1,405
Qin Xuetang	144	1,225	36	1,405
Wu Ping	144	1,225	36	1,405
	1,152	9,871	252	11,275
Non-executive Director:				
Liu Benren	400	–	–	400
	1,552	9,871	252	11,675

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

(c) Five highest paid employees

The five highest paid employees of the Group include five Directors for the years ended 31 December 2009 and 2010. Information relating to their emoluments is disclosed above.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

10. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The provision for Mainland China current income tax is based on a statutory rate of 25% (2009: 25%) of the assessable profit of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, which are exempted or taxed at preferential rates of 15% to 22%.

The major components of tax expenses for the years ended 31 December 2010 and 2009 are as follows:

	2010 **RMB'000**	2009 RMB'000
Group:		
Current – Hong Kong	**47,808**	14,829
Current – Mainland China		
– Income tax in Mainland China for the year	**1,570,876**	719,098
– LAT in Mainland China for the year	**708,366**	205,422
Deferred tax (note 28)	**179,540**	417,805
Tax expenses for the year	**2,506,590**	1,357,154

10. TAX *(Continued)*

A reconciliation between the tax expense and the product of profit before tax excluding share of profits and losses of associates and jointly-controlled entities multiplied by the applicable statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled is as follows:

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
2010 Group			
Profit before tax excluding share of profits and losses of jointly-controlled entities and associates	1,982,909	5,744,102	7,727,011
Tax at applicable tax rate	327,180	1,436,025	1,763,205
Lower tax rate for specific entities	–	(180,606)	(180,606)
Tax effect of:			
Income not subject to tax	(274,413)	(11,849)	(286,262)
Expenses not deductible for tax	2,543	162,661	165,204
Tax losses not recognised	–	232,588	232,588
Tax losses utilised	(6,234)	(55,051)	(61,285)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries (note 28)	–	60,891	60,891
(Over)/under provision in prior years	(1,268)	35,567	34,299
Tax incentives on eligible expenditures	–	(4,136)	(4,136)
Subtotal	47,808	1,676,090	1,723,898
Additional LAT provision for the year	–	443,540	443,540
Prepaid LAT for the year	–	264,826	264,826
Deferred tax effect of additional LAT provision (note 28)	–	(110,885)	(110,885)
Tax effect of prepaid LAT	–	(66,207)	(66,207)
Tax effect of LAT indemnity (note 28)	–	36,954	36,954
Deferred LAT (note 28)	–	214,464	214,464
Tax expenses	47,808	2,458,782	2,506,590

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

10. TAX *(Continued)*

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
2009 Group			
Profit before tax excluding share of profits and losses of jointly-controlled entities and associates	2,125,430	5,073,707	7,199,137
Tax at applicable tax rate	350,696	1,268,427	1,619,123
Lower tax rate for specific entities	–	(78,415)	(78,415)
Tax effect of:			
Income not subject to tax	(335,479)	(194,819)	(530,298)
Expenses not deductible for tax	5,337	44,594	49,931
Tax losses not recognised	–	101,850	101,850
Tax losses utilised	(6,304)	(42,109)	(48,413)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries (note 28)	–	63,821	63,821
Under provision in prior years	579	20,325	20,904
Tax incentives on eligible expenditures	–	(5,171)	(5,171)
Subtotal	14,829	1,178,503	1,193,332
Additional LAT provision for the year	–	112,768	112,768
Prepaid LAT for the year	–	92,654	92,654
Deferred tax effect of additional LAT provision (note 28)	–	(28,192)	(28,192)
Tax effect of prepaid LAT	–	(23,163)	(23,163)
Tax effect of LAT indemnity (note 28)	–	9,755	9,755
Tax expenses	14,829	1,342,325	1,357,154

10. TAX *(Continued)*

According to the tax notices issued by the relevant local tax authorities, the Group commenced to pay LAT at rates ranging from 0.5% to 5% on proceeds from the sale and pre-sale of properties from 2004. Prior to 2007, except for this amount paid to the local tax authorities, no further provision for LAT had been made. The Directors considered that the relevant tax authorities would be unlikely to impose additional LAT levies other than the amount already paid based on the relevant percentages of the proceeds from the sale and pre-sale of the Group's properties.

For the year ended 31 December 2010, based on the latest understanding of the LAT regulations from the tax authorities, the Group made an additional LAT provision in the amount of RMB443,540,000 (2009: RMB112,768,000) in respect of the properties sold in 2010 in accordance with the requirements set forth in the relevant PRC tax laws and regulations.

In 2004, Shanghai Fosun High Technology (Group) Co., Ltd. ("Fosun Group") and Shanghai Forte Land Co., Ltd. ("Forte") entered into a deed of tax indemnity whereby Fosun Group has undertaken to indemnify Forte in respect of the LAT payable attributable to Forte and its subsidiaries ("Forte Group") in excess of the prepaid LAT based on 0.5% to 5% of sales proceeds, after netting off potential income tax savings, in consequence of the disposal of the properties owned by Forte Group as at 30 November 2003. As at 31 December 2010, the LAT indemnity to Forte Group, after netting off potential income tax savings, amounted to RMB246,279,000 (2009: RMB98,462,000) and the deferred tax liability amounted to RMB109,270,000 (2009: RMB72,316,000) as set out in note 28 to the financial statements. The Group's share of losses arising from the LAT indemnity amounted to RMB32,638,000 (2009: RMB10,041,000) as set out in note 8 to the financial statements.

11. DIVIDENDS

	2010 **RMB'000**	2009 RMB'000
Proposed final – HKD0.17 (2009: HKD0.164) per ordinary share	**928,936**	927,270

The proposed final dividend of HKD0.164 per ordinary share for the year ended 31 December 2009 was declared payable and approved by the shareholders at the annual general meeting of the Company on 22 June 2010.

On 28 March 2011, the board of directors of the Company resolved to propose a final dividend for the year ended 31 December 2010 of HKD0.17 per ordinary share, subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

12. EARNINGS PER SHARE

Earnings per share attributable to owners of the parent are as follows:

	Year ended 31 December	
	2010	2009
Profit attributable to owners of the parent (RMB thousands)	**4,227,092**	4,646,679
Weighted average number of ordinary shares in issue (thousands)	**6,421,595**	6,421,595
Earnings per share basic and diluted (RMB)	**0.66**	0.72

The calculation of basic earnings per share amounts is based on the profit for the year attributable to owners of the parent, and the weighted average number of shares of 6,421,595,000 (2009: 6,421,595,000) in issue during the year.

Diluted earnings per share amount is equal to basic earnings per share amount for the years ended 31 December 2010 and 2009, as no diluting events existed during these years.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:								
At 1 January 2009	7,456,611	11,968,413	251,013	318,756	5,669	293,340	1,716,881	22,010,683
Additions	71,909	242,246	43,639	19,224	1,338	–	2,887,503	3,265,859
Transferred from construction in progress	1,070,177	886,829	28,735	175	–	132,572	(2,118,488)	–
Acquisition of subsidiaries (note 46(a))	–	620	280	–	(74)	–	27,379	28,205
Disposal of subsidiaries (note 46(b))	(467)	(259)	(42)	(157)	–	–	–	(925)
Disposals	(61,592)	(133,002)	(10,030)	(13,456)	(4,868)	–	(18,391)	(241,339)
Assets included in assets of a disposal group classified as held for sale	–	–	(4,610)	(946)	–	–	–	(5,556)
At 31 December 2009 and 1 January 2010	8,536,638	12,964,847	308,985	323,596	2,065	425,912	2,494,884	25,056,927
Additions	63,808	412,152	18,605	43,627	4,224	59	4,088,160	4,630,635
Transferred from construction in progress	1,649,962	2,729,218	19,841	354	–	–	(4,399,375)	–
Acquisition of subsidiaries (note 46(a))	181,115	35,770	21,643	3,726	969	–	10,499	253,722
Disposal of subsidiaries (note 46(b))	(2,280)	(3,326)	–	(5,231)	–	–	–	(10,837)
Disposals	(120,756)	(438,941)	(16,313)	(7,794)	–	(34)	(486)	(584,324)
At 31 December 2010	10,308,487	15,699,720	352,761	358,278	7,258	425,937	2,193,682	29,346,123
Accumulated depreciation:								
At 1 January 2009	1,249,171	4,015,283	99,641	109,658	3,011	15,233	–	5,491,997
Charge for the year	429,488	1,166,452	62,870	41,984	165	105,916	–	1,806,875
Disposal of subsidiaries (note 46(b))	(467)	(211)	(42)	(23)	–	–	–	(743)
Disposals	(27,088)	(95,643)	(7,208)	(10,673)	(2,375)	–	–	(142,987)
Assets included in assets of a disposal group classified as held for sale	–	–	(467)	(551)	–	–	–	(1,018)
At 31 December 2009 and 1 January 2010	1,651,104	5,085,881	154,794	140,395	801	121,149	–	7,154,124

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation: *(Continued)*								
At 31 December 2009 and 1 January 2010	1,651,104	5,085,881	154,794	140,395	801	121,149	–	7,154,124
Charge for the year	462,244	1,171,163	52,957	34,154	267	13,398	–	1,734,183
Disposal of subsidiaries (note 46(b))	(2,280)	(3,132)	–	(3,280)	–	–	–	(8,692)
Disposals	(29,372)	(181,820)	(12,194)	(5,462)	–	(16)	–	(228,864)
At 31 December 2010	2,081,696	6,072,092	195,557	165,807	1,068	134,531	–	8,650,751
Impairment loss:								
At 1 January 2009	61,711	37,453	262	345	–	–	40,338	140,109
Charge for the year	823	205	15	–	–	–	–	1,043
Transferred from construction in progress	–	40,263	–	–	–	–	(40,263)	–
Disposals	(1,526)	(3,909)	(139)	(10)	–	–	–	(5,584)
At 31 December 2009 and 1 January 2010	61,008	74,012	138	335	–	–	75	135,568
Charge for the year	–	–	–	–	–	–	6,500	6,500
Disposals	(18)	(19)	–	–	–	–	–	(37)
At 31 December 2010	60,990	73,993	138	335	–	–	6,575	142,031
Net book value:								
At 31 December 2010	8,165,801	9,553,635	157,066	192,136	6,190	291,406	2,187,107	20,553,341
At 31 December 2009	6,824,526	7,804,954	154,053	182,866	1,264	304,763	2,494,809	17,767,235

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

(1) The net book value of property, plant and equipment pledged as security for interest-bearing bank loans granted to the Group is as follows (note 36):

	2010 RMB'000	2009 RMB'000
Buildings	**888,973**	255,597
Plant and machinery	**844,578**	589,936
	1,733,551	845,533

(2) Capitalised interest expenses included in construction in progress of the Group are as follows (note 7):

	2010 RMB'000	2009 RMB'000
Interest expenses capitalised	**20,407**	2,950

(3) As at 31 December 2010, the Group was in the process of applying for property certificates for plant and office buildings with a net book value of approximately RMB5,689,000 (2009: RMB7,288,000).

(4) The net carrying amounts of the Group's property, plant equipment held under finance leases included in the total amounts of plant and machinery at 31 December 2010 amounted to RMB217,172,000 (2009:Nil).

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Office equipment RMB'000
Cost:	
At 1 January 2009 and 1 January 2010	779
Exchange realignment	(28)
At 31 December 2010	751
Accumulated depreciation:	
At 1 January 2009	725
Charge for the year	32
At 31 December 2009 and 1 January 2010	757
Charge for the year	23
Exchange realignment	(29)
At 31 December 2010	751
Net book value:	
At 31 December 2010	–
At 31 December 2009	22

14. INVESTMENT PROPERTIES

	2010	2009
	RMB'000	RMB'000
Carrying amount at 1 January	**2,057,400**	429,000
Acquisition of a subsidiary (note 46(a))	**2,400,000**	–
Transfer from properties under development	**–**	1,972,205
Additional development cost	**239,189**	–
Transfer to properties under development	**(2,410,000)**	–
Gain from fair value adjustments (note 6)	**264,578**	85,195
Disposals	**–**	(429,000)
Carrying amount at 31 December	**2,551,167**	2,057,400

The Group's investment properties are situated in Beijing and Hangzhou, the PRC.

The Group's investment properties were revalued on 31 December 2010 by DTZ International Property Advisers (Shanghai) Co., Ltd., an independent professionally qualified valuer at RMB2,551,167,000, on an open market basis. The investment properties are leased to third parties under operating lease arrangements, with leases negotiated for terms ranging from one to ten years.

At 31 December 2010, the Group's investment properties with a net carrying amount of approximately RMB2,551,167,000 (2009: RMB2,057,400,000) were pledged to secure bank loans, as set out in note 36 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

15. PREPAID LAND LEASE PAYMENTS

	2010 RMB'000	2009 RMB'000
Cost:		
At 1 January	**1,244,340**	954,796
Additions	**41,868**	292,044
Acquisition of subsidiaries (note 46(a))	**100,867**	–
Disposal of subsidiaries (note 46(b))	**–**	(2,500)
At 31 December	**1,387,075**	1,244,340
Accumulated amortisation:		
At 1 January	**81,685**	61,392
Amortisation for the year	**27,324**	20,947
Disposal of subsidiaries (note 46(b))	**–**	(654)
At 31 December	**109,009**	81,685
Net book value:		
At 31 December	**1,278,066**	1,162,655
At 1 January	**1,162,655**	893,404
Net book value pledged as security for bank loans (note 36)	**171,886**	31,389

The leasehold land is held under long term leases and is situated in Mainland China.

As at 31 December 2010, the Group was in the process of applying for the land use certificates for leasehold land with a net book value of approximately RMB205,888,000 (2009: RMB193,484,000).

16. EXPLORATION AND EVALUATION ASSETS

	2010 RMB'000	2009 RMB'000
Cost:		
At 1 January	**420,689**	386,645
Additions	**17,073**	34,044
At 31 December	**437,762**	420,689

17. MINING RIGHTS

	2010 RMB'000	2009 RMB'000
Cost:		
At 1 January	**1,203,534**	1,203,534
Additions	**73,837**	–
At 31 December	**1,277,371**	1,203,534
Accumulated amortisation:		
At 1 January	**203,386**	92,813
Amortisation for the year	**89,743**	110,573
At 31 December	**293,129**	203,386
Impairment loss:		
At 1 January	**266,562**	–
Charge for the year	**–**	266,562
At 31 December	**266,562**	266,562
Net book value:		
At 31 December	**717,680**	733,586
At 1 January	**733,586**	1,110,721
Net book value pledged as security for bank loans (note 36)	**131,061**	141,289

During the year ended 31 December 2010, no impairment losses (2009: RMB266,562,000) were recognised for mining rights.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

18. INTANGIBLE ASSETS

	Trademark RMB'000	Technical know-how RMB'000	Others RMB'000	Total RMB'000
Cost:				
At 1 January 2009	–	41,925	26,287	68,212
Additions	–	680	26,851	27,531
Disposals	–	(41,983)	(10,939)	(52,922)
At 31 December 2009 and 1 January 2010	–	622	42,199	42,821
Additions	–	17,974	10,559	28,533
Acquisition of subsidiaries (note 46(a))	106,672	226	80,124	187,022
Disposals	–	–	(3,832)	(3,832)
At 31 December 2010	106,672	18,822	129,050	254,544
Accumulated amortisation:				
At 1 January 2009	–	31,402	7,984	39,386
Provided during the year	–	1,229	8,597	9,826
Disposals	–	(32,631)	(9,340)	(41,971)
At 31 December 2009 and 1 January 2010	–	–	7,241	7,241
Provided during the year	–	1,930	3,336	5,266
Disposals	–	–	(35)	(35)
At 31 December 2010	–	1,930	10,542	12,472
Impairment loss:				
At 1 January 2009	–	–	–	–
Charge for the year	–	622	472	1,094
At 31 December 2009 and at 31 December 2010	–	622	472	1,094
Net book value:				
At 31 December 2010	106,672	16,270	118,036	240,978
At 31 December 2009	–	–	34,486	34,486

19. GOODWILL

	2010 RMB'000	2009 RMB'000
Cost:		
At 1 January	**304,754**	265,237
Acquisition of subsidiaries (note 46(a))	**314,929**	–
Acquisition of additional interests in subsidiaries	**–**	39,517
At 31 December	**619,683**	304,754
Accumulated impairment:		
At 1 January	**177,825**	174,646
Charge for the year	**64,983**	3,179
At 31 December	**242,808**	177,825
Net book value:		
At 31 December	**376,875**	126,929

Impairment testing of goodwill

Goodwill acquired through business combinations has been primarily allocated to the cash-generating units ("CGUs") within the following reportable segments for impairment testing:

- Manufacture and sale of pharmaceutical products;
- Property; and
- Others

The carrying amount of goodwill is as follows:

	Manufacture and sale of pharmaceutical products RMB'000	Property RMB'000	Others RMB'000	Total RMB'000
Carrying amount of goodwill				
2010	**302,586**	**70,526**	**3,763**	**376,875**
2009	57,299	65,867	3,763	126,929

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Year ended 31 December 2010

19. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

The recoverable amount of each CGU is determined based on value-in-use calculations. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The discount rates applied to the cash flow projections range from 12% to 15% (2009: 12% to 15%). Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The growth rates do not exceed the projected long term average growth rates for the pharmaceutical and property development industries in Mainland China.

Key assumptions were used in the value-in-use calculation of the CGUs for 31 December 2010 and 2009. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – Management determined budgeted gross margin based on past performance and its expectations for the development of the market.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the respective industries.

Raw materials price inflation – The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year.

20. INVESTMENTS IN SUBSIDIARIES

	Notes	**2010** **RMB'000**	2009 RMB'000
Unlisted shares, at cost	*(1)*	**1,093,000**	1,093,000
Shares listed in Hong Kong, at cost	*(2)*	**651,290**	651,290
Loan to a subsidiary	*(3)*	**170,186**	176,096
		1,914,476	1,920,386
Market value of listed shares		**692,827**	728,357

(1) Investment in unlisted shares of a subsidiary represents the cost of acquisition of the entire interest in Fosun Group, which is the immediate holding company of the other subsidiaries now comprising the Group.

(2) Investment in shares listed in Hong Kong represents the cost of acquisition of the 12.9% interest in Forte on the Hong Kong Stock Exchange.

(3) The amounts advanced to a subsidiary included in the investments in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's Directors, these advances are considered as quasi-equity loans to the subsidiary. The carrying amounts of the balance due from a subsidiary approximate to their fair values.

Particulars of the Group's principal subsidiaries are set out in note 4 to the financial statements.

21. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	2010 RMB'000	2009 RMB'000
Share of net assets	**434,219**	339,423
Loans to jointly-controlled entities	**636,210**	416,400
	1,070,429	755,823

Loans to jointly-controlled entities of RMB636,210,000 are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, these loans are considered as quasi-equity investments in jointly-controlled entities.

The Group's amounts due from jointly-controlled entities and amounts due to jointly-controlled entities are disclosed in note 35 to the financial statements.

Particulars of the Group's principal jointly-controlled entities are set out in note 4 to the financial statements.

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2010 RMB'000	2009 RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**2,403,519**	996,498
Non-current assets	**1,010,443**	341,665
Current liabilities	**(2,498,375)**	(734,956)
Non-current liabilities	**(481,368)**	(263,784)
Net assets	**434,219**	339,423
Share of the jointly-controlled entities' results:		
Revenue	**112,195**	196,312
Other income	**2,782**	3,243
	114,977	199,555
Total expenses	**(138,823)**	(181,640)
Tax	**690**	(4,090)
(Loss)/profit after tax	**(23,156)**	13,825

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Year ended 31 December 2010

22. INVESTMENTS IN ASSOCIATES

Group

	2010	2009
	RMB'000	RMB'000
Share of net assets	**12,034,691**	9,219,842
Goodwill on acquisitions	**369,793**	402,411
	12,404,484	9,622,253
Loan to an associate	**2,835,050**	–
Provision for impairment	**(885)**	(885)
	15,238,649	9,621,368

Particulars of the Group's principal associates of the Group are set out in note 4 to the financial statements.

The Group's amounts due from associates and amounts due to associates are disclosed in note 35 to the financial statements.

Company

	2010	2009
	RMB'000	RMB'000
Unlisted shares, at cost	**82,421**	82,421

The Company's interest in an associate represents a 26.67% (2009: 26.67%) interest in Janeboat Holdings Ltd., a company incorporated in the British Virgin Islands.

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	2010	2009
	RMB'000	RMB'000
Assets	**114,027,298**	95,639,664
Liabilities	**(74,977,499)**	(58,596,451)
Revenues	**115,435,472**	99,615,367
Profit	**2,984,074**	3,785,870

22. INVESTMENTS IN ASSOCIATES *(Continued)*

(i) On 26 January 2010, China Alliance Properties Limited ("China Alliance"), a wholly-owned subsidiary of Forte subscribed for additional 1,550,000,000 ordinary shares issued by Shanghai Zendai Property Limited ("Zendai Property"), a company listed on the Main Board of the Hong Kong Stock Exchange for a total consideration of HKD480,500,000. After the completion of the subscription, China Alliance held approximately 19.47% of the issued share capital of Zendai Property as enlarged by the allotment and issuance of the subscription shares and the Group commenced to account for Zendai Property as an associate.

The changes in fair value of RMB152,931,000 in respect of the previously held equity interests in Zendai Property were reversed against other comprehensive income and the impairment loss of RMB190,226,000 provided in the prior year was reversed against retained earnings as an opening adjustment.

(ii) On 22 October 2010, Zhejiang Fosun Business Development Co., Ltd. ("Zhejiang Fosun"), a wholly-owned subsidiary of Fosun Group, entered into a cooperative agreement (the "Agreement") with four third parties to establish a joint venture named Shanghai Haizhimen Property Investment and Management Co., Ltd. ("Haizhimen") for the development of a piece of land located in the Bund, Shanghai. Zhejiang Fosun contributed capital of RMB500,000,000 to Haizhimen and holds a 50% equity interest in Haizhimen.

Pursuant to the Agreement, Zhejiang Fosun also provided a shareholders' loan amounting to RMB2,835,050,000 to Haizhimen to support its property development. The loan is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the Directors, the loan is considered as a quasi-equity investment in an associate.

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Year ended 31 December 2010

23. HELD-TO-MATURITY INVESTMENTS

Group

	2010 RMB'000	2009 RMB'000
Debt investments	**14,312**	79,220

Company

	2010 RMB'000	2009 RMB'000
Debt investments	**–**	35,320

As at 31 December 2010, the effective interest rate of the held-to-maturity investment is 0.2% (2009: 7.1% to 36.7%) per annum. The carrying amounts of the held-to-maturity investment approximate to its fair values.

24. AVAILABLE-FOR-SALE INVESTMENTS

	2010	2009
	RMB'000	RMB'000
Listed equity investments, at fair value		
Hong Kong	**300,478**	275,074
United States	**670,656**	454,615
Mainland China	**2,077,166**	139,084
	3,048,300	868,773
Unlisted equity investments, at cost	**4,278,745**	2,074,685
	7,327,045	2,943,458

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB2,474,233,000 (2009: gross gain of RMB705,720,000), of which RMB7,505,000 (2009: RMB52,910,000) was re-classified from other comprehensive income to the consolidated income statement for the year.

The unlisted equity investments are stated at cost less any accumulated impairment losses because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

As at 31 December 2010, none of the Group's available-for-sale investments (2009: RMB163,769,000) was pledged to secure bank loans as set out in note 36 to financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

25. PROPERTIES UNDER DEVELOPMENT

	2010	2009
	RMB'000	RMB'000
Land costs	**12,482,724**	8,869,790
Construction costs	**3,838,183**	2,605,321
Capitalised financial costs	**466,730**	482,510
	16,787,637	11,957,621
Portion classified as current assets	**(9,856,198)**	(6,868,166)
	6,931,439	5,089,455

The properties pledged to banks to secure bank loans and other borrowings are as follows:

	2010	2009
	RMB'000	RMB'000
Net book value pledged (note 36)	**5,778,577**	4,639,332
Additions to properties under development include:		
Interest expense capitalised in respect of bank and other borrowings (note 7)	**425,452**	449,190

The Group's properties under development are all situated in Mainland China.

26. LOANS RECEIVABLE

	Notes	2010 RMB'000	2009 RMB'000
Loans receivable		**1,713,432**	220,000
Portion classified as current	(1)	**(220,000)**	–
Long term portion	(2)	**1,493,432**	220,000

(1) As at 31 December 2010, the current portion of loans receivable represented the entrusted bank loan of RMB220,000,000 provided to a jointly-controlled entity. This loan is unsecured, bears interest at a variable interest rate of 7.61% (2009: 7.02%) per annum, based on the rates quoted by People's Bank of China, and is repayable on 20 October 2011.

(2) As at 31 December 2010, the non-current portion of loans receivable comprised of:

– an entrusted bank loan of RMB110,000,000 provided to a jointly-controlled entity. This loan is unsecured, bears interest at a fixed interest rate of 12.25% per annum and is repayable on 20 August 2012.

– a shareholders' loan of RMB1,383,432,000 provided to Haizhimen. This loan is unsecured, bears interest at a fixed interest rate of 13.80% per annum and has no fixed terms of repayment.

The carrying amount of the loans receivable approximated to their fair values as at 31 December 2010.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

27. PREPAYMENTS

	Notes	2010 RMB'000	2009 RMB'000
Prepayments for the proposed acquisition of equity interests in			
– Shanghai Dijie Real Estate Limited ("Dijie")	*(i)*	**616,313**	616,313
– Chengdu Meijili Business Service Co., Ltd.		**65,000**	–
– Neimenggu New Land Construction Group Co., Ltd.		**45,000**	–
Other receivables			
Chongqing Yukaifa Company Limited ("Chongqing Yukaifa)	*(ii)*	**30,435**	–
		756,748	616,313

(i) On 20 December 2007, Shanghai Forte Investment Co., Ltd. ("Forte Investment") entered into a cooperative agreement with Shanghai Vanke Real Estate Co., Ltd. ("Shanghai Vanke") in respect of the joint development of a property development project in Shanghai, for a total consideration of RMB2,430,690,000, pursuant to which (i) Shanghai Vanke and Forte Investment will jointly acquire 60% and 40% equity investments in Dijie, respectively, and (ii) Forte Investment will contribute 40% of the total consideration in proportion to its shareholding in Dijie in the amount of RMB972,276,000.

As at 31 December 2010, the Group had advanced RMB616,313,000 (31 December 2009: RMB616,313,000) to Shanghai Vanke. The remaining capital commitment not paid as at 31 December 2010 amounting to RMB355,963,000 (31 December 2009: RMB355,963,000) is set out in note 48 to financial statements.

(ii) On 19 August 2010, Forte Investment entered into a cooperative agreement with Chongqing Yukaifa to establish a joint venture named Chongqing Langfu Property Co., Ltd. ("Chongqing Langfu") for the development of a property project, pursuant to which: (i) Forte Investment acquired 50% equity interests in Chongqing Langfu, and (ii) in order to guarantee Chongqing Yukaifa to receive a preferential dividend generated and declared by Chongqing Langfu, Forte Investment shall additionally pay RMB233,000,000 to Chongqing Yukaifa as a deposit. Such deposit will be repaid upon the receipt of dividend by Chongqing Yukaifa.

As at 31 December 2010, the Group advanced RMB34,100,000 (31 December 2009: Nil) to Chongqing Yukaifa which was interest-free, unsecured and to be repayable in 2012.

As at 31 December 2010, the amortised cost of this deposit was RMB30,435,000. The remaining capital commitment unpaid as at 31 December 2010 amounted to RMB198,900,000 (31 December 2009: Nil) is set out in note 48.

28. DEFERRED TAX

Movements in deferred tax assets and liabilities are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profit RMB'000	Accruals and provisions RMB'000	Post-employment benefits RMB'000	Repairs and maintenance RMB'000	Additional LAT provisions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2009	55,649	265,248	7,654	6,651	275,360	52,768	663,330
Deferred tax credited/ (charged) during the year	188,507	(123,106)	(4,267)	3,391	28,192	45,019	137,736
Gross deferred tax assets at 31 December 2009 and 1 January 2010	244,156	142,142	3,387	10,042	303,552	97,787	801,066
Disposal of a subsidiary (note 46(b))	–	–	–	–	(6,431)	(650)	(7,081)
Acquisition of subsidiaries (note 46(a))	1,326	–	–	–	–	–	1,326
Deferred tax credited/ (charged) during the year	(61,162)	51,095	(81)	(8,002)	110,885	117,763	210,498
Gross deferred tax assets at 31 December 2010	184,320	193,237	3,306	2,040	408,006	214,900	1,005,809

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Year ended 31 December 2010

28. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Fair value adjustments arising from available-for-sale investments RMB'000	Revaluation of investment properties RMB'000	LAT indemnity RMB'000	Deemed disposal of associates RMB'000	Deferred LAT RMB'000	Withholding taxes RMB'000	Others RMB'000	Total RMB'000
At 1 January 2009	310,496	42,043	27,823	62,561	–	–	37,440	85,218	565,581
Deferred tax charged/(credited) to the consolidated income statement during the year	(105,960)	–	(6,524)	9,755	651,402	–	63,821	(56,953)	555,541
Deferred tax charged to reserve during the year	–	120,851	–	–	–	–	–	–	120,851
Gross deferred tax liabilities at 31 December 2009 and 1 January 2010	204,536	162,894	21,299	72,316	651,402	–	101,261	28,265	1,241,973
Deferred tax charged/(credited) to the consolidated income statement during the year	(15,225)	–	66,145	36,954	18,096	214,464	60,891	8,713	390,038
Deferred tax charged to reserve during the year	–	554,046	–	–	–	–	–	–	554,046
Acquisition of subsidiaries (note 46(a))	290,588	–	–	–	–	–	–	–	290,588
Gross deferred tax liabilities at 31 December 2010	479,899	716,940	87,444	109,270	669,498	214,464	162,152	36,978	2,476,645

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding corporate income tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding corporate income tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable withholding rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries, jointly-controlled entities and associates established in Mainland China in respect of earnings generated from 1 January 2008.

29. NON-CURRENT ASSET/ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	Notes	**2010 RMB'000**	2009 RMB'000
Carrying amount of investment in an associate before classification as held for sale	*(i)*	**229,347**	–
Carrying amount of the assets of a disposal group	*(ii)*	**–**	1,548,894
Less: Provision for impairment	*(i)*	**(81,298)**	–
Carrying amount after impairment		**148,049**	1,548,894
Liabilities directly associated with the assets classified as held for sale	*(ii)*	**–**	997,393

(i) As at 31 December 2010, the non-current asset held for sale represents the Group's investment in an associate, Huixin Biological Paper Co., Ltd. ("Huixin Paper").

On 28 February 2011, the Group through its subsidiaries, Shanghai Fosun Pingyao Investment Management Co., Ltd. and Shanghai Qiguang Investment Management Co., Ltd., entered into a disposal agreement with the original shareholder of Huixin Paper, which is an external third party, for the disposal of the Group's entire equity interest of 30% in Huixin Paper. The additional equity interest of 38.25% in Huixin Paper held by the original shareholder of Huixin Paper is pledged to the Group to secure the recoverability of the disposal consideration.

The consideration will be received by instalments from 2012 till 2014.

As the disposal transaction is expected to be completed within the next 12 months from 31 December 2010, but the consideration is expected to be recovered over one year, the carrying amount of such investment of RMB148,049,000 in Huixin Paper is classified as non-current asset held for sale in the consolidated statement of financial position as at 31 December 2010.

(ii) In December 2009, the Group through its subsidiary, Forte, entered into an equity transfer agreement with HNA Group, for the disposal of Forte's entire shareholding of 75% in Tianjin Forte Puhe Development Co., Ltd. ("Tianjin Forte"). The carrying amounts of the assets and liabilities of Tianjin Forte were classified as held for sale in the consolidated statement of financial position as at 31 December 2009.

As at 31 December 2010, the disposal transaction has been completed. Tianjin Forte was disposed of by Forte through disposal of its 100% equity interest in Shanghai Yizhou Investment Management Co., Ltd. ("Shanghai Yizhou"), as set out in note 46(b) to the financial statements.

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30. CASH AND BANK BALANCES

Group

	Notes	2010 RMB'000	2009 RMB'000
Cash on hand		**11,420**	3,327
Cash at banks, unrestricted		**16,815,172**	11,546,913
Cash and cash equivalents		**16,826,592**	11,550,240
Pledged bank balances	*(1)*	**2,291,849**	2,084,160
Time deposits with original maturity of more than three months	*(2)*	**2,216,536**	2,313,171
		21,334,977	15,947,571

Notes:

It mainly comprises as follows:

		2010 RMB'000	2009 RMB'000
(1)	Pledged bank balances to secure notes payable	**1,721,805**	1,511,684
	Pledged bank balances to secure bank loans (note 36)	**179,091**	520,658
(2)	Time deposits with original maturity of more than three months pledged to banks to secure bank loans (note 36)	**1,968,873**	2,216,434

In the preparation of the consolidated statement of cash flows, pledged bank balances and time deposits with original maturity of more than three months have been excluded from cash and cash equivalents.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Company

	2010 RMB'000	2009 RMB'000
Cash at banks, unrestricted	**1,786,810**	1,754,192
Time deposits with original maturity of more than three months	**–**	704,384
	1,786,810	2,458,576

31. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	2010	2009
	RMB'000	RMB'000
Listed equity investments, at market value		
Hong Kong	**1,141,171**	5,949
United States	**4,534,183**	4,100,976
Mainland China	**351,024**	804,058
Europe	**452,270**	–
Elsewhere	**–**	11,270
	6,478,648	4,922,253

Company

	2010	2009
	RMB'000	RMB'000
Listed equity investments, at market value		
Hong Kong	**1,138,757**	5,949
United States	**4,344,704**	4,100,544
	5,483,461	4,106,493

The above equity investments at 31 December 2010 and 2009 were classified as held for trading.

32. TRADE AND NOTES RECEIVABLES

	2010	2009
	RMB'000	RMB'000
Trade receivables	**1,394,348**	1,012,058
Notes receivable	**4,102,187**	3,756,933
	5,496,535	4,768,991

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32. TRADE AND NOTES RECEIVABLES *(Continued)*

An aged analysis of trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2010 **RMB'000**	2009 RMB'000
Outstanding balances with ages:		
Within 90 days	**1,064,682**	831,628
91 to 180 days	**150,930**	146,081
181 to 365 days	**141,513**	36,593
1 to 2 years	**40,640**	7,271
2 to 3 years	**5,796**	6,302
Over 3 years	**50,613**	50,663
	1,454,174	1,078,538
Less: Provision for impairment of trade receivables	**(59,826)**	(66,480)
	1,394,348	1,012,058

The carrying amounts of trade and notes receivables approximate to their fair values.

The movements in the provision for impairment of trade receivables are as follows:

	2010 **RMB'000**	2009 RMB'000
At 1 January	**66,480**	78,314
Amount written off as uncollectible	**(16,892)**	(8,661)
Provision/(reversal) for impairment losses	**6,069**	(3,457)
Acquisition of subsidiaries	**4,169**	284
At 31 December	**59,826**	66,480

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2010 **RMB'000**	2009 RMB'000
Neither past due nor impaired	**326,656**	581,927
Within 90 days past due	**335,922**	258,424
91 to 180 days past due	**17,930**	21,665
Over 180 days past due	**18,025**	5,594
	698,533	867,610

32. TRADE AND NOTES RECEIVABLES *(Continued)*

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

At 31 December 2010, the Group's trade and notes receivables with a carrying amount of approximately RMB253,285,000 (2009: RMB112,700,000) were pledged to secure bank loans, as set out in note 36 to the financial statements.

At 31 December 2010, the discounted or endorsed but undue notes of approximately RMB6,465,515,000 (2009: RMB5,904,751,000) were derecognised. Subsequent to the end of the reporting period and up to the date when the financial statements were approved by the board of directors, an amount of RMB446,601,000 of the aforementioned discounted or endorsed notes fell due.

Credit terms granted to the Group's customers are as follows:

	Credit terms
Steel segment	0 to 90 days
Mining segment	0 to 90 days
Pharmaceuticals and healthcare segment	90 to 180 days
Property segment	30 to 360 days

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33. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2010 RMB'000	2009 RMB'000
Group		
Prepayments consist of:		
Prepayments for purchase of raw materials of steel	**759,629**	450,432
Prepayments for purchase of pharmaceutical materials	**144,483**	135,639
Prepayments for purchase of construction materials	**184,755**	223,317
Prepayments for purchase of equipment and others	**575,627**	443,556
Deposits	**669,190**	985,868
Other receivables consist of:		
Loans to third parties	**113,373**	23,080
Tax recoverable	**600,170**	283,815
Others	**943,309**	747,389
	3,990,536	3,293,096
Company		
Interest receivables	**115**	550
Deposits	**721**	1,017
	836	1,567

The carrying amounts of deposits and other receivables approximate to their fair values.

34. INVENTORIES

	2010 RMB'000	2009 RMB'000
Raw materials	**3,348,127**	2,803,331
Work in progress	**1,239,388**	917,803
Finished goods	**1,605,858**	1,164,593
Spare parts and consumables	**815,036**	801,198
	7,008,409	5,686,925
Less: Provision for inventories	**(106,800)**	(103,254)
	6,901,609	5,583,671
Net book value of inventories pledged as security for bank loans (note 36)	**600,000**	200,000

35. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES

	Notes	2010 RMB'000	2009 RMB'000
Group			
Due from related companies:			
Associates	*(i)*	**571,250**	722,109
Jointly-controlled entities	*(ii)*	**1,208,042**	348,560
Non-controlling shareholders of subsidiaries	*(iii)*	**160,793**	29,828
		1,940,085	1,100,497
Portion classified as current		**1,526,292**	908,592
	(i)	**413,793**	191,905
Company			
Due from subsidiaries	*(iii)*	**10,887,527**	8,334,529

Notes:

(i) As at 31 December 2010, the balances due from associates include the amount of RMB459,700,000 (31 December 2009: RMB213,190,000), which is interest-free, unsecured and is estimated to be repayable in 2012. Subsequent to its initial recognition, the amount due from associates is measured using the effective interest method. As at 31 December 2010, the amortised cost of the amount due from associates was RMB413,793,000 (31 December 2009: RMB191,905,000).

(ii) As at 31 December 2010, the balances due from jointly-controlled entities include the amount of RMB1,206,892,000 (2009: RMB348,750,000), which is unsecured, interest-free and repayable on demand. The remaining balances due from jointly-controlled entities are trade in nature, interest-free and repayable on demand.

(iii) As at 31 December 2010, the balances due from non-controlling shareholders and subsidiaries are trade in nature, interest-free and repayable on demand.

	Notes	2010 RMB'000	2009 RMB'000
Group			
Due to the holding company	*(iv)*	**1,092,250**	878,749
Due to related companies:			
Associates	*(v)*	**436,747**	87,523
Non-controlling shareholders of subsidiaries	*(vi)*	**275,001**	206,900
Jointly-controlled entities	*(vi)*	**242,637**	51,000
		954,385	345,423
Company			
Due to the holding company	*(iv)*	**1,092,250**	878,749

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35. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES *(Continued)*

Notes: *(Continued)*

(iv) The balances due to the holding company represent the dividend payables which are unsecured, interest-free and repayable on demand.

(v) The balances due to associates include the amount of RMB407,444,000 (2009: RMB72,916,000), which is unsecured, interest-free and repayable on demand. The remaining balances due to associates are trade in nature, interest-free and repayable on demand.

(vi) The balances due to non-controlling shareholders of subsidiaries and jointly-controlled entities are unsecured, interest-free and repayable on demand.

The carrying amounts of the balances with shareholders, subsidiaries and related companies approximate to their fair values.

The nature of the transactions with shareholders and related companies is disclosed in note 50 to the financial statements.

36. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	Notes	**2010 RMB'000**	2009 RMB'000
Bank loans:	*(1)*		
Guaranteed		**1,313,000**	65,150
Secured		**12,124,726**	10,275,254
Unsecured		**21,963,487**	13,136,742
		35,401,213	23,477,146
Enterprise bonds	*(2)*	**2,485,329**	2,482,589
Corporate bonds	*(3)*	**2,966,591**	1,869,304
Medium-term notes	*(4)*	**986,104**	–
Other borrowings, secured	*(5)*	**429,900**	–
Other borrowings, unsecured	*(5)*	**1,552,706**	876,330
Total		**43,821,843**	28,705,369
Repayable:			
Within one year		**22,026,769**	16,792,363
In the second year		**4,586,023**	2,739,988
In the third to fifth years, inclusive		**12,073,206**	5,703,745
Over five years		**5,135,845**	3,469,273
		43,821,843	28,705,369
Portion classified as current liabilities		**(22,026,769)**	(16,792,363)
Long term portion		**21,795,074**	11,913,006

36. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Group *(continued)*

Notes:

(1) Certain of the Group's bank loans are secured by:

(a) the pledge of certain of the Group's buildings amounting to RMB888,973,000 (2009: RMB255,597,000), plant and machinery amounting to RMB844,578,000 (2009: RMB589,936,000), investment properties situated in Mainland China amounting to RMB2,551,167,000 (2009: RMB2,057,400,000), prepaid land lease payments amounting to RMB171,886,000 (2009: RMB31,389,000), inventories amounting to RMB600,000,000 (2009: RMB200,000,000), properties under development amounting to RMB5,778,577,000 (2009: RMB4,639,332,000), completed properties for sale amounting to 315,519,000 (2009: RMB41,632,000), mining rights amounting to RMB131,061,000 (2009: RMB141,289,000), time deposits with original maturity of more than three months amounting to RMB1,968,873,000 (2009: RMB2,216,434,000), bank balances amounting to RMB179,091,000 (2009: RMB520,658,000), trade and notes receivables amounting to RMB253,285,000 (2009: RMB112,700,000), investment in an associate amounting to RMB865,487,000 (2009: Nil), and investment in a subsidiary.

(b) none of the Group's available-for-sale investments (2009: RMB163,769,000) were pledged to secure bank loans.

In addition, the Group's related parties have guaranteed certain of the Group's bank loans up to RMB1,313,000,000 (2009: RMB65,150,000).

The bank loans bear interest at rates ranging from 0.22% to 7.31% (2009: 0.27% to 7.74%) per annum.

(2) Enterprise bonds

On 27 February 2009, Nanjing Iron & Steel United Co., Ltd. issued long-term enterprise bonds with the par value of RMB2,500,000,000 and the effective interest rate is 6.29% per annum. One half of the principal of the enterprise bonds will be repaid on 27 February 2015 and the remainder on 27 February 2016. The interest will be paid annually in arrears.

(3) Corporate bonds

On 25 September 2009, Forte issued five-year domestic corporate bonds with the par value of RMB1,900,000,000 and the effective interest rate is 7.73% per annum. The interest will be paid annually in arrears and the maturity date is 22 September 2014.

On 24 December 2010, Fosun Group issued seven-year domestic corporate bonds with the par value of RMB1,100,000,000 and the effective interest rate is 6.17% per annum. The interest will be paid annually in arrears and the maturity date is 23 December 2017.

(4) Medium-term notes

On 8 November 2010, Fosun Pharma issued five-year medium-term notes with the par value of RMB1,000,000,000 and the effective interest rate is 5.0% per annum. The interest will be paid annually in arrears and the maturity date is 10 November 2015.

(5) The other borrowings represent borrowings from third parties, which bear interest at rates ranging from 2.55% to 12.18% (2009: 2.55% to 12.18%) per annum.

The carrying amounts of the Group's current bank and other borrowings approximate to their fair values. The fair value of the Group's non-current bank and other borrowings as at 31 December 2010 with a carrying amount of RMB21,795,074,000 (2009: RMB11,913,006,000) was RMB21,743,801,000 (2009: RMB11,921,339,000).

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

36. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Company

	2010 RMB'000	2009 RMB'000
Bank loans:		
Unsecured	**3,174,250**	482,286
Repayable:		
Within one year	**562,930**	411,848
In the second year	**463,589**	70,438
In the third to fifth years, inclusive	**2,147,731**	–
	3,174,250	482,286
Portion classified as current liabilities	**(562,930)**	(411,848)
Long term portion	**2,611,320**	70,438

The bank loans bear interest at rates ranging from 2.28% to 4.94% (2009: 2.28% to 2.82%) per annum.

The carrying amounts of the Company's current bank loans approximate to their fair values. The fair value of the Company's non-current bank loans as at 31 December 2010 with a carrying amount of RMB2,611,320,000 (2009: RMB70,438,000) was RMB2,648,040,000 (2009: RMB69,456,000).

37. LOANS FROM RELATED COMPANIES

	Carrying amounts		Fair values	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Loans from				
– a jointly-controlled entity	**86,887**	81,324	**87,722**	83,017
– an associate	**26,678**	25,294	**26,678**	25,286
	113,565	106,618	**114,400**	108,303
Repayable:				
Within one year	**26,678**	–	**26,678**	–
In the second to fourth year, inclusive	**86,887**	106,618	**87,722**	108,303
	113,565	106,618	**114,400**	108,303
Portion classified as current liabilities	**(26,678)**	–	**(26,678)**	–
Non-current portion	**86,887**	106,618	**87,722**	108,303

37. LOANS FROM RELATED COMPANIES *(Continued)*

Loans from related companies are interest-free and unsecured. The fair values of these loans as at the date of inception were estimated with reference to the then prevailing interest rates with the same repayment period published by the People's Bank of China. The difference between the amount of loans payable and their fair values as at the date of inception was credited to the consolidated income statement. Subsequent to the initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

38. TRADE AND NOTES PAYABLES

	2010	2009
	RMB'000	RMB'000
Trade payables	**4,440,072**	3,539,566
Notes payables	**4,177,313**	3,322,401
	8,617,385	6,861,967

The carrying amounts of trade and notes payables approximate to their fair values.

An aged analysis of trade payables as at the end of the reporting period is as follows:

	2010	2009
	RMB'000	RMB'000
Outstanding balances with ages:		
Within 90 days	**3,262,713**	2,523,171
91 to 180 days	**460,137**	414,585
181 to 365 days	**98,504**	181,843
1 to 2 years	**375,793**	345,306
2 to 3 years	**143,341**	44,360
Over 3 years	**99,584**	30,301
	4,440,072	3,539,566

Credit terms granted by the Group's suppliers are as follows:

	Credit terms
Steel segment	0 to 90 days
Mining segment	0 to 90 days
Pharmaceuticals and healthcare segment	0 to 360 days
Property segment	180 to 360 days

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

39. ACCRUED LIABILITIES AND OTHER PAYABLES

Group

	2010 **RMB'000**	2009 RMB'000
Advances from customers	**7,790,924**	6,471,617
Payables related to:		
Purchases of property, plant and equipment	**1,543,079**	1,234,444
Deposits received	**477,569**	452,549
Payroll	**424,199**	366,327
Business tax	**217,036**	115,170
Accrued interest expenses	**221,845**	202,845
Value-added tax	**70,630**	61,986
Accrued utilities	**281,634**	163,774
Acquisitions of subsidiaries (note 46(a))	**12,743**	150,000
Current portion of other long term payables (note 43)	**80,806**	73,528
Others	**1,739,935**	1,238,826
	12,860,400	10,531,066

Company

	2010 **RMB'000**	2009 RMB'000
Other payables	**17,683**	1,489

The carrying amounts of accrued liabilities and other payables, excluding advances from customers, approximate to their fair values.

40. FINANCE LEASE PAYABLES

Nanjing Iron & Steel United Co., Ltd., a subsidiary of the Group, signed an agreement with a leasing company to lease certain machinery and equipment for its iron and steel business, which are classified as finance leases.

Total future minimum lease payments under finance leases and their present values are as follows:

	2010 RMB'000	2009 RMB'000
Repayable:		
Within one year	49,322	–
In the second year	48,577	–
In the third to fifth years, inclusive	135,370	–
Total minimum finance lease payments	233,269	–
Less: Future finance charges	(28,975)	–
	204,294	–
Portion classified as current finance lease payable	(40,116)	–
Long term portion	164,178	–

Interest is charged at a rate of 5.60% per annum.

41. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	2010 RMB'000 Liabilities	2009 RMB'000 Liabilities
Forward currency contracts	*(i)*	37,559	–
Commodity derivative contracts	*(ii)*	47,007	–
		84,566	–

(i) The Group entered into various forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting. Changes in the fair value of such derivatives which have not been settled as at 31 December 2010 amounting to RMB37,559,000 (2009: Nil) were debited to other expenses during the year as set out in note 8 to the financial statements.

(ii) The Group uses commodity derivative contracts to hedge its commodity price risk, which does not meet the criteria of hedge accounting. Commodity derivative contracts utilised by the Group are standardised steel futures contracts on the Shanghai Futures Exchange.

The realised gain on futures contracts amounting to RMB30,475,000 was credited to other gains during the year as set out in note 6 to the financial statements, and the unrealised loss on the changes in fair value amounting to RMB47,007,000 was debited to other expenses during the year as set out in note 8 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

42. DEFERRED INCOME

Deferred income represents government grants received related to assets.

	2010 RMB'000	2009 RMB'000
Special purpose fund for technology improvement	**144,876**	82,669

43. OTHER LONG TERM PAYABLES

	2010 RMB'000	2009 RMB'000
Payables for rehabilitation:		
At 1 January	**34,206**	30,921
Additions	**15,368**	453
Interest increment (note 7)	**–**	2,832
Classified as current portion (note 39)	**(12,200)**	–
At 31 December	**37,374**	34,206
Payables for retirement benefits:		
At 1 January	**527,715**	603,330
Additions	**16,450**	22,424
Interest increment (note 7)	**22,891**	24,117
Payments made	**(61,358)**	(48,628)
Classified as current portion (note 39)	**(68,606)**	(73,528)
At 31 December	**437,092**	527,715
Total	**474,466**	561,921

Payables for rehabilitation are in relation to the costs of the Group's obligations for land reclamation.

Payables for retirement benefits represent liabilities taken over by the Group from the former parent company of the Former SOEs, which are state-owned enterprises, in respect of the retirement benefits of the Qualified SOE Employees and the Qualified Retirees.

The long term payables are based on estimates of future payments made by management and are discounted at rates in the range of 5.70% to 7.83%.

44. SHARE CAPITAL

Shares

	2010 **RMB'000**	2009 RMB'000
Authorised:		
100,000,000,000 (2009: 100,000,000,000) ordinary shares of HKD0.1 each	**9,746,013**	9,746,013
Issued and fully paid:		
6,421,594,500 (2009: 6,421,594,500) ordinary shares of HKD0.1 each	**621,497**	621,497

The following changes in the Company's authorised and issued share capital took place during the period from 1 January 2009 to 31 December 2010 are as follows:

	Number of ordinary shares	Nominal value of ordinary shares RMB'000
Authorised:		
As at 31 December 2009 and 31 December 2010	100,000,000,000	9,746,013
Issued and fully paid:		
As at 31 December 2009 and 31 December 2010 (6,421,594,500 shares of HKD0.1 each)	6,421,594,500	621,497

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

45. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Company

	Issued capital RMB'000 (note 44)	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Capital redemption reserve RMB'000	(Accumulated losses)/ retained earnings RMB'000	Proposed final dividend RMB'000 (note 11)	Total equity RMB'000
At 1 January 2009	621,497	11,785,713	(929,989)	1,465	(190,683)	453,051	11,741,054
Final dividend declared	–	–	–	–	–	(453,051)	(453,051)
Proposed final dividend	–	–	–	–	(927,270)	927,270	–
Exchange realignment	–	–	(18,890)	–	–	–	(18,890)
Total comprehensive income for the year*	–	–	–	–	4,306,395	–	4,306,395
At 31 December 2009 and 1 January 2010	621,497	11,785,713	(948,879)	1,465	3,188,442	927,270	15,575,508
Final dividend declared	–	–	–	–	–	(927,270)	(927,270)
Proposed final dividend	–	–	–	–	(928,936)	928,936	–
Exchange realignment	–	–	(468,904)	–	–	–	(468,904)
Total comprehensive income for the year*	–	–	–	–	1,664,813	–	1,664,813
At 31 December 2010	621,497	11,785,713	(1,417,783)	1,465	3,924,319	928,936	15,844,147

* The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 includes a profit of RMB1,664,813,000 (2009: RMB4,306,395,000) which has been dealt with in the financial statements of the Company.

(a) Other deficits

The opening balance of other deficits as at 1 January 2009 represented the acquisition of the entire equity interest in Fosun Group pursuant to the reorganisation of the Group prior to the listing of its shares on the Hong Kong Stock Exchange, after netting off paid-up capital and capital reserve (arising from the bonus share issue of its subsidiaries) of Fosun Group.

45. RESERVES *(Continued)*

(b) Statutory surplus reserve (the "SSR")

In accordance with the Company Law of the PRC and the respective articles of association of the subsidiaries established in Mainland China (the "PRC Subsidiaries"), each PRC Subsidiary is required to allocate 10% of its profits after tax, as determined in accordance with the applicable PRC accounting standards and regulations, to the SSR until such reserve reaches 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the SSR can be capitalised as paid-up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(c) Distributable reserves

For dividend purposes, the amount which the PRC subsidiaries can legally distribute by way of a dividend is determined by reference to the distributable profits as reflected in their PRC statutory financial statements which are prepared in accordance with the applicable PRC accounting standards and regulations.

In accordance with the Company Law of the PRC, profits after tax of the PRC subsidiaries can be distributed as dividends after the appropriation to the SSR as set out above.

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

The major acquisition during the year is set out as follows:

On 31 May 2010, the Group through its subsidiary, Forte, acquired a 100% equity interest in Garden Plaza SRL ("Garden Plaza"), a society with restricted liability organised and existing under the laws of Barbados. Garden Plaza is engaged in property investments in Shanghai. The Group acquired Garden Plaza in order to increase the Group's competitive strength in the property market in Shanghai. The acquisition has been accounted for using the acquisition method. The purchase consideration for the acquisition was in the form of cash and amounted to RMB731,051,000 of which RMB12,743,000 remained unpaid as at 31 December 2010.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

The fair values of the identifiable assets and liabilities of the subsidiaries acquired during the year were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment (note 13)	253,722
Prepaid land lease payments (note 15)	100,867
Intangible assets (note 18)	187,022
Investment properties (note 14)	2,400,000
Deferred tax assets (note 28)	1,326
Held-to-maturity investments	14,312
Amount due to shareholders	(867,514)
Properties under development	88,000
Cash and bank balances	518,848
Trade and notes receivables	247,361
Prepayments, deposits and other receivables	120,670
Inventories	273,295
Interest-bearing bank and other borrowings	(799,900)
Trade and notes payables	(288,562)
Accrued liabilities and other payables	(299,634)
Tax payable	(12,572)
Deferred tax liabilities (note 28)	(290,588)
Non-controlling interests	(441,549)
Total identifiable net assets at fair value	1,205,104
Goodwill on acquisitions (note 19)	314,929
	1,520,033
Satisfied by:	
Cash	1,507,290
Cash consideration unpaid (note 39)	12,743
	1,520,033

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

The fair values of the acquired trade receivables as at their respective date of acquisition and other receivables approximate to their gross contractual amounts. None of the receivables are expected to be uncollectible.

The Group has elected to measure the non-controlling interests in all the subsidiaries acquired during the year at the non-controlling interests' proportionate share of the acquired subsidiaries' identifiable net assets.

None of the goodwill recognized is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash consideration	(1,507,290)
Cash and bank balances acquired	518,848
Net outflow of cash and cash equivalents included in cash flows from investing activities	(988,442)
Transaction costs of these acquisitions included in cash flows from operating activities	(19,546)
	(1,007,988)

The Group has incurred transactions costs of RMB19,546,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses in the consolidated income statement.

The effect of all the acquisitions on the financial results of the Group from the respective date of acquisition to the end of the year is as follows:

	RMB'000
Financial results:	
Revenue	306,502
Loss for the year	(183,957)

Had the combinations taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended 31 December 2010 would have been RMB45,199,863,000 and RMB6,189,642,000 respectively.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Disposal of subsidiaries

The disposal of subsidiaries during the year is set out as follows:

(i) On 3 March 2010, Forte Group entered into an equity transfer agreement to dispose of its 100% equity interest in Shanghai Yizhou and its subsidiary at a total consideration of RMB888,121,000. The disposal was completed on 18 May 2010.

(ii) On 8 June 2010, Forte Group entered into an equity transfer agreement to dispose of its 50% equity interest in Shiner Way Limited ("Shiner Way"), including its subsidiary at a total consideration of RMB64,117,000 of which RMB12,521,000 had not been collected as at 31 December 2010.

Subsequent to the completion of the equity transfer on 30 June 2010, the remaining 50% equity investment in Shiner Way Limited was accounted for as investment in a jointly-controlled entity.

	2010 **RMB'000**	2009 RMB'000
Net assets disposed of:		
Property, plant and equipment (note 13)	**6,683**	182
Prepaid land lease payments (note 15)	**–**	1,846
Cash and bank balances	**222,289**	259
Trade and notes receivables	**741**	–
Properties under development	**434,966**	–
Deferred tax assets (note 28)	**7,081**	–
Prepayments, deposits and other receivables	**168,575**	1,114
Inventories	**1,430,875**	1,664
Trade and notes payables	**(179,199)**	–
Accrued liabilities and other payables	**(1,931,195)**	(2,459)
Tax payable	**(64,994)**	–
Non-controlling interests	**(75,006)**	–
	20,816	2,606
Retained interests in subsidiaries disposed of	**(68,742)**	–
Professional fee directly attributable to the disposals	**36,000**	–
Net gain on disposal of subsidiaries (note 6)	**964,164**	494
	952,238	3,100

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Disposal of subsidiaries *(Continued)*

An analysis of the cash flows in respect of the disposal of subsidiaries is as follows:

	2010 RMB'000	2009 RMB'000
Satisfied by:		
Cash	**939,717**	3,100
Other receivables	**12,521**	–
	952,238	3,100
Cash consideration	**939,717**	3,100
Cash paid for the professional fee directly attributable to the disposals	**(36,000)**	–
Cash and bank balances disposed of	**(222,289)**	(259)
Net inflow of cash and cash equivalents included in cash flows from investing activities	**681,428**	2,841

47. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties, as set out in note 14 to the financial statements, under operating lease arrangements.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

47. OPERATING LEASE ARRANGEMENTS *(Continued)*

As lessor *(Continued)*

Group

	2010 RMB'000	2009 RMB'000
Within one year	**64,806**	32,333
In the second to fifth years, inclusive	**111,202**	71,463
Over five years	**28,554**	25,244
	204,562	129,040

As lessee

The Group leases certain of its office properties, shop lots, land and plant buildings under operating lease arrangements, with negotiated terms ranging from one to nineteen years.

At the end of the reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	2010 RMB'000	2009 RMB'000
Within one year	**74,799**	64,555
In the second to fifth years, inclusive	**258,080**	247,266
Over five years	**516,124**	516,996
	849,003	828,817

Company

	2010 RMB'000	2009 RMB'000
Within one year	**1,930**	1,679
In the second to fifth years, inclusive	**1,000**	–
	2,930	1,679

48. COMMITMENTS

In addition to the operating lease commitments detailed in note 47 above, the Group and the Company had the following capital commitments at the end of the reporting period:

Group

	2010 **RMB'000**	2009 RMB'000
Contracted, but not provided for:		
In respect of:		
Plant and machinery	**576,433**	492,465
Properties under development	**3,576,589**	4,531,525
Intangible assets	**210**	23,899
Mining and exploration rights	**3,780**	–
Prepaid land lease payments	**–**	5,600
Investments	**624,098**	477,419
	4,781,110	5,530,908
Authorised, but not contracted for:		
In respect of:		
Plant and machinery	**13,259**	950,843
Investments	**307,821**	1,864,000
	321,080	2,814,843

In addition, the Group's share of the jointly-controlled entities' own capital commitments, which are not included in the above, is as follows:

	2010 **RMB'000**	2009 RMB'000
Contracted but not provided for:		
Properties under development	**199,999**	33,499

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

48. COMMITMENTS *(Continued)*

Company

	2010	2009
	RMB'000	RMB'000
Authorised, but not contracted for:		
Investments	**307,821**	1,864,000

49. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the end of the reporting period:

	2010	2009
	RMB'000	RMB'000
Guaranteed bank loans of:		
Related parties (note 50)	**1,026,800**	846,800
Third parties	**73,400**	50,000
	1,100,200	896,800
Qualified buyers' mortgage loans*	**3,013,599**	2,762,666
	4,113,799	3,659,466

* The Group provided guarantees of approximately RMB3,013,599,000 (2009: RMB2,762,666,000) in favour of their customers in respect of mortgage loans provided by banks to such customers for their purchases of the Group's developed properties where the underlying real estate certificates can only be provided to the banks in a time delayed manner due to administrative procedures in the PRC. These guarantees provided by the Group will be released when the customers pledge their real estate certificates as security to the banks for the mortgage loans granted by the banks.

The Directors consider that in case of default in payments, the net realisable value of the related properties can cover the outstanding mortgage principal together with the accrued interest and penalties and therefore no provision has been made in the financial statements for the guarantees.

50. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

Name of related parties	Nature of transactions	2010 RMB'000	2009 RMB'000
Sales of goods			
Sinopharm Group Co. Ltd. (Note 4)	Sales of pharmaceutical products	**182,849**	96,610
Shanghai Lianhua Fosun Pharmacy Chain Operation Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	**27,275**	26,896
Shanghai Pharmacy Holdings Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	**7,106**	7,148
Suzhou Laishi Transfusion Equipment Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	**6,924**	6,268
Shanghai Liyi Pharmacy Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	**3,023**	5,103
Guilin Auspicious Pharmaceutical Industrial Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	**–**	581
Shanghai Huifeng Fomei Pharmacy Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	**5,577**	2,922
Shanghai Transfusion Technology Co., Ltd. (Notes 3, 4 & 14)	Sales of pharmaceutical products	**3,680**	16,135
Beijing Jinxiang Fosun Fharma Holdings Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	**359**	–
Total sales of goods		**236,793**	161,663

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

50. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2010 RMB'000	2009 RMB'000
Purchases of goods			
Sinopharm Group Co. Ltd. (Note 4)	Purchases of pharmaceutical products	**97,308**	10,095
Shanghai Pharmacy Holdings Co., Ltd. (Notes 1 & 4)	Purchases of pharmaceutical products	**2,153**	8,514
Suzhou Laishi Transfusion Equipment Co., Ltd. (Notes 1 & 4)	Purchases of pharmaceutical products	**3,652**	3,660
Hainan Iron and Steel Co., Ltd. (Notes 3, 4 & 14)	Purchases of iron ore products	**41,504**	21,005
Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd. (Notes 1 & 4)	Purchases of coking coal products	**113,455**	92,257
Total purchases of goods		**258,072**	135,531
Service income			
Wuxi Forte Real Estate Development Co., Ltd. (Notes 2 & 5)	Consulting services provided to the related company	**993**	–
Tianjin Jianlong Iron & Steel Industrial Co., Ltd. (Notes 1 & 5)	Consulting services provided to the related company	**–**	32,035
Wuxi Forte Real Estate Development Co., Ltd. (Notes 2 & 5)	Sales agency services provided to the related company	**–**	877
Total service income		**993**	32,912
Interest income			
Shaanxi Jianqin Real Estate Development Co., Ltd. (Notes 2 & 7)	Interest income	**23,191**	13,740
Nanjing Dahua Investment Development Co., Ltd. (Notes 1 & 7)	Interest income	**10,507**	–
Total interest income		**33,698**	13,740

50. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2010 RMB'000	2009 RMB'000
Interest expense			
Shanghai Yuyuan Mart Real Estate Development Co., Ltd. (Notes 1 & 7)	Interest expense	**13,984**	6,690
Other expenses			
Shanghai Foreal Property Management Co., Ltd. (Notes 1, 6 & 14)	Property management services provided by the related company	**12,765**	13,392
Nanjing Xinwu Shipping Co., Ltd. (Notes 1 & 6)	Transportation fees	**82,028**	69,987
Nanjing Iron & Steel (Group) Co., Ltd. (Notes 3, 6 & 14)	Operating lease in respect of office buildings leased from the related company	**4,677**	3,023
Hainan Iron and Steel Co., Ltd. (Notes 3, 6 & 14)	Operating lease in respect of land lease from the related company	**16,548**	15,776
Total other expenses		**116,018**	102,178
Underlying notional interest of loans from related companies			
Wuxi Forte Real Estate Development Co., Ltd. (Notes 2 & 9)	Notional interest	**5,562**	5,206
Yangzte Tianjin Limited (Notes 3, 10 & 14)	Notional interest	**5,553**	5,840
Tianjin Binhai Auto Parts Industry Base Co., Ltd. (Notes 1 & 11)	Notional interest	**1,384**	–
Total notional interest		**12,499**	11,046
Loans from related companies			
Tianjin Binhai Auto Parts Industry Base Development Co., Ltd. (Notes 1 & 11)	Loan provided by the related company	**–**	28,000
Shanghai Yuyuan Mart Real Estate Co., Ltd. (Notes 1 & 7)	Loan provided by the related company	**150,000**	247,792
Total loans from related companies		**150,000**	275,792

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

50. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2010 RMB'000	2009 RMB'000
Guarantees of bank loans			
Nanjing Iron & Steel (Group) Co., Ltd. (Notes 3, 8 & 14)	Bank loans guaranteed by the related company	**3,852,500**	3,272,288
Nanjing Xinwu Shipping Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	**30,000**	53,000
Tianjin Jianlong Iron & Steel Industrial Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	**170,000**	200,000
Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	**110,800**	52,800
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	**175,000**	–
Beijing Yuquanxincheng Property Development Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	**100,000**	100,000
Beijing Hehua Property Development Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	**441,000**	441,000
Loans to related companies			
Shaanxi Jianqin Real Estate Development Co., Ltd. (Notes 2 & 7)	Entrusted loan provided to the related company	**110,000**	220,000
Haizhimen (Notes 1 & 12)	Shareholder loan provided to the related company	**4,218,482**	–
Show All Limited (Notes 2 & 12)	Shareholder loan provided to the related company	**219,810**	–
Total loans to related companies		**4,548,292**	220,000

50. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

(1) They are associates of the Group.

(2) They are jointly-controlled entities of the Group.

(3) They are non-controlling shareholders of the subsidiaries of the Group.

(4) The Directors consider that the sales and purchases were undertaken on commercial terms similar to those offered to/by unrelated customers/suppliers in the ordinary course of business of the relevant companies.

(5) The Directors consider that the fees for consulting services and sales agency services were determined based on prices available to third party customers.

(6) The Directors consider that the fees for property management services, transportation services and leasing paid to related companies were determined based on prices available to third party customers of the related companies.

(7) The Directors consider that the loans provided by/to the related companies are unsecured, repayable on demand, and the applicable interest rates are determined in accordance with the prevailing market borrowing rates.

(8) The bank loans were guaranteed by related companies free of charge. The guarantees were given by the Group for bank loans of related companies free of charge.

(9) The entrusted bank loan in the amount of RMB93,000,000 is provided by Wuxi Forte Real Estate Development Co., Ltd. and is interest-free, unsecured and repayable by 2012 as set out in note 37 to the financial statements. The corresponding notional interest for the year ended 31 December 2010 amounted to approximately RMB5,562,000 (2009: RMB5,206,000).

(10) The loan in the amount of RMB99,716,000 is provided by Yangzte Tianjin Limited, a non-controlling shareholder of Tianjin Forte, and was interest-free, unsecured and repaid in 2010. The corresponding notional interest for the year ended 31 December 2010 amounted to approximately RMB5,553,000 (2009: RMB5,840,000).

(11) The loan in the amount of RMB28,000,000 is provided by Tianjin Binhai Auto Parts Industry Base Co., Ltd. and is interest-free, unsecured and repayable by 2011 as set out in note 37 to the financial statements. The corresponding notional interest for the year ended 31 December 2010 amounted to approximately RMB1,384,000 (2009: Nil).

(12) The balance of shareholders' loan provided to Shaanxi Jianqin Real Estate Development Co., Ltd. and Show All Limited as at 31 December 2010 is RMB290,000,000 and RMB346,210,000,respectively as set out in note 21 to the financial statements. The balance of shareholders' loan provided to Haizhimen as at 31 December 2010 is RMB 4,218,482,000 as set out in note 22 and note 26 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

50. RELATED PARTY TRANSACTIONS *(Continued)*

Notes: *(Continued)*

(13) Compensation of key management personnel of the Group:

	2010 RMB'000	2009 RMB'000
Short term employee benefits	19,470	12,529
Pension scheme contributions	448	252
Total compensation paid to key management personnel	19,918	12,781

(14) These transactions constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules. They are exempted from the disclosure requirements under Chapter 14A of the Listing Rules.

51. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2010 Group

Financial assets

	Financial assets at fair value through profit or loss -held for trading RMB'000	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Available-for-sale financial investments RMB'000	Total RMB'000
Held-to-maturity investments	–	14,312	–	–	14,312
Available-for-sale investments	–	–	–	7,327,045	7,327,045
Loans receivable	–	–	1,713,432	–	1,713,432
Cash and bank balances	–	–	21,334,977	–	21,334,977
Equity investments at fair value through profit or loss	6,478,648	–	–	–	6,478,648
Trade and notes receivables	–	–	5,496,535	–	5,496,535
Financial assets included in prepayments, deposits and other receivables (note 33)	–	–	2,326,044	–	2,326,044
Due from related companies	–	–	1,940,085	–	1,940,085
	6,478,648	14,312	32,811,073	7,327,045	46,631,078

51. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

2010 Group *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	43,821,843	–	43,821,843
Loans from related companies	113,565	–	113,565
Trade and notes payables	8,617,385	–	8,617,385
Financial liabilities included in accrued liabilities and other payables (note 39)	4,781,810	–	4,781,810
Due to related companies and the holding company	2,046,635	–	2,046,635
Other long term payables	474,466	–	474,466
Financial lease payables	204,294	–	204,294
Derivative financial instruments	–	84,566	84,566
	60,059,998	84,566	60,144,564

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

51. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

2009 Group

Financial assets

	Financial assets at fair value through profit or loss -held for trading RMB'000	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Available-for-sale financial investments RMB'000	Total RMB'000
Held-to-maturity investments	–	79,220	–	–	79,220
Available-for-sale investments	–	–	–	2,943,458	2,943,458
Loans receivable	–	–	220,000	–	220,000
Cash and bank balances	–	–	15,947,571	–	15,947,571
Equity investments at fair value through profit or loss	4,922,253	–	–	–	4,922,253
Trade and notes receivables	–	–	4,768,991	–	4,768,991
Financial assets included in prepayments, deposits and other receivables (note 33)	–	–	2,040,152	–	2,040,152
Due from related companies	–	–	1,100,497	–	1,100,497
	4,922,253	79,220	24,077,211	2,943,458	32,022,142

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings	28,705,369
Loans from related companies	106,618
Trade and notes payables	6,861,967
Financial liabilities included in accrued liabilities and other payables (note 39)	4,059,449
Due to related companies and the holding company	1,224,172
Other long term payables	561,921
	41,519,496

51. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

2010 Company

Financial assets

	Financial assets at fair value through profit or loss - held for trading RMB'000	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	5,483,461	–	–	5,483,461
Cash and bank balances	–	–	1,786,810	1,786,810
Financial assets included in prepayments, deposits and other receivables (note 33)	–	–	836	836
Due from subsidiaries	–	–	10,887,527	10,887,527
	5,483,461	–	12,675,173	18,158,634

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in accrued liabilities and other payables (note 39)	17,683
Interest-bearing bank loans	3,174,250
Due to the holding company	1,092,250
	4,284,183

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

51. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

2009 Company

Financial assets

	Financial assets Financial assets at fair value through profit or loss - held for trading RMB'000	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Total RMB'000
Held-to-maturity investments	–	35,320	–	35,320
Equity investments at fair value through profit or loss	4,106,493	–	–	4,106,493
Cash and bank balances	–	–	2,458,576	2,458,576
Financial assets included in prepayments, deposits and other receivables (note 33)	–	–	1,567	1,567
Due from subsidiaries	–	–	8,334,529	8,334,529
	4,106,493	35,320	10,794,672	14,936,485

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in accrued liabilities and other payables (note 39)	1,489
Interest-bearing bank loans	482,286
Due to the holding company	878,749
	1,362,524

52. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

Group

As at 31 December 2010

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Available-for-sale investments:				
Equity investments (note 24)	**3,048,301**	**–**	**–**	**3,048,301**
Equity investments at fair value through profit or loss	**6,478,648**	**–**	**–**	**6,478,648**
	9,526,949	**–**	**–**	**9,526,949**

As at 31 December 2009

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments:				
Equity investments (note 24)	868,773	–	–	868,773
Equity investments at fair value through profit or loss	4,922,253	–	–	4,922,253
	5,791,026	–	–	5,791,026

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

52. FAIR VALUE HIERARCHY *(Continued)*

Assets measured at fair value: (continued)

Company

As at 31 December 2010

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Equity investments at fair value through profit or loss	**5,483,461**	**–**	**–**	**5,483,461**

As at 31 December 2009

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	4,106,493	–	–	4,106,493

Liabilities measured at fair value:

Group

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial instruments	(84,566)	–	–	(84,566)

The Group did not have any financial liabilities measured at fair value as at 31 December 2009.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2009: Nil).

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other borrowings, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also entered into derivative transactions, representing forward currency contracts and commodity derivative contracts during the year ended 31 December 2010. The purpose is to manage the foreign currency risks and commodity price risk arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. At 31 December 2010, approximately 28% (2009: 31%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

Group:

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2010	**75**	**(140,574)**
	(25)	**46,858**
2009	27	(29,998)
	(81)	89,994

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar and Hong Kong dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Group:

	Increase/ decrease in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000
2010		
If RMB weakens against United States dollar	**5**	**(297,608)**
If RMB strengthens against United States dollar	**5**	**297,608**
If RMB weakens against Hong Kong dollar	**5**	**(58,707)**
If RMB strengthens against Hong Kong dollar	**5**	**58,707**
2009		
If RMB weakens against United States dollar	5	(19,423)
If RMB strengthens against United States dollar	5	19,423
If RMB weakens against Hong Kong dollar	5	58,334
If RMB strengthens against Hong Kong dollar	5	(58,334)

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, held-to-maturity investments, available-for-sale investments, equity investments at fair value through profit or loss, amounts due from related companies, and other receivables, arises from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 49 to financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables were widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 32 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans. The Group's policy is that not more than 80% of the borrowings should mature in any 12-month period. 64% (2009: 69%) of the Group's debts would mature in less than one year as at 31 December 2010 based on the carrying value of borrowings reflected in the financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payment, was as follows:

2010 Group

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	1,314,961	20,980,110	19,529,372	3,788,154	45,612,597
Loans from related companies	–	–	28,000	93,000	–	121,000
Trade and notes payables	2,139,506	553,068	5,823,749	101,061	–	8,617,384
Due to related companies	954,385	–	–	–	–	954,385
Due to the holding company	1,092,250	–	–	–	–	1,092,250
Financial liabilities included in accrued liabilities and other payables	6,111,933	5,653	22	44,407	–	6,162,015
Other long term payables	–	–	–	474,466	–	474,466
Financial lease payable	–	12,331	36,992	183,946	–	233,269
Derivative financial Instruments	–	–	84,566	–	–	84,566
	10,298,074	1,886,013	26,953,439	20,426,252	3,788,154	63,351,932

2009 Group

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	1,793,969	14,998,394	8,474,429	3,486,683	28,753,475
Loans from related companies	–	–	–	121,000	–	121,000
Trade and notes payables	1,983,529	1,957,762	2,920,676	–	–	6,861,967
Due to related companies	345,423	–	–	–	–	345,423
Due to the holding company	878,749	–	–	–	–	878,749
Financial liabilities included in accrued liabilities and other payables	4,020,921	–	38,528	–	–	4,059,449
Other long term payables	–	–	–	484,471	200,233	684,704
	7,228,622	3,751,731	17,957,598	9,079,900	3,686,916	41,704,767

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

In addition, the guarantees provided by the Group will be called in case of default in payments by the guaranteed companies as set out in note 49.

2010 Company

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	–	562,930	2,611,320	–	3,174,250
Due to the holding company	1,092,250	–	–	–	–	1,092,250
Financial liabilities included in accrued liabilities and other payables	17,683	–	–	–	–	17,683
	1,109,933	–	562,930	2,611,320	–	4,284,183

2009 Company

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	–	411,849	70,438	–	482,287
Due to the holding company	878,749	–	–	–	–	878,749
Financial liabilities included in accrued liabilities and other payables	1,489	–	–	–	–	1,489
	880,238	–	411,849	70,438	–	1,362,525

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Year ended 31 December 2010

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments (note 31) and available-for-sale investments measured at fair value (note 24) as at 31 December 2010. The Group's listed investments are listed on the Hong Kong, Shenzhen, Shanghai, United States and Europe stock exchanges and are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the income statement.

		Carrying amount of equity investments RMB'000	Increase in profit before tax RMB'000	Increase in equity RMB'000
2010				
Investments listed in:				
Hong Kong	– Available-for-sale	300,478	–	15,024
	– Held-for-trading	1,141,171	57,059	–
Shenzhen	– Available-for-sale	444,319	–	22,216
	– Held-for-trading	103	5	–
Shanghai	– Available-for-sale	1,632,847	–	81,642
	– Held-for-trading	350,921	17,546	–
United States	– Available-for-sale	670,656	–	33,533
	– Held-for-trading	4,534,183	226,709	–
Europe	– Held-for-trading	452,270	22,614	–

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk *(Continued)*

		Carrying amount of equity investments RMB'000	Increase in profit before tax RMB'000	Increase in equity RMB'000
2009				
Investments listed in:				
Hong Kong	– Available-for-sale	275,074	–	13,754
	– Held-for-trading	5,949	297	–
Shenzhen	– Available-for-sale	113,771	–	5,689
Shanghai	– Available-for-sale	25,313	–	1,266
	– Held-for-trading	804,058	40,000	–
United States	– Available-for-sale	454,615	–	22,731
	– Held-for-trading	4,100,976	205,049	–
Singapore	– Held-for-trading	11,270	564	–

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 31 December 2009.

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Year ended 31 December 2010

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio between 20% and 60%. Net debt includes interest-bearing bank and other borrowings, and loans from related companies, less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests. The gearing ratios as at the ends of the reporting periods were as follows:

Group

	2010 RMB'000	2009 RMB'000
Interest-bearing bank and other borrowings	**43,821,843**	28,705,369
Loans from related companies	**113,565**	106,618
Less: Cash and cash equivalents	**(16,826,592)**	(10,550,240)
Net debt	**27,108,816**	18,261,747
Total equity	**44,999,086**	36,328,087
Total equity and net debt	**72,107,902**	54,589,834
Gearing ratio	**38%**	33%

54. EVENTS AFTER THE REPORTING PERIOD

(a) According to the announcement dated 20 January 2011, the Company will make a voluntary conditional offer to acquire all of the issued H shares of Forte (other than those already held by the Company and parties acting in concert with it); and subject to the H share offer becoming unconditional in all respects, the Company will make a voluntary conditional offer to acquire all of the issued domestic shares of Forte (other than those already held by the Company and parties acting in concert with it, but including the domestic shares of Forte held by Dahua (Group) Company Limited). The H share offer will be made on HKD3.50 in cash for each H share. The equivalent in cash in RMB of the offer price of the H share offer of HK$3.50 per H share will be made for each domestic share.

As at the date of announcement, the Group held 1,458,963,765 domestic shares and 325,710,000 H shares of Forte, representing in aggregate approximately 70.56% of the Forte shares, and making up of approximately 99.00% of the total issued domestic shares and approximately 30.86% of the total issued H shares.

54. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(a) *(Continued)*

Based on the offer price of HKD3.50 per H share and the equivalent in RMB of the offer price of the H share offer for each domestic share, and 729,828,122 H shares and 14,804,300 domestic shares in issue (representing the H shares and domestic shares not already held by the Company and parties acting in concert with it, but including the domestic shares of Forte held by Dahua (Group) Company Limited), as at the date of announcement, the maximum value of the H share offer and domestic share offer (assuming the H share and domestic share offer is accepted in full and there is no change in the share capital of Forte) is approximately HKD2,554,400,000 and RMB43,900,000, respectively.

(b) On 27 February 2011, Fosun Pharma, a subsidiary of the Company, announced to offer for subscription and apply for listing of its H shares on the Main Board of the Hong Kong Stock Exchange. The total number of H shares to be offered under the proposed global offering will not exceed 20% of Fosun Pharma's total issued shares after the completion of the proposed global offering, with an over-allotment option to issue no more than 15% of the H shares initially available under the proposed global offering.

55. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2011.

Independent Auditors' Report

ERNST & YOUNG
安永會計師事務所

18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

To the shareholders of Fosun International Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Fosun International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 63 to 196, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, 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.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst and Young
Certified Public Accountants

Hong Kong
24 March 2010

Consolidated Income Statement

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
REVENUE	6	34,855,818	40,250,293
Cost of sales		(29,161,430)	(32,221,179)
Gross profit		5,694,388	8,029,114
Other income and gains	6	6,492,385	1,673,586
Selling and distribution costs		(1,175,543)	(1,170,007)
Administrative expenses		(1,751,807)	(1,659,109)
Other expenses		(951,951)	(1,792,158)
Finance costs	7	(1,108,335)	(1,362,623)
Share of profits and losses of:			
Jointly-controlled entities	21	13,825	(6,307)
Associates		962,563	154,456
PROFIT BEFORE TAX	8	8,175,525	3,866,952
Tax	10	(1,357,154)	(1,149,068)
PROFIT FOR THE YEAR		6,818,371	2,717,884
Attributable to:			
Owners of the parent		4,646,679	1,328,391
Minority interests		2,171,692	1,389,493
		6,818,371	2,717,884
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic and diluted (RMB)	12	0.72	0.21

Details of the dividends payable and proposed for the year are disclosed in note 11 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
PROFIT FOR THE YEAR		**6,818,371**	2,717,884
OTHER COMPREHENSIVE INCOME			
Available-for-sale assets:			
Changes in fair value		**705,720**	(342,195)
Reclassification adjustments for gains included in the consolidated income statement			
— gain on disposal		**(52,910)**	(174,256)
— impairment losses		**—**	238,164
Income tax effect	28	**(120,851)**	46,047
		531,959	(232,240)
Share of other comprehensive income of a jointly-controlled entity		**2,515**	—
Share of other comprehensive income of associates		**180,255**	(14,331)
Reserves released upon disposal of associates		**(528)**	(58,175)
Exchange differences on translation of foreign operations		**(149,702)**	(81,870)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**564,499**	(386,616)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7,382,870**	2,331,268
Attributable to:			
Owners of the parent		**5,065,043**	1,136,497
Minority interests		**2,317,827**	1,194,771
		7,382,870	2,331,268

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	17,767,235	16,378,577
Investment properties	14	2,057,400	429,000
Prepaid land lease payments	15	1,162,655	893,404
Exploration and evaluation assets	16	420,689	386,645
Mining rights	17	733,586	1,110,721
Intangible assets	18	34,486	28,826
Goodwill	19	126,929	90,591
Interests in jointly-controlled entities	21	755,823	632,481
Investments in associates	22	9,621,368	5,947,063
Held-to-maturity investments	23	79,220	63,761
Available-for-sale investments	24	2,943,458	1,905,289
Properties under development	25	5,089,455	6,666,100
Due from related companies	35	191,905	—
Loan receivable	26	220,000	220,000
Prepayments	27	616,313	1,156,383
Deferred tax assets	28	793,985	663,330
Total non-current assets		42,614,507	36,572,171
CURRENT ASSETS			
Cash and bank balances	30	15,947,571	11,691,015
Equity investments at fair value through profit or loss	31	4,922,253	1,534,899
Trade and notes receivables	32	4,768,991	2,441,440
Prepayments, deposits and other receivables	33	3,293,096	2,793,980
Inventories	34	5,583,671	6,203,675
Completed properties for sale		1,698,292	987,604
Properties under development	25	6,868,166	6,121,600
Due from related companies	35	908,592	830,953
		43,990,632	32,605,166
Assets of a disposal group/Non-current assets classified as held for sale	29	1,548,894	594,430
Total current assets		45,539,526	33,199,596

	Notes	2009 RMB'000	2008 RMB'000
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	36	16,792,363	15,228,528
Trade and notes payables	37	6,861,967	5,180,426
Accrued liabilities and other payables	38	10,531,066	5,931,574
Tax payable		1,468,607	1,385,710
Due to the holding company	35	878,749	568,819
Due to related companies	35	345,423	864,135
		36,878,175	29,159,192
Liabilities directly associated with the assets classified as held for sale	29	997,393	—
Total current liabilities		37,875,568	29,159,192
NET CURRENT ASSETS		7,663,958	4,040,404
TOTAL ASSETS LESS CURRENT LIABILITIES		50,278,465	40,612,575
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	36	11,913,006	9,169,761
Loans from related companies	39	106,618	152,193
Deferred income	40	82,669	47,702
Other long term payables	41	561,921	634,251
Deferred tax liabilities	28	1,241,973	565,581
Total non-current liabilities		13,906,187	10,569,488
Net assets		36,372,278	30,043,087
EQUITY			
Equity attributable to owners of the parent			
Issued capital	42	621,497	621,497
Reserves	43	22,935,553	18,795,730
Proposed final dividends	11	927,270	453,051
		24,484,320	19,870,278
Minority interests		11,887,958	10,172,809
Total equity		36,372,278	30,043,087

Guo Guangchang
Director

Ding Guoqi
Director

Statement of Financial Position

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Office equipment	13	22	54
Interests in subsidiaries	20	1,920,386	1,920,668
Investment in an associate	22	82,421	82,421
Held-to-maturity investments	23	35,320	31,696
Total non-current assets		2,038,149	2,034,839
CURRENT ASSETS			
Cash and bank balances	30	2,458,576	1,181,140
Equity investments at fair value through profit or loss	31	4,106,493	1,534,709
Prepayments, deposits and other receivables	33	1,567	1,547
Due from subsidiaries	35	8,334,529	8,495,874
Total current assets		14,901,165	11,213,270
CURRENT LIABILITIES			
Interest-bearing bank loans	36	411,848	796,020
Accrued liabilities and other payables	38	1,489	1,114
Tax payable		1,282	—
Due to the holding company	35	878,749	568,819
Total current liabilities		1,293,368	1,365,953
NET CURRENT ASSETS		13,607,797	9,847,317
TOTAL ASSETS LESS CURRENT LIABILITIES		15,645,946	11,882,156
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	36	70,438	141,102
Net assets		15,575,508	11,741,054

	Notes	2009 RMB'000	2008 RMB'000
EQUITY			
Issued capital	42	**621,497**	621,497
Reserves	43	**14,026,741**	10,666,506
Proposed final dividends	11	**927,270**	453,051
Total equity		**15,575,508**	11,741,054

Guo Guangchang
Director

Ding Guoqi
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

Group

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 42)	Share premium RMB'000	Other deficits RMB'000 (note 43(a))	Statutory surplus reserve RMB'000 (note 43(b))	Available-for-sale investments revaluation reserve RMB'000	Capital redemption reserve RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000 (note 11)	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2008	622,962	11,785,713	(443,540)	1,795,724	254,244	—	4,927,399	(130,606)	1,022,219	19,834,115	10,136,510	29,970,625
Total comprehensive income for the year	—	—	—	—	(106,969)	—	1,328,391	(84,925)	—	1,136,497	1,194,771	2,331,268
Acquisition of subsidiaries (note 44(a))	—	—	—	—	—	—	—	—	—	—	254,747	254,747
Capital contribution from minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	93,640	93,640
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	—	(910,353)	(910,353)
Repurchase and cancellation of shares (note 42)	(1,465)	—	—	—	—	—	(76,650)	—	—	(78,115)	—	(78,115)
Transfer on shares repurchased and cancelled (note 42)	—	—	—	—	—	1,465	(1,465)	—	—	—	—	—
Final 2007 dividend declared	—	—	—	—	—	—	—	—	(1,022,219)	(1,022,219)	—	(1,022,219)
Proposed final 2008 dividend	—	—	—	—	—	—	(453,051)	—	453,051	—	—	—
Transfer from retained profits	—	—	—	229,726	—	—	(229,726)	—	—	—	—	—
Disposal of subsidiaries (note 44(b))	—	—	—	—	—	—	—	—	—	—	(30,867)	(30,867)
Disposal of partial interests in subsidiaries	—	—	—	—	—	—	—	—	—	—	75,663	75,663
Acquisition of additional of interests in subsidiaries	—	—	—	—	—	—	—	—	—	—	(656,926)	(656,926)
Compensation arising from LAT provision	—	—	—	—	—	—	—	—	—	—	15,624	15,624
At 31 December 2008	621,497	11,785,713	(443,540)	2,025,450	147,275	1,465	5,494,898	(215,531)	453,051	19,870,278	10,172,809	30,043,087

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 42)	Share premium RMB'000	Other deficits RMB'000 (note 43(a))	Statutory surplus reserve RMB'000 (note 43(b))	Available-for-sale investments revaluation reserve RMB'000	Capital redemption reserve RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000 (note 11)	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2009	621,497	11,785,713	(443,540)	2,025,450	147,275	1,465	5,494,898	(215,531)	453,051	19,870,278	10,172,809	30,043,087
Total comprehensive income for the year	—	—	—	—	566,841	—	4,646,679	(148,477)	—	5,065,043	2,317,827	7,382,870
Acquisition of subsidiaries (note 44(a))	—	—	—	—	—	—	—	—	—	—	4,550	4,550
Capital contribution from minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	166,281	166,281
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	—	(607,356)	(607,356)
Final 2008 dividend declared	—	—	—	—	—	—	—	—	(453,051)	(453,051)	—	(453,051)
Proposed final dividends	—	—	—	—	—	—	(927,270)	—	927,270	—	—	—
Transfer from retained profits	—	—	—	198,439	—	—	(198,439)	—	—	—	—	—
Liquidation of a subsidiary	—	—	—	—	—	—	—	—	—	—	(18,795)	(18,795)
Disposal of partial interests in a subsidiary	—	—	—	—	—	—	—	—	—	—	23,511	23,511
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	—	—	—	—	(182,742)	(182,742)
Equity-settled share-based payment	—	2,050	—	—	—	—	—	—	—	2,050	1,832	3,882
Compensation arising from LAT provision	—	—	—	—	—	—	—	—	—	—	10,041	10,041
At 31 December 2009	621,497	11,787,763	(443,540)	2,223,889	714,116	1,465	9,015,868	(364,008)	927,270	24,484,320	11,887,958	36,372,278

Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		8,175,525	3,866,952
Adjustments for:			
Depreciation of items of property, plant and equipment	8	1,806,875	1,554,480
Amortisation of prepaid land lease payments	15	20,947	18,962
Amortisation of intangible assets	18	9,826	25,917
Amortisation of mining rights	17	110,573	72,011
Provision for impairment of items of property, plant and equipment	13	1,043	133,391
Provision for impairment of available-for-sale investments	8	167,143	238,164
Provision for impairment of goodwill	8	3,179	6,965
Provision for impairment of intangible assets	18	1,094	—
Provision for impairment of mining rights	17	266,562	—
Net loss/(gain) on disposal of items of property, plant and equipment	6,8	5,283	(1,657)
Net gain on disposal of available-for-sale investments	6,8	(133,643)	(158,829)
Gain on disposal of equity investments at fair value through profit or loss	6	(42,379)	(14,450)
Net gain on disposal of subsidiaries	44(b)	(494)	(4,710)
Gain on disposal of associates	6	(640,145)	(172,541)
Net gain on disposal of non-current assets classified as held for sale	6,8	(16,985)	—
Gain on disposal of partial interests in subsidiaries	6	—	(246,183)
Gain on deemed acquisition of interests in a subsidiary	6	(26,446)	—
Gain on disposal of partial interest in associates	6	(27,096)	(4,347)
Loss on disposal of investment property	8	790	—
Net gain on deemed disposal of interests in associates	6,8	(2,605,609)	(3,420)
Equity-settled share-based payment expense	8	16,426	—
(Reversal)/provision for impairment of receivables	8	(539)	16,125
Provision for inventories	8	54,693	675,544
(Reversal)/provision for properties under development	8	(19,168)	80,456
Write-off of inventories	8	—	1,754
Interest expenses		1,081,131	1,348,863
Fair value adjustment on equity investments at fair value through profit or loss	6,8	(2,015,010)	9,300
Gain on acquisition of interests in subsidiaries	6	(4,057)	—
Dividends from equity investments at fair value through profit or loss	6	(1,414)	(2,173)
Fair value (gains)/losses on investment properties	14	(85,195)	27,000
Interest income	6	(159,312)	(252,179)
Dividends from available-for-sale investments	6	(109,835)	(66,763)
Share of profits and losses of associates		(962,563)	(154,456)
Subtotal carried forward		4,871,200	6,994,176

	Notes	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)			
Subtotal brought forward		**4,871,200**	6,994,176
Share of profits and losses of jointly-controlled entities		**(13,825)**	6,307
Excess over the cost of business combinations realised as income	44(a)	**—**	(6,520)
Provision for indemnity of LAT	8	**10,041**	15,624
CASH INFLOW BEFORE WORKING CAPITAL CHANGES		**4,867,416**	7,009,587
Decrease/(increase) in properties under development		**715,910**	(3,017,978)
Increase in properties held for sale		**(2,186,350)**	(241,066)
(Increase)/decrease in trade and notes receivables		**(2,331,358)**	415,393
(Increase)/decrease in prepayments, deposits and other receivables		**(1,288,374)**	1,219,417
Decrease/(increase) in inventories		**572,750**	(464,406)
Decrease/(increase) in amounts due from related companies		**144,361**	(211,247)
Increase in trade and notes payables		**1,960,632**	754,368
Increase/(decrease) in accrued liabilities and other payables		**3,532,274**	(2,029,218)
Increase in deferred income		**34,967**	25,967
Decrease in other long term payables		**(72,330)**	(103,221)
(Decrease)/increase in amounts due to related companies		**(117,552)**	48,671
CASH INFLOW FROM OPERATIONS		**5,832,346**	3,406,267
Interest paid		**(449,190)**	(271,762)
Income tax paid		**72,616**	(1,839,360)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**5,455,772**	1,295,145

	Notes	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(2,879,913)	(2,298,273)
Increase of prepaid land lease payments		(292,044)	(4,205)
Purchase of intangible assets		(27,531)	(26,146)
Purchase of held-to-maturity investments		(13,656)	(62,731)
Purchase of exploration and evaluation assets		(34,044)	(281,645)
Purchase of available-for-sale investments		(705,256)	(229,182)
Purchase of equity investments at fair value through profit or loss		(1,826,841)	(1,487,990)
Purchase of minority interests		(191,756)	(638,033)
Proceeds from disposal of equity investments at fair value through profit or loss		495,820	44,046
Proceeds from disposal of available-for-sale investments		297,446	418,379
Proceeds from disposal of investment properties		428,210	—
Proceeds from disposal of items of property, plant and equipment		87,485	122,399
Proceeds from disposal of prepaid land lease payments		—	2,883
Proceeds from disposal of intangible assets		10,951	3,684
Proceeds from disposal of held-to-maturity investment		280	—
Proceeds from disposal of partial interests in subsidiaries		—	553,846
Proceeds from disposal of subsidiaries	44(b)	2,841	18,963
Proceeds from disposal of associates		1,040,045	374,841
Proceeds from disposal of non-current assets classified as held for sale		407,394	—
Proceeds from disposal of jointly-controlled entities		—	52,000
Acquisition of subsidiaries	44(a)	(628,873)	(457,887)
Acquisition of associates		(719,872)	(573,187)
Acquisition of jointly-controlled entities		(110,515)	(5,000)
Liquidation of a subsidiary		(18,795)	—
Dividends received from available-for-sale investments	6	109,835	66,763
Dividends received from equity investments at fair value through profit or loss	6	1,414	2,173
Dividends received from associates		498,425	596,185
Shareholder loans provided to related companies		—	(252,733)
(Increase)/decrease in pledged bank balances and time deposits with original maturity of more than three months		(2,284,011)	2,006,566
Payments for acquisition of a subsidiary		(143,500)	—
Interest received	6	159,312	252,179
Prepayments for purchase of exploration and evaluation assets and acquisitions		—	(40,435)
Return of prepayment in respect of a proposed acquisition		44,880	311,330
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(6,292,269)	(1,531,210)

	Note	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase and cancellation of shares		—	(78,115)
Capital contribution from minority shareholders of subsidiaries		166,281	93,640
New bank and other borrowings		30,678,521	24,659,845
Repayments of bank and other borrowings		(25,960,614)	(21,999,898)
Dividends paid to minority shareholders		(811,356)	(910,353)
Dividends paid		(143,121)	(453,400)
Interest paid		(1,075,851)	(1,522,077)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		2,853,860	(210,358)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,017,363	(446,423)
Cash and cash equivalents at beginning of year		9,577,695	10,024,118
CASH AND CASH EQUIVALENTS AT END OF YEAR		11,595,058	9,577,695
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:			
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION		11,550,240	9,577,695
Cash and pledged deposits attributable to assets of a disposal group classified as held for sale	29	44,818	—
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS		11,595,058	9,577,695

Notes to the Financial Statements

Year ended 31 December 2009

1. CORPORATE INFORMATION

Fosun International Limited (the "Company") was incorporated as a company with limited liability in Hong Kong on 24 December 2004 under the Hong Kong Companies Ordinance (Chapter 32).

The registered office of the Company is located at Room 808, ICBC Tower, 3 Garden Road, Central, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the manufacture and sale of pharmaceutical products, property development, the manufacture and sale of iron and steel products, mining and ore processing of various metals, and the management of strategic investments.

The holding company and the ultimate holding company of the Company are Fosun Holdings Limited and Fosun International Holdings Ltd. which are incorporated in Hong Kong and the British Virgin Islands, respectively.

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 16 July 2007.

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and equity investments, which have been measured at fair value. Disposal groups and non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PRESENTATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Contingent consideration is recognised if the adjustment is probable and can be measured reliably. Subsequent measurement to the contingent consideration affects goodwill.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly — Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosure about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue — Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*
HK (IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK (IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement — Embedded Derivatives*
HK (IFRIC)-Int 13	*Customer Loyalty Programmes*
HK (IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK (IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK (IFRIC)-Int 18	*Transfers of Assets from Customers (adopted from 1 July 2009)*
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for Level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 51 to the financial statements.

(b) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 5 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(c) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(d) In October 2008, the HKICPA issued its first *Improvements to HKFRSs* which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary* which is effective for annual periods beginning on or after 1 July 2009, the Group adopted all the amendments from 1 January 2009. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact to the Group. Details of the a key amendment most applicable to the Group are as follows:

HKAS 40 *Investment Property*: Revises the scope such that property being constructed or developed for future as an investment property is classified as an investment property. The Group has applied the amendment prospectively from 1 January 2009. The Group's accounting policy for investment properties is to subsequently state them at fair value with changes in fair values recognised in profit or loss. As a result of the amendment, an investment property under construction is carried at fair value at the earlier of when the fair value first becomes reliably determinable and when the construction of the property is completed.

Other than as further explained above regarding the impact of HKFRS 7 Amendments, HKFRS 8, HKAS 1 (Revised) and *Improvements to HKFRSs*, the adoption of these new and revised HKFRSs has had no significant financial effect on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSS

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	*First-time Adoption of HKFRSs*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs-Additional Exemptions for First-time Adopters*[2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*[1]
HK (IFRIC)-Int 14 Amendments	Amendments to HK (IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[5]
HK (IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[1]
HK (IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases — Determination of the Length of Lease Term in respect of Hong Kong Leases*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK (IFRIC)-Int 9 and HK (IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSS (continued)

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The Group expects to adopt HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect the accounting of future acquisitions, loss of control and transactions with minority interests.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety by the end of 2010. The Group expects to adopt HKFRS 9 from 1 January 2013.

The amendments to HKFRS 5 clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest. The Group expects to adopt the amendments from 1 January 2010. The changes must be applied prospectively and will affect future sale transactions or plans involving loss of control of a subsidiary.

Except as stated above, the Group expects that the adoption of the above new and revised HKFRSs is unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates and is not individually tested for impairment.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired and liabilities and contingent liabilities assumed as at the date of acquisitions.

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset in the consolidated statement of financial position.

The carrying amount of goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries, associates and jointly-controlled entities (previously referred to as negative goodwill), after reassessment, is recognised immediately in the consolidated income statement.

The excess for associates and jointly-controlled entities is included in the Group's share of the associates' and jointly-controlled entities' profits or losses in the period in which the investments are acquired.

Impairment of non-financial assets other than goodwill

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties under development, completed properties held for sale, financial assets, deferred tax assets, investment properties, goodwill and non-current assets classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets other than goodwill (continued)

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly, or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognised such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	15 to 40 years
Plant and machinery	8 to 15 years
Office equipment	5 years
Motor vehicles	5 years
Mining infrastructure	18 years
Leasehold improvements	The shorter of the lease terms or their useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery under construction or installation and testing which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction or installation and testing and capitalised borrowing costs on related borrowed funds during the period of construction or installation and testing. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in the year of the retirement or disposal.

For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the consolidated income statement. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the consolidated income statement.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups (other than investment properties, deferred tax assets and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Patents and licences and technical know-how

Purchased patents and licences and technical know-how are stated at cost less any impairment losses and are amortised on the straight-line basis over the respective estimated useful lives of not exceeding 10 years.

Research and development costs

All research costs are charged to the consolidated income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses. Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure incurred prior to accruing legal rights to explore an area is written off as incurred. When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to mining rights and are amortised on the units of production ("UOP") method based on the proven and probable mineral reserves. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Mining rights include the cost of acquiring mining licences, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortised over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proven and probable reserves of the mines using the UOP method. Mining rights are written off to the consolidated income statement if the mining property is abandoned.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid land lease payments

Prepaid land lease payments are stated at cost less accumulated amortisation and any impairment losses. Prepaid land lease payments are amortised on the straight-line basis over the lease terms.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases, net of any incentives received from the lessor are charged to the consolidated income statement on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivable, quoted and unquoted financial instruments, amounts due from related companies and derivative financial instruments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the other income and gains or other expenses in the consolidated income statement. These net fair value changes recognised do not include any dividends on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the financial costs in the consolidated income statement. The loss arising from impairment is recognised in the consolidated income statement.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other expenses in the consolidated income statement. The loss arising from impairment is recognised in the consolidated financial statements in finance costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in other income and gains in the consolidated income statement and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the consolidated income statement as "Other income and gains" in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial investments whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. 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 assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the impairment loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the consolidated income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is removed from other comprehensive income and recognised in the consolidated income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement — is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and notes payables, other payables and accruals, an amount due to the holding company, amounts due to related companies, loans from related companies and interest-bearing loans and other borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated income statement. The net fair value gain or loss recognised in the consolidated income statement does not include any interest charged on these financial liabilities.

Loans and other borrowings

After initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the consolidated income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work-in-progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads.

Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Properties under development

Properties under development are stated at cost which includes all development expenditures, including land costs, interest charges and other costs directly attributable to such properties.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle.

Properties under development are valued at the lower of cost and net realisable value at the balance sheet date and any excess of cost over net realisable value of individual item of properties under development is accounted for as a provision. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

Completed properties for sale

Completed properties for sale are recognised in the consolidated statement of financial position at the lower of cost and the net realisable value. Net realisable value is estimated by the Directors based on the prevailing market conditions. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Any excess of cost over net realisable value of individual item of completed properties for sale is accounted for as a provision.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statement.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liabilities arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly-controlled entities, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in jointly-controlled entities, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated income statement over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) Sale of completed properties
Revenue from the sale of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

(c) Service fees
Property agency fees, property sales planning and advertising fees, construction supervisory fees and property management fees are recognised when the relevant services have been rendered and it is probable that economic benefits will flow to the Group and the relevant fees can be measured reliably.

(d) Rental income
Revenue is recognised on a time proportion basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(e) Interest income

Revenue is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(f) Dividend income

Revenue is recognised when the Group's right to receive payment has been established.

Share-based payment transactions

Certain senior management personnel are provided with the opportunity to purchase the equity interest in a subsidiary of the Company at a discounted price for their contribution to the success of the Group's operation.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a market approach, further details of which are given in note 45 to the financial statements.

Retirement benefits

The Group did not provide post employment benefits, other than (i) defined contribution pension schemes and (ii) other employee benefits to qualified former employees ("Qualified SOE Employees") and qualified retirees ("Qualified Retirees") of former State-owned enterprises, as set out below.

(i) Defined contribution pension schemes

The full-time employees of the Group, other than Qualified SOE Employees and Qualified Retirees of former State-owned enterprises ("Former SOEs") as set out below, are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits (continued)

(ii) Other employee benefits to Qualified SOE Employees and Qualified Retirees

The Group took over Qualified SOE Employees and Qualified Retirees from the Former SOEs upon the Group's acquisition of the Former SOEs. A liability in respect of the retirement benefits of Qualified SOE Employees and Qualified Retirees was taken over by the Group from the former parent company of the Former SOEs upon taking up Qualified SOE Employees and Qualified Retirees. All the following retirement benefits are covered by the abovementioned liability taken over and the details of the retirement benefits are as follows:

Qualified SOE Employees

The Qualified SOE Employees consist of two different categories of employees:

(a) Qualified SOE Employees being made redundant by the Former SOEs before their statutory retirement age prior to the Group's acquisition of the Former SOEs.

The Former SOEs paid basic salary and social benefit funds on a monthly basis to these Qualified SOE Employees until they reach statutory retirement age as stipulated by the State Regulations. The Group is required to continue paying such monthly payments to these redundant Qualified SOE Employees until they reach statutory retirement age as stipulated by the State Regulations; and

(b) Qualified SOE Employees not being made redundant by the Former SOEs before their statutory retirement age prior to the Group's acquisition of the Former SOEs and entering into new employment contracts with the Group upon acquisition of the Former SOEs by the Group.

The Former SOEs implemented early retirement plans for these Qualified SOE employees. The benefits of the early retirement plans of the Qualified SOE Employees were calculated based on factors including the number of years of qualified service with the Former SOEs, salary amount and other agreed terms for Qualified SOE Employees upon the Group's acquisition of the Former SOEs. The Group is required to pay these Qualified SOE Employees a redundancy payment if they opt for early retirement or are made redundant by the Group before their statutory retirement age as stipulated by State Regulations. These Qualified SOE Employees are not entitled to early retirement benefits upon reaching statutory retirement age.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits (continued)

(ii) Other employee benefits to Qualified SOE Employees and Qualified Retirees (continued)

Qualified Retirees

The Former SOEs also provided post retirement benefits to their employees who were not covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. Upon being acquired by the Group, the Former SOEs had certain Qualified Retirees to whom the Former SOEs had an obligation to pay a fixed amount on a monthly basis until their death, where the Group is required to continue paying such monthly payments to these Qualified Retirees. The post retirement benefits of Qualified Retirees were calculated based on the monthly pension multiplied by an estimated life expectancy of Qualified Retirees.

The Group recognises the liability taken over as a non-current liability at initial recognition, and subsequent payments of the retirement benefits to Qualified SOE Employees and Qualified Retirees are debited against the non-current liability. Payments are made by the Group to Qualified SOE Employees and Qualified Retirees, but the use of the fund is monitored and supervised jointly by the former parent company of the Former SOEs and the union. Except for the payment of the retirement benefits of the Qualified SOE Employees and the Qualified Retirees, the fund cannot be used for any other purpose including the transfer to the Group's income statement or reserve, without the joint approval from the former parent company of Former SOEs, the union and the Municipal Labour & Social Security Bureau.

Accommodation benefits

According to the relevant PRC rules and regulations, the PRC companies now comprising the Group and their employees are each required to make contributions which are in proportion to the salaries and wages of the employees to an accommodation fund administered by the government agencies in the PRC. There is no further obligation on the part of the Group except for such contributions to the accommodation fund. Contributions to an accommodation fund administrated by government agency are charged to the consolidated income statement as and when they incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mandatory Provident Fund retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all employees of the companies in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed to the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the costs of those assets. The capitalisation of such borrowing costs cease when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currency translation

The functional currency of the Company and its subsidiaries incorporated outside Mainland China is Hong Kong dollars ("HKD"). The functional currency of the PRC subsidiaries is RMB. The financial statements are presented in RMB, which is the Group's presentation currency.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

Foreign currency transactions recorded by the entities within the Group are initially recorded using their respective functional currency rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the consolidated income statement. Non-monetary items that are measured in items of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of the Company and its subsidiaries incorporated outside Mainland China is currency other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates ruling at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas entities within the Group are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequent recurring cash flows of overseas entities within the Group which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

Gains or losses on deemed disposal

Gains or losses on deemed disposal arising from changes in the proportionate interest of the Group in subsidiaries, with control retained, are dealt with in the consolidated income statement.

Acquisition of minority interests

Subsequent to an exchange transaction which resulted in a business combination, acquisition of minority interests of a subsidiary is accounted for by adopting the parent entity extension method. Under the parent entity extension method, the difference arising on the acquisition of minority interests of subsidiaries represents the difference between the cost of the acquisition and the Group's interests in acquiree's net asset acquired as at the date of acquisition, and is treated as goodwill/excess over the cost of business combinations. The assets and liabilities of the subsidiary are not remeasured to reflect their fair values at the date of the transaction.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) Operating lease commitments — the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

(ii) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion held for use in the production or supply of goods or services or for administrative purposes.

If an item of any property under development becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in consolidated income statement under HKAS 40.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

(iii) Deferred tax liabilities

Deferred tax liabilities are recognised for withholding corporate income taxes relating to the unremitted earnings of the Group's subsidiaries established in Mainland China that are subject to withholding taxes. Significant management judgement is required to determine the amount of deferred tax liabilities, based upon the likely distribution level of such earnings from these subsidiaries in the foreseeable future. The carrying value of deferred tax liabilities arising from the withholding tax associated with the investments in subsidiaries in Mainland China for the year ended 31 December 2009 was RMB63,821,000 (2008: RMB37,440,000). Further details are contained in note 28 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The estimation of the expected future cash flows from cash-generating unit could change significantly should the cash-generating units fail to sustain the estimated growth. The carrying amount of goodwill at 31 December 2009 was RMB126,929,000 (2008: RMB90,591,000).

(ii) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. For the year ended 31 December 2009, impairment losses in the amount of RMB268,699,000 (2008: RMB133,391,000) have been recognised as set out in note 8 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(iii) Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the consolidated income statement. For the year ended 31 December 2009, impairment losses in the amount of RMB167,143,000 (2008: RMB238,164,000) have been recognised for available-for-sale assets. The carrying amount of available-for-sale assets was RMB2,943,458,000 (2008: RMB1,905,289,000).

(iv) Estimation of fair value of investment properties

As described in note 14 to the financial statements, investment properties were revalued on 31 December 2009 on an open market value existing use basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of reporting period.

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31 December 2009 was RMB2,057,400,000 (2008: RMB429,000,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(v) Provision for bad debts of loans and receivables

The Group reviews the recoverability and ageing of loans and advances and provides impairment losses if the balances are not fully recoverable. The assessments involve estimation of the recoverability of these balances. Any change in the key sources of estimations would affect the carrying amount of the loans and advances, and provision expenses in the period in which such estimate has been changed.

(vi) Estimation of rehabilitation cost provision

Provisions for the Group's obligations for land rehabilitation are based on estimates of required expenditure at the mines in accordance with PRC rules and regulations. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation.

Estimates used in the provision of rehabilitation cost are subjective in nature and involve uncertainties and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

(vii) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(viii) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(ix) Net realisable value of inventories, property under development and completed properties for sale

Net realisable value of inventories, property under development and completed properties for sale is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of each reporting period.

4. PARTICULARS OF PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES

Particulars of the principal companies comprising the Group, associates and jointly-controlled entities at 31 December 2009 are set out below:

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Subsidiaries						
上海復星高科技（集團）有限公司 (Shanghai Fosun High Technology (Group) Co., Ltd.)	PRC 21 November 1994	880,000	100.0%	—	100.0%	Investment holding
上海復星工業技術發展有限公司 (Shanghai Fosun Industrial Technology Development Co., Ltd.)	PRC 4 August 2003	1,200,000	—	100.0%	100.0%	Investment holding
上海復星產業投資有限公司 (Shanghai Fosun Industrial Investment Co., Ltd.)	PRC 22 November 2001	600,000	—	100.0%	100.0%	Investment holding

4. PARTICULARS OF PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the principal companies comprising the Group, associates and jointly-controlled entities at 31 December 2009 are set out below: (continued)

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company Direct	Indirect	Effective	Principal activities
Steel segment						
南京鋼鐵聯合有限公司 (Nanjing Iron & Steel United Co., Ltd.)	PRC 24 March 2003	900,000	—	60.0%	60.0%	Manufacture and sale of iron and steel products
南京南鋼產業發展有限公司 (Nanjing Iron & Steel Industry Development Co., Ltd.)	PRC 27 September 2009	1,850,000	—	60.0%	60.0%	Manufacture and sale of iron and steel products
南京南鋼鋼鐵聯合有限公司 (Nanjing Nangang Iron & Steel United Co., Ltd.)	PRC 20 May 2009	3,000,000	—	60.0%	60.0%	Manufacture and sale of iron and steel products
南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.)	PRC 18 March 1999	1,684,800	—	62.7%	37.6%	Manufacture and sale of iron and steel products
南京鋼鐵有限公司 (Nanjing Iron & Steel Limited)	PRC 28 June 2001	1,279,637	—	100.0%	60.0%	Manufacture and sale of iron and steel products
南京金騰鋼鐵有限公司 (Nanjing Jinteng Iron & Steel Co., Ltd.)	PRC 22 February 1993	67,484	—	100.0%	60.0%	Manufacture and sale of iron and steel products
香港金騰國際有限公司 (Hong Kong Jinteng International Company Limited)	HK 20 June 2005	HKD20,000,000	—	100.0%	60.0%	Trading and technology development consulting

4. PARTICULARS OF PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the principal companies comprising the Group, associates and jointly-controlled entities at 31 December 2009 are set out below: (continued)

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company Direct	Indirect	Effective	Principal activities
Pharmaceuticals segment						
上海復星醫藥（集團）股份有限公司 * (Shanghai Fosun Pharmaceutical (Group) Co., Ltd)	PRC 13 July 1998	952,135	—	49.0%	49.0%	Manufacture and sale of pharmaceutical products
上海復星醫藥產業發展有限公司 (Shanghai Fosun Pharmaceutical Development Company Limited)	PRC 27 November 2001	92,250	—	100.0%	49.0%	Investment holding
上海復星醫藥投資有限公司 (Shanghai Fosun Pharmacy Investment Co., Ltd.)	PRC 1 September 2000	689,600	—	100.0%	49.0%	Investment holding
上海復美益星大藥房連鎖有限公司 (Shanghai Fosun Grant Medicine Chain Operating Co., Ltd.)	PRC 21 March 2001	50,000	—	100.0%	48.9%	Operation and management of chain stores of pharmaceutical products
Property development segment						
復地（集團）股份有限公司 (Shanghai Forte Land Co., Ltd.)	PRC 13 August 1998	505,861	12.9%	57.7%	65.7%	Property development

4. PARTICULARS OF PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the principal companies comprising the Group, associates and jointly-controlled entities at 31 December 2009 are set out below: (continued)

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company Direct	Indirect	Effective	Principal activities
Mining segment						
海南礦業聯合有限公司 (Hainan Mining United Co., Ltd.)	PRC 1 September 2007	1,500,000	—	60.0%	60.0%	Mining and ore processing
安徽金安礦業有限責任公司 (Anhui Jin'an Mining United Co., Ltd.)	PRC 24 July 2006	100,000	—	100.0%	60.0%	Mining and ore processing
遵義縣世紀有色金屬有限責任公司 (Zunyixian Shiji Nonferrous Metal Limited Liability Company)	PRC 12 November 2004	22,000	—	55.0%	55.0%	Mining and processing ore
托里縣紅山礦業金屬有限責任公司 (Tuolixian Hongshan Mining and Metal Limited Liability Company)	PRC 22 October 2008	192,000	—	70.0%	42.0%	Mining and processing ore

4. PARTICULARS OF PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the principal companies comprising the Group, associates and jointly-controlled entities at 31 December 2009 are set out below: (continued)

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company Direct	Indirect	Effective	Principal activities
Associates						
國藥產業投資有限公司 (Sinopharm Industrial Investment Co., Ltd.)	PRC 6 May 2008	700,000	—	49.0%	24.0%	Sale of pharmaceutical products
上海豫園旅遊商城股份有限公司@ (Shanghai Yuyuan Tourist Mart Co., Ltd.)	PRC 13 May 1992	798,512	—	17.3%	17.3%	Retail
唐山建龍實業有限公司 (Tangshan Jianlong Industrial Co., Ltd.)	PRC 15 September 2000	580,000	—	26.7%	26.7%	Manufacture and sale of iron and steel products
山西焦煤集團五麟煤焦開發有限公司 (Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd.)	PRC 15 May 2003	978,000	—	20.0%	20.0%	Mining and refining of coal products
北京華夏建龍礦業科技有限公司@ (Beijing Huaxia Jianlong Mining Technology Co., Ltd.)	PRC 19 September 2003	108,750	—	18.4%	18.4%	Mining and refining of steel ores
匯鑫生物漿紙股份有限公司 (Huixin Biological Paper Co., Ltd.)	PRC 8 January 1993	200,000	—	30.0%	14.7%	Manufacture and sale of paper products

4. PARTICULARS OF PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the principal companies comprising the Group, associates and jointly-controlled entities at 31 December 2009 are set out below: (continued)

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company Direct	Indirect	Effective	Principal activities
Jointly-controlled entities						
上海巨峰房地產開發有限公司 (Shanghai Jufeng Property Development Co., Ltd.)	PRC 4 June 2002	50,000	—	45.0%	29.6%	Property development
無錫復地房地產開發有限公司 (Wuxi Forte Real Estate Development Co., Ltd.)	PRC 28 September 2004	195,000	—	50.0%	32.9%	Property development
陝西省建秦房地產開發有限公司 (Shaanxi Jianqin Real Estate Development Co., Ltd.)	PRC 22 September 1992	130,000	—	50.0%	32.9%	Property development

The English names of the above subsidiaries, associates and jointly-controlled entities are directly translated from their Chinese names.

The above table lists the subsidiaries, associates and jointly-controlled entities of the Group which, in the opinion of the Directors of the Company, principally affected the results of the Group for the year ended 31 December 2009 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries, associates and jointly-controlled entities would, in the opinion of the Directors of the Company, result in particulars of excessive length.

Notes:

* Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharma") continues to be accounted for as a subsidiary by virtue of the Group's control over the board of directors as well as the operating and financial policies of this company, despite the fact that the Group's equity interest in this company was 49.0% for the year ended 31 December 2009.

@ The Group's interests in these associates are accounted for under the equity method of accounting because the Group has significant influence over these entities by way of representation on the board of directors and participation in the policy-making process, despite the fact that the Group's equity interest in these associates were lower than 20% for the year ended 31 December 2009.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

(i) the pharmaceuticals segment engages in the research and development, manufacturing, sale and trading of pharmaceutical products;

(ii) the property development segment engages in the development and sale of properties in the PRC;

(iii) the steel segment engages in the manufacturing, sale and trading of iron and steel products;

(iv) the mining segment engages in the mining and ore processing of various metals; and

(v) the "others" segment comprises, principally, the management of investments in retail and services industries, and other strategic investments.

Management monitors the results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss after tax. The adjusted profit or loss after tax is measured consistently with the Group's profit or loss after tax except that head office and corporate expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

5. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2009

	Pharmaceuticals RMB'000	Property development RMB'000	Steel RMB'000	Mining RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	3,775,859	5,184,804	24,611,399	1,283,756	—	—	34,855,818
Inter-segment sales	—	—	—	684,197	—	(684,197)	—
Other income and gains	2,852,484	149,440	833,382	150,102	2,257,496	(21,080)	6,221,824
Total	6,628,343	5,334,244	25,444,781	2,118,055	2,257,496	(705,277)	41,077,642
Segment results	2,879,262	1,119,066	1,690,984	477,131	2,004,773	(21,455)	8,149,761
Interest and dividend income	18,299	8,519	147,607	9,555	201,299	(114,718)	270,561
Unallocated expenses							(112,850)
Finance costs	(142,411)	(76,302)	(699,082)	(44,356)	(146,184)	—	(1,108,335)
Share of profits and losses of							
— Jointly-controlled entities	(1,034)	14,859	—	—	—	—	13,825
— Associates	442,221	(5,433)	432,647	(16,385)	109,513	—	962,563
Profit before tax	3,196,337	1,060,709	1,572,156	425,945	2,169,401	(136,173)	8,175,525
Tax	(700,396)	(451,854)	(46,635)	(66,375)	(97,258)	5,364	(1,357,154)
Profit for the year	2,495,941	608,855	1,525,521	359,570	2,072,143	(130,809)	6,818,371
Segment and total assets	10,955,208	27,456,713	31,911,222	5,679,933	16,945,982	(4,795,025)	88,154,033
Segment and total liabilities	4,573,118	20,950,998	22,146,578	1,636,269	6,944,735	(4,469,943)	51,781,755
Other segment information:							
Depreciation and amortisation	139,845	24,945	1,418,105	357,593	7,733	—	1,948,221
Impairment loss for non-current assets	53,257	3,179	—	266,562	116,023	—	439,021
Provision/(reversal) for impairment of current assets	95	(19,168)	41,845	12,214	—	—	34,986
Research and development costs	72,542	—	87,422	3,950	—	—	163,914
Fair value gain on fair value adjustments of investment properties	—	(85,195)	—	—	—	—	(85,195)
Fair value gain on equity investments at fair value through profit or loss	(6,029)	—	(3,997)	—	(2,004,984)	—	(2,015,010)
Interests in jointly-controlled entities	8,086	689,737	58,000	—	—	—	755,823
Investments in associates	5,690,233	598,892	1,693,961	587,285	1,050,997	—	9,621,368
Capital expenditure*	300,901	99,605	2,858,838	350,740	9,394	—	3,619,478

5. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2008

	Pharmaceuticals RMB'000	Property development RMB'000	Steel RMB'000	Mining RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	3,699,190	3,731,754	30,929,970	1,889,379	—	—	40,250,293
Inter-segment sales	—	1,501	—	1,217,288	—	(1,218,789)	—
Other income and gains	441,406	27,223	706,620	164,815	28,064	(15,657)	1,352,471
Total	4,140,596	3,760,478	31,636,590	3,271,482	28,064	(1,234,446)	41,602,764
Segment results	470,720	913,408	1,860,431	1,885,381	(272,253)	—	4,857,687
Interest and dividend income	27,107	23,223	96,607	19,894	325,081	(170,797)	321,115
Unallocated expenses							(97,376)
Finance costs	(154,097)	(44,421)	(930,521)	(45,603)	(187,981)	—	(1,362,623)
Share of profits and losses of							
— Jointly-controlled entities	47	(6,354)	—	—	—	—	(6,307)
— Associates	375,666	1,222	(601,623)	319,292	59,899	—	154,456
Profit/(loss) before tax	719,443	887,078	424,894	2,178,964	(75,254)	(170,797)	3,866,952
Tax	(74,745)	(645,472)	(141,046)	(233,720)	(54,085)	—	(1,149,068)
Profit/(loss) for the year	644,698	241,606	283,848	1,945,244	(129,339)	(170,797)	2,717,884
Segment and total assets	6,883,153	19,961,664	27,210,281	6,253,606	15,499,617	(6,036,554)	69,771,767
Segment and total liabilities	3,093,008	14,111,465	18,498,453	1,909,569	7,958,467	(5,842,282)	39,728,680
Other segment information:							
Depreciation and amortisation	152,185	19,276	1,281,742	212,382	5,785	—	1,671,370
Impairment loss for non-current assets	18,875	197,191	700	114,516	47,238	—	378,520
Provision for impairment of current assets	3,592	80,456	660,480	27,597	—	—	772,125
Research and development costs	57,447	—	82,111	8,703	—	—	148,261
Fair value loss on fair value adjustments of investment properties	—	27,000	—	—	—	—	27,000
Fair value loss on equity investments at fair value through profit or loss	24	—	—	—	9,276	—	9,300
Interests in jointly-controlled entities	3,249	629,232	—	—	—	—	632,481
Investments in associates	2,503,136	256,278	1,474,648	585,769	1,127,232	—	5,947,063
Capital expenditure*	241,329	35,835	1,894,997	697,614	20,081	—	2,889,856

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, exploration and evaluation assets and intangible assets.

5. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2009 RMB'000	2008 RMB'000
Mainland China	34,182,605	39,394,256
Hong Kong	160	30
Other countries	673,053	856,007
	34,855,818	40,250,293

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2009 RMB'000	2008 RMB'000
Mainland China	38,304,622	33,719,733
Hong Kong	81,317	58
	38,385,939	33,719,791

The non-current assets information above is based on the location of assets and excludes financial instruments and deferred tax assets.

Information about a major customer

No revenue amounting to 10 per cent or more of the Group's revenue was derived from sales to a single customer for the years ended 31 December 2009 and 2008.

6. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods or properties sold after allowances for returns, trade discounts and various types of government surcharges, where applicable. In addition, it includes gross rental income received and receivable from investment properties during the year.

An analysis of revenue, other income and gains is as follows:

	2009 RMB'000	2008 RMB'000
Revenue		
Sale of goods:		
Pharmaceutical products	3,760,378	3,683,947
Properties	5,286,497	3,857,386
Iron and steel products	24,707,403	30,441,286
Iron concentrates	1,383,494	2,596,142
	35,137,772	40,578,761
Rendering of services:		
Property agency	86,209	48,098
Property management	38,645	19,734
Rental	26,529	7,230
Construction supervisory	12,884	9,234
Property sales planning and advertising	6,998	6,167
Others	45,535	57,279
	216,800	147,742
Subtotal	35,354,572	40,726,503
Less: Government surcharges	(498,754)	(476,210)
	34,855,818	40,250,293

6. REVENUE, OTHER INCOME AND GAINS (continued)

An analysis of revenue, other income and gains is as follows: (continued)

	2009 RMB'000	2008 RMB'000
Other income		
Interest income	159,312	252,179
Dividends from available-for-sale investments	109,835	66,763
Dividends from equity investments at fair value through profit or loss	1,414	2,173
Gross rental income	43,960	45,170
Sale of scrap materials	69,994	88,864
Government grants	128,189	416,624
Consultancy income	138,248	87,970
Excess over the cost of business combinations realised as income (note 44(a))	—	6,520
Reversal of provision of inventories	19,168	—
Exchange gains, net	144,437	—
Others	69,740	54,110
	884,297	1,020,373
Gains		
Gain on disposal of subsidiaries (note 44(b))	494	4,710
Gain on disposal of partial interests in subsidiaries	—	246,183
Gain on disposal of associates	640,145	172,541
Gain on disposal of partial interests in associates	27,096	4,347
Gain on deemed disposal of interests in associates	2,605,609	28,658
Gain on disposal of items of property, plant and equipment	7,390	21,019
Gain on disposal of available-for-sale investments	135,863	161,305
Gain on disposal of equity investments at fair value through profit or loss	42,379	14,450
Gain on disposal of non-current assets classified as held for sale (note 29)	18,404	—
Gain on deemed acquisition of interests in a subsidiary	26,446	—
Gain on acquisition of interests in subsidiaries	4,057	—
Gain on fair value adjustment of investment properties (note 14)	85,195	—
Gain on fair value adjustment of equity investments at fair value through profit or loss	2,015,010	—
	5,608,088	653,213
Other income and gains	6,492,385	1,673,586
Total revenue, other income and gains	41,348,203	41,923,879

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2009 RMB'000	2008 RMB'000
Interest on bank and other borrowings wholly repayable within five years	**1,462,897**	1,700,642
Interest on bank and other borrowings not wholly repayable within five years	**11,132**	21,188
Incremental interest on other long term payables (note 41)	**26,949**	33,873
	1,500,978	1,755,703
Less: Interest capitalised, in respect of bank and other borrowings (notes 13 and 25)	**(452,140)**	(467,356)
Interest expenses, net	**1,048,838**	1,288,347
Interest on discounted bills	**32,293**	60,244
Interest on finance leases	**—**	272
Bank charges and other financial costs	**27,204**	13,760
Total finance costs	**1,108,335**	1,362,623

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2009 RMB'000	2008 RMB'000
Cost of sales	**29,161,430**	32,221,179
Staff costs (including Directors' emoluments as set out in note 9):		
Wages and salaries	**1,526,406**	1,482,515
Accommodation benefits:		
Defined contribution fund	**81,022**	98,761
Retirement costs:		
Defined contribution fund	**276,866**	239,434
Total staff costs	**1,884,294**	1,820,710

8. PROFIT BEFORE TAX (continued)

The Group's profit before tax is arrived at after charging/(crediting): (continued)

	2009 RMB'000	2008 RMB'000
Research and development costs	**163,914**	148,261
Auditors' remuneration	**13,000**	15,500
Inventories written off	**—**	1,754
Depreciation of items of property, plant and equipment	**1,806,875**	1,554,480
Amortisation of prepaid land lease payments (note 15)	**20,947**	18,962
Amortisation of mining rights (note 17)	**110,573**	72,011
Amortisation of intangible assets (note 18)	**9,826**	25,917
(Reversal)/provision for impairment of receivables	**(539)**	16,125
Provision for inventories	**54,693**	675,544
(Reversal)/provision for properties under development	**(19,168)**	80,456
Provision for impairment of items of property, plant and equipment (note 13)	**1,043**	133,391
Provision for impairment of mining rights (note 17)	**266,562**	—
Provision for impairment of intangible assets (note 18)	**1,094**	—
Provision for impairment of available-for-sale investments	**167,143**	238,164
Provision for impairment of goodwill	**3,179**	6,965
Operating lease rentals	**58,928**	32,182
Exchange loss, net	**—**	159,113
Loss on disposal of an investment property	**790**	—
Loss on disposal of available-for-sale investments	**2,220**	2,476
Loss on deemed disposal of interests in an associate	**—**	25,238
Loss on disposal of non-current assets classified as held for sale (note 29)	**1,419**	—
Loss on disposal of items of property, plant and equipment	**12,673**	19,362
Provision for indemnity of LAT (note 10)	**10,041**	15,624
Share-based payment expense (note 45)	**16,426**	—
Fair value loss on equity investments at fair value through profit or loss	**—**	9,300
Fair value loss on fair value adjustments of investment properties (note 14)	**—**	27,000

9. DIRECTORS' EMOLUMENTS

Directors' remuneration for the year, disclosed pursuant to Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2009 RMB'000	2008 RMB'000
Fees	**2,658**	1,352
Salaries, allowances and benefits in kind	**9,871**	10,858
Pension scheme contributions	**252**	154
	12,781	12,364

There were no emoluments paid by the Group to the Directors, as bonus, as an inducement to join the Group, or upon joining the Group, or as compensation for loss of office during the year.

(a) Independent non-executive Directors

The fees paid to independent non-executive Directors during the year were as follows:

	2009 RMB'000	2008 RMB'000
Andrew Y. Yan	**353**	356
Chen Kaixian	**400**	400
Zhang Shengman	**353**	356
	1,106	1,112

There were no other emoluments payable to the independent non-executive Directors during the year (2008: Nil).

9. DIRECTORS' EMOLUMENTS (continued)

(b) Executive Directors and a non-executive Director

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2009				
Executive Directors:				
Guo Guangchang	180	1,549	36	1,765
Liang Xinjun	180	1,549	36	1,765
Wang Qunbin	180	1,549	36	1,765
Fan Wei	180	1,549	36	1,765
Ding Guoqi	144	1,225	36	1,405
Qin Xuetang	144	1,225	36	1,405
Wu Ping	144	1,225	36	1,405
	1,152	9,871	252	11,275
Non-executive Director:				
Liu Benren	400	—	—	400
	1,552	9,871	252	11,675

9. DIRECTORS' EMOLUMENTS (continued)

(b) Executive Directors and a non-executive Director (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2008				
Executive Directors:				
Guo Guangchang	—	1,734	22	1,756
Liang Xinjun	—	1,634	22	1,656
Wang Qunbin	—	1,734	22	1,756
Fan Wei	—	1,734	22	1,756
Ding Guoqi	—	1,274	22	1,296
Qin Xuetang	—	1,374	22	1,396
Wu Ping	—	1,374	22	1,396
	—	10,858	154	11,012
Non-executive Director:				
Liu Benren	240	—	—	240
	240	10,858	154	11,252

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

(c) Five highest paid employees

The five highest paid employees of the Group include five Directors for the years ended 31 December 2008 and 2009. Information relating to their emoluments is disclosed above.

10. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The provision for Mainland China current income tax is based on a statutory rate of 25% (2008: 25%) of the assessable profit of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, which are exempted or taxed at preferential rates of 15% to 20%.

The major components of tax expenses for the years ended 31 December 2009 and 2008 are as follows:

	2009 RMB'000	2008 RMB'000
Group:		
Current — Hong Kong	**14,829**	37,832
Current — Mainland China		
— Income tax in Mainland China for the year	**719,098**	914,217
— LAT in Mainland China for the year	**205,422**	477,578
Deferred tax (note 28)	**417,805**	(280,559)
Tax expenses for the year	**1,357,154**	1,149,068

10. TAX (continued)

A reconciliation between the tax expense and the product of profit before tax excluding share of profits and losses of associates and jointly-controlled entities multiplied by the applicable statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled is as follows:

Group — 2009

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
Profit before tax excluding share of profits and losses of jointly-controlled entities and associates	2,125,430	5,073,707	7,199,137
Tax at an applicable tax rate	350,696	1,268,427	1,619,123
Lower tax rate for specific entities	—	(78,415)	(78,415)
Tax effect of:			
Income not subject to tax	(335,479)	(194,819)	(530,298)
Expenses not deductible for tax	5,337	44,594	49,931
Tax losses not recognised	—	101,850	101,850
Tax losses utilised	(6,304)	(42,109)	(48,413)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries (note 28)	—	63,821	63,821
Under provision in prior years	579	20,325	20,904
Tax incentives on eligible expenditures	—	(5,171)	(5,171)
Subtotal	14,829	1,178,503	1,193,332
Additional LAT provision for the year	—	112,768	112,768
Prepaid LAT for the year	—	92,654	92,654
Deferred tax effect of additional LAT provision (note 28)	—	(28,192)	(28,192)
Tax effect of prepaid LAT	—	(23,163)	(23,163)
Tax effect of LAT indemnity (note 28)	—	9,755	9,755
Tax expenses	14,829	1,342,325	1,357,154

10. TAX (continued)

Group — 2008

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
Profit before tax excluding share of profits and losses of jointly-controlled entities and associates	39,773	3,679,030	3,718,803
Tax at an applicable tax rate	6,562	919,758	926,320
Lower tax rate for specific entities	—	(227,942)	(227,942)
Tax effect of:			
Income not subject to tax	(29,122)	(28,701)	(57,823)
Expenses not deductible for tax	54,623	112,241	166,864
Tax losses not recognised	5,755	163,556	169,311
Tax losses utilised	—	(40,944)	(40,944)
Income tax deduction for use of manufacturing equipment made in Mainland China in prior years	—	(72,695)	(72,695)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries (note 28)	—	37,440	37,440
Under provision in prior years	14	808	822
Tax incentives on eligible expenditures	—	(125,329)	(125,329)
Subtotal	37,832	738,192	776,024
Additional LAT provision for the year	—	432,415	432,415
Prepaid LAT for the year	—	45,164	45,164
Deferred tax effect of additional LAT provision (note 28)	—	(108,104)	(108,104)
Tax effect of prepaid LAT	—	(11,291)	(11,291)
Tax effect of LAT indemnity (note 28)	—	14,860	14,860
Tax expenses	37,832	1,111,236	1,149,068

10. TAX (continued)

According to the tax notices issued by the relevant local tax authorities, the Group commenced to pay LAT at rates ranging from 1% to 3% on proceeds from the sale and pre-sale of properties from 2004. Prior to the year end of 2006, except for this amount paid to the local tax authorities, no further provision for LAT had been made. The Directors considered that the relevant tax authorities would be unlikely to impose additional LAT levies other than the amount already paid based on the relevant percentages of the proceeds from the sale and pre-sale of the Group's properties.

For the year ended 31 December 2009, based on the latest understanding of the LAT regulations from the tax authorities, the Group made an additional LAT provision in the amount of RMB112,768,000 (2008: RMB432,415,000) in respect of the properties sold in 2009 in accordance with the requirements set forth in the relevant PRC tax laws and regulations.

In 2004, Shanghai Fosun High Technology (Group) Co., Ltd. ("Fosun Group") and Shanghai Forte Land Co., Ltd. ("Forte") entered into a deed of tax indemnity whereby Fosun Group has undertaken to indemnify Forte in respect of the LAT payable attributable to Forte and its subsidiaries (the "Forte Group") in excess of the prepaid LAT based on 1% to 3% of sales proceeds, after netting off potential income tax savings, in consequence of the disposal of the properties owned by Forte as at 30 November 2003. As at 31 December 2009, the LAT indemnity to Forte, after netting off potential income tax savings, amounted to RMB98,462,000 (2008: RMB59,441,000) and the deferred tax liability amounted to RMB72,316,000 (2008: RMB62,561,000) as set out in note 28 to the financial statements. The Group's share of losses arising from the LAT indemnity amounted to RMB10,041,000 (2008: RMB15,624,000) as set out in note 8 to the financial statements.

11. DIVIDENDS

	2009 RMB'000	2008 RMB'000
Proposed final — HKD0.164 (2008: HKD0.08) per ordinary share	**927,270**	453,051

The proposed final dividend of HKD0.08 per ordinary share for the year ended 31 December 2008 was declared payable and approved by the shareholders at the annual general meeting of the Company on 19 June 2009.

On 24 March 2010, the board of directors of the Company resolved to propose a final dividend for the year ended 31 December 2009 of HKD0.164 per ordinary share, subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

12. EARNINGS PER SHARE

Earnings per share attributable to owners of the parent are as follows:

	Year ended 31 December	
	2009	2008
Profit attributable to owners of the parent (RMB thousands)	4,646,679	1,328,391
Weighted average number of ordinary shares in issue (thousands)	6,421,595	6,423,147
Earnings per share basic and diluted (RMB)	0.72	0.21

The calculation of basic earnings per share amounts is based on the profit for the year attributable to owners of the parent, and the weighted average number of shares of 6,421,595,000 (2008: 6,423,147,000) in issue during the year.

Diluted earnings per share amount is equal to basic earnings per share amount for the years ended 31 December 2009 and 2008, as no diluting events existed during these years.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:								
At 1 January 2008	6,933,068	10,290,188	146,615	280,266	4,868	213,587	1,863,983	19,732,575
Additions	4,583	214,029	34,598	42,194	801	—	2,181,655	2,477,860
Transferred from construction in progress	585,286	1,626,919	69,580	1,461	—	79,753	(2,362,999)	—
Acquisition of subsidiaries (note 44(a))	79,161	22,446	1,196	3,362	—	—	34,242	140,407
Disposal of subsidiaries (note 44(b))	(23,480)	(9,304)	(1,451)	(1,773)	—	—	—	(36,008)
Disposals	(87,628)	(180,550)	(14,637)	(21,292)	—	—	—	(304,107)
Exchange realignment	—	—	(44)	—	—	—	—	(44)
Reclassification	(34,379)	4,685	15,156	14,538	—	—	—	—
At 31 December 2008 and 1 January 2009	7,456,611	11,968,413	251,013	318,756	5,669	293,340	1,716,881	22,010,683
Additions	71,909	242,246	43,639	19,224	1,338	—	2,887,503	3,265,859
Transferred from construction in progress	1,070,177	886,829	28,735	175	—	132,572	(2,118,488)	—
Acquisition of subsidiaries (note 44(a))	—	620	280	—	(74)	—	27,379	28,205
Disposal of subsidiaries (note 44(b))	(467)	(259)	(42)	(157)	—	—	—	(925)
Disposals	(61,592)	(133,002)	(10,030)	(13,456)	(4,868)	—	(18,391)	(241,339)
Assets included in assets of a disposal group classified as held for sale (note 29)	—	—	(4,610)	(946)	—	—	—	(5,556)
At 31 December 2009	8,536,638	12,964,847	308,985	323,596	2,065	425,912	2,494,884	25,056,927
Accumulated depreciation:								
At 1 January 2008	886,620	3,066,332	66,044	97,735	1,688	2,686	—	4,121,105
Charge for the year	380,417	1,090,037	45,409	28,298	1,323	12,547	—	1,558,031
Disposal of subsidiaries (note 44(b))	(2,119)	(6,149)	(895)	(751)	—	—	—	(9,914)
Disposals	(16,130)	(135,319)	(9,459)	(16,283)	—	—	—	(177,191)
Exchange realignment	—	—	(34)	—	—	—	—	(34)
Reclassification	383	382	(1,424)	659	—	—	—	—
At 31 December 2008 and 1 January 2009	1,249,171	4,015,283	99,641	109,658	3,011	15,233	—	5,491,997

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation: (continued)								
At 31 December 2008 and 1 January 2009	1,249,171	4,015,283	99,641	109,658	3,011	15,233	—	5,491,997
Charge for the year	429,488	1,166,452	62,870	41,984	165	105,916	—	1,806,875
Disposal of subsidiaries (note 44(b))	(467)	(211)	(42)	(23)	—	—	—	(743)
Disposals	(27,088)	(95,643)	(7,208)	(10,673)	(2,375)	—	—	(142,987)
Assets included in assets of a disposal group classified as held for sale (note 29)	—	—	(467)	(551)	—	—	—	(1,018)
At 31 December 2009	1,651,104	5,085,881	154,794	140,395	801	121,149	—	7,154,124
Impairment loss:								
At 1 January 2008	4,398	6,006	17	2,396	—	—	75	12,892
Charge for the year	57,313	35,189	255	371	—	—	40,263	133,391
Disposals	—	(3,742)	(10)	(2,422)	—	—	—	(6,174)
At 31 December 2008 and 1 January 2009	61,711	37,453	262	345	—	—	40,338	140,109
Charge for the year	823	205	15	—	—	—	—	1,043
Transferred from construction in progress	—	40,263	—	—	—	—	(40,263)	—
Disposals	(1,526)	(3,909)	(139)	(10)	—	—	—	(5,584)
At 31 December 2009	61,008	74,012	138	335	—	—	75	135,568
Net book value:								
At 31 December 2009	6,824,526	7,804,954	154,053	182,866	1,264	304,763	2,494,809	17,767,235
At 31 December 2008	6,145,729	7,915,677	151,110	208,753	2,658	278,107	1,676,543	16,378,577

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

(1) The net book value of property, plant and equipment pledged as security for interest-bearing bank loans granted to the Group is as follows (note 36):

	2009 RMB'000	2008 RMB'000
Buildings	**255,597**	841,113
Plant and machinery	**589,936**	1,329,420
	845,533	2,170,533

(2) Capitalised interest expenses included in construction in progress of the Group are as follows (note 7):

	2009 RMB'000	2008 RMB'000
Interest expenses capitalised	**2,950**	195,594

(3) As at 31 December 2009, the Group was in the process of applying for property certificates for plant and office buildings with a net book value of approximately RMB7,288,000 (2008: RMB141,850,000).

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Office equipment RMB'000
Cost:	
At 1 January 2008	773
Additions	50
Exchange realignment	(44)
At 31 December 2008 and 31 December 2009	779
Accumulated depreciation:	
At 1 January 2008	592
Charge for the year	167
Exchange realignment	(34)
At 31 December 2008 and 1 January 2009	725
Charge for the year	32
At 31 December 2009	757
Net book value:	
At 31 December 2009	22
At 31 December 2008	54

14. INVESTMENT PROPERTIES

	2009 RMB'000	2008 RMB'000
Carrying amount at 1 January	429,000	456,000
Transfer from properties under development	1,972,205	—
Gain/(loss) from fair value adjustments (notes 6 and 8)	85,195	(27,000)
Disposals	(429,000)	—
Carrying amount at 31 December	2,057,400	429,000

The Group's investment properties are situated in Beijing and Hangzhou, the PRC.

The Group's investment properties were revalued on 31 December 2009 by Jones Lang LaSalle Sallmanns Limited ("Sallmanns"), independent professionally qualified valuers at RMB2,057,400,000, on an open market, existing use basis. The investment properties are leased to third parties under operating leases arrangements, with leases negotiated for terms ranging from one to seventeen years.

At 31 December 2009, the Group's investment properties with a net carrying amount of approximately RMB2,057,400,000 (2008: RMB429,000,000) were pledged to a bank for interest-bearing bank loans, as set out in note 36 to the financial statements.

15. PREPAID LAND LEASE PAYMENTS

	2009 RMB'000	2008 RMB'000
Cost:		
At 1 January	954,796	951,175
Additions during the year	292,044	4,205
Acquisition of subsidiaries (note 44(a))	—	2,668
Disposal of subsidiaries (note 44(b))	(2,500)	—
Disposals	—	(3,252)
At 31 December	1,244,340	954,796
Accumulated amortisation:		
At 1 January	61,392	42,799
Amortisation for the year	20,947	18,962
Disposal of subsidiaries (note 44(b))	(654)	—
Disposals	—	(369)
At 31 December	81,685	61,392
Net book value:		
At 31 December	1,162,655	893,404
At 1 January	893,404	908,376
Net book value pledged as security for bank loans (note 36)	31,389	1,267,674

The leasehold land is held under long term leases and is situated in Mainland China.

As at 31 December 2009, the Group was in the process of applying for the land use certificates for leasehold land with a net book value of approximately RMB193,484,000 (2008: RMB8,296,000).

16. EXPLORATION AND EVALUATION ASSETS

	2009 RMB'000	2008 RMB'000
Cost:		
At 1 January	386,645	—
Additions	34,044	381,645
Acquisition of a subsidiary (note 44(a))	—	5,000
At 31 December	420,689	386,645

17. MINING RIGHTS

	2009 RMB'000	2008 RMB'000
Cost:		
At 1 January	1,203,534	567,271
Acquisition of subsidiaries (note 44(a))	—	636,263
At 31 December	1,203,534	1,203,534
Accumulated amortisation:		
At 1 January	92,813	20,802
Amortisation for the year	110,573	72,011
At 31 December	203,386	92,813
Impairment loss:		
At 1 January	—	—
Charge for the year	266,562	—
At 31 December	266,562	—
Net book value:		
At 31 December	733,586	1,110,721
At 1 January	1,110,721	546,469
Net book value pledged as security for bank loans (note 36)	141,289	148,595

17. MINING RIGHTS (continued)

During the year ended 31 December 2009, total impairment losses in the amount of RMB266,562,000 (2008: Nil) were recognised for mining rights of Zunyixian Shiji Nonferrous Metal Limited Liability Company and Tuolixian Hongshan Mining and Metal Limited Liability Company, which are set out in note 8 to the financial statements. The triggers for the impairment tests were primarily the decreases in the market prices from ammonium molybdate and iron ore.

18. INTANGIBLE ASSETS

	Patents and licences RMB'000	Technical know-how RMB'000	Others RMB'000	Total RMB'000
Cost:				
At 1 January 2008	688	20,133	19,767	40,588
Additions	—	23,409	2,737	26,146
Acquisition of subsidiaries (note 44(a))	—	—	6,929	6,929
Disposals	(688)	(1,617)	(3,146)	(5,451)
At 31 December 2008 and 1 January 2009	—	41,925	26,287	68,212
Additions	—	680	26,851	27,531
Disposals	—	(41,983)	(10,939)	(52,922)
At 31 December 2009	—	622	42,199	42,821
Accumulated amortisation:				
At 1 January 2008	97	7,690	7,449	15,236
Provided during the year	14	23,712	2,191	25,917
Disposals	(111)	—	(1,656)	(1,767)
At 31 December 2008 and 1 January 2009	—	31,402	7,984	39,386
Provided during the year	—	1,229	8,597	9,826
Disposals	—	(38,570)	(3,401)	(41,971)
At 31 December 2009	—	(5,939)	13,180	7,241
Impairment loss:				
At 31 December 2008 and 1 January 2009	—	—	—	—
Charge for the year	—	1,094	—	1,094
At 31 December 2009	—	1,094	—	1,094
Net book value:				
At 31 December 2009	—	5,467	29,019	34,486
At 31 December 2008	—	10,523	18,303	28,826

19. GOODWILL

	2009 RMB'000	2008 RMB'000
Cost:		
At 1 January	265,237	249,975
Acquisition of a subsidiary (note 44(a))	—	8,297
Acquisition of additional interests in subsidiaries	39,517	6,965
At 31 December	304,754	265,237
Accumulated impairment:		
At 31 December	(177,825)	(174,646)
Net book value:		
At 31 December	126,929	90,591

Impairment testing of goodwill

Goodwill acquired through business combinations has been primarily allocated to the following two cash-generating units ("CGUs"), which are reportable segments, for impairment testing:

- Manufacture and sale of pharmaceutical products; and
- Property development

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	Manufacture and sale of pharmaceutical products RMB'000	Property development RMB'000	Others RMB'000	Total RMB'000
Carrying amount of goodwill				
2009	**57,299**	**65,867**	**3,763**	**126,929**
2008	51,109	35,719	3,763	90,591

19. GOODWILL (continued)

Impairment testing of goodwill (continued)

The recoverable amount of each CGU is determined based on value-in-use calculations. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The discount rates applied to the cash flow projections range from 12% to 15% (2008: 13% to 15%). Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The growth rates do not exceed the projected long term average growth rates for the pharmaceutical and property development industries in Mainland China.

Key assumptions were used in the value-in-use calculation of the CGUs for 31 December 2009 and 2008. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — Management determined budgeted gross margin based on past performance and its expectations for the development of the market.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the respective industries.

Raw materials price inflation — The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year.

20. INTERESTS IN SUBSIDIARIES

	Notes	2009 RMB'000	2008 RMB'000
Unlisted shares, at cost	(1)	**1,093,000**	1,093,000
Shares listed in Hong Kong, at cost	(2)	**651,290**	651,290
Loan to a subsidiary	(3)	**176,096**	176,378
		1,920,386	1,920,668
Market value of listed shares		**728,357**	356,145

(1) Investment in unlisted shares of a subsidiary represents the cost of acquisition of the entire interest in Fosun Group, which is the immediate holding company of the other subsidiaries now comprising the Group.

(2) Investment in shares listed in Hong Kong represents the cost of acquisition of the 12.9% interest in Forte on the Hong Kong Stock Exchange.

(3) The amounts advanced to a subsidiary included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's Directors, these advances are considered as quasi-equity loans to the subsidiary. The carrying amounts of the balance due from a subsidiary approximate to their fair values.

Particulars of the Group's principal subsidiaries are set out in note 4 to the financial statements.

21. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	2009 RMB'000	2008 RMB'000
Share of net assets	339,423	216,081
Loans to jointly-controlled entities	416,400	416,400
	755,823	632,481

Loans to jointly-controlled entities of RMB416,400,000 are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, these loans are considered as quasi-equity investments in jointly-controlled entities.

The Group's amounts due from jointly-controlled entities and amounts due to jointly-controlled entities are disclosed in note 35 to the financial statements.

Particulars of the Group's principal jointly-controlled entities are set out in note 4 to the financial statements.

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2009 RMB'000	2008 RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	996,498	837,200
Non-current assets	341,665	169,630
Current liabilities	(734,956)	(593,194)
Non-current liabilities	(263,784)	(197,555)
Net assets	339,423	216,081
Share of the jointly-controlled entities' results:		
Revenue	196,312	3,116
Other income	3,243	1,206
	199,555	4,322
Total expenses	(181,640)	(8,222)
Tax	(4,090)	(2,407)
Profit/(loss) after tax	13,825	(6,307)

22. INVESTMENTS IN ASSOCIATES

Group

	2009 RMB'000	2008 RMB'000
Share of net assets	9,219,842	5,556,904
Goodwill on acquisitions	402,411	391,044
	9,622,253	5,947,948
Provision for impairment	(885)	(885)
	9,621,368	5,947,063

Particulars of the Group's principal associates are set out in note 4 to the financial statements.

Company

	2009 RMB'000	2008 RMB'000
Unlisted shares, at cost	82,421	82,421

The Company's investment in an associate represents a 26.67% (2008: 26.67%) interest in Janeboat Holdings Ltd., a company incorporated in the British Virgin Islands.

The Group's amounts due from associates and amounts due to associates are disclosed in note 35 to the financial statements.

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	2009 RMB'000	2008 RMB'000
Assets	95,639,664	85,631,294
Liabilities	(58,596,451)	(62,636,336)
Revenues	99,615,367	103,067,413
Profit/(Loss)	3,785,870	(170,001)

22. INVESTMENTS IN ASSOCIATES (continued)

The major changes of interests in associates during the year are set out as follows:

(i) On 27 February 2009, Shanghai Fosun Industrial Investment Co., Ltd. ("Fosun Industrial Investment"), a wholly-owned subsidiary of the Company, disposed of its entire 19.74% equity interest in Tebon Securities Co., Ltd. to Shanghai Xingye Investment Development Co., Ltd. for a consideration of RMB243,041,000. The carrying amount as at the date of disposal amounted to RMB241,580,000. The gains from the disposal of RMB1,461,000 were credited to other gains during the year as set out in note 6 to the financial statements.

(ii) On 27 February 2009, Nanjing Iron & Steel United Co., Ltd. ("Nanjing Steel United"), a 60% owned subsidiary of the Company, disposed of its entire 20% equity interest in Ningbo Iron & Steel Co., Ltd. ("Ningbo Steel") to Hangzhou Iron & Steel Group Company for a consideration of RMB720,000,000. The carrying amount as at the date of disposal was nil. The gains from the disposal amounting to RMB636,182,000, after giving effect to bearing Ningbo Steel's accumulated loss of RMB83,818,000 as agreed in the disposal agreement, were credited to other gains during the year as set out in note 6 to the financial statements.

(iii) On 16 February 2009, Shanghai Qishen Investment Co., Ltd. ("Qishen Investment"), a subsidiary of Fosun Pharma and China National Pharmaceutical Group Corporation injected capital of RMB294,000,000 and RMB306,000,000, respectively, into Sinopharm Industrial Investment Co., Ltd. ("Sinopharm Investment") in proportion to their shareholdings in Sinopharm Investment. Upon completion of the capital increment, Qishen Investment continued to hold 49% interests in Sinopharm Investment.

(iv) On 23 September 2009, Sinopharm Group Co. Ltd. ("Sinopharm"), an indirect associate of the Group, completed its global offering and the shares of Sinopharm were listed on the Hong Kong Stock Exchange. Upon the listing, the Group's direct interest in Sinopharm was diluted from 47.04% to 34.00%. The gains on deemed disposal of Sinopharm amounting to RMB2,603,969,000, after giving effect to the goodwill disposed of amounting to RMB8,384,000, were credited to other gains during the year as set out in note 6 to the financial statements.

23. HELD-TO-MATURITY INVESTMENTS

Group

	2009 RMB'000	2008 RMB'000
Debt investments	**79,220**	63,761

Company

	2009 RMB'000	2008 RMB'000
Debt investments	**35,320**	31,696

During the year, the effective interest rates of the held-to-maturity investments ranged from 7.1% to 36.7% (2008: 7.1% to 36.7%) per annum. The carrying amounts of the held-to-maturity investments approximate to their fair values.

As at 31 December 2009, no held-to-maturity investments of the Group (2008: RMB31,696,000) was pledged to secure bank loans, as set out in the note 36 to the financial statements.

24. AVAILABLE-FOR-SALE INVESTMENTS

	2009 RMB'000	2008 RMB'000
Listed equity investments, at fair value		
Hong Kong	275,074	73,490
United States	454,615	154,558
Mainland China	139,084	165,544
	868,773	393,592
Unlisted equity investments, at cost	2,074,685	1,511,697
	2,943,458	1,905,289

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB705,720,000 (2008: gross loss of RMB342,195,000), of which RMB52,910,000 (2008: RMB174,256,000) was re-classified from other comprehensive income to the consolidated income statement for the year.

The unlisted equity investments are stated at cost less any accumulated impairment losses because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

As at 31 December 2009, part of the Group's available-for-sale investments with an amount of approximately RMB163,769,000 (2008: RMB134,195,000) were pledged to secure bank loans as set out in note 36 to the financial statements.

25. PROPERTIES UNDER DEVELOPMENT

	2009 RMB'000	2008 RMB'000
Land costs	**8,869,790**	8,227,326
Construction costs	**2,605,321**	3,801,908
Capitalised financial costs	**482,510**	758,466
	11,957,621	12,787,700
Portion classified as current assets	**(6,868,166)**	(6,121,600)
	5,089,455	6,666,100

The properties pledged to banks to secure bank loans and other borrowings are as follows:

	2009 RMB'000	2008 RMB'000
Net book value pledged (note 36)	**4,639,332**	3,937,313
Additions to properties under development include:		
Interest expense capitalised in respect of bank and other borrowings (note 7)	**449,190**	271,762

The Group's properties under development are all situated in Mainland China.

26. LOAN RECEIVABLE

	2009 RMB'000	2008 RMB'000
Loan receivable from a jointly-controlled entity	**220,000**	220,000

As at 31 December 2009, the loan receivable represented the entrusted bank loan of RMB220,000,000 provided to a jointly-controlled entity. This loan is unsecured, interest-bearing at a variable interest rate of 7.02% per annum based on the rates quoted by the People's Bank of China and repayable on 20 October 2011.

The carrying amount of the loan receivable approximated to its fair values as at 31 December 2009.

27. PREPAYMENTS

	2009 RMB'000	2008 RMB'000
Prepayments for investments	616,313	1,156,383

As at 31 December 2009, the prepayment for an investment is in respect of the proposed acquisition of an equity interest in Shanghai Dijie Real Estate Limited ("Dijie").

On 20 December 2007, Shanghai Forte Investment Co., Ltd. ("Forte Investment") entered into a cooperative agreement with Shanghai Vanke Real Estate Co., Ltd. ("Shanghai Vanke") in respect of the joint development of a property development project in Shanghai, for a total consideration of RMB2,430,690,000, pursuant to which (i) Shanghai Vanke and Forte Investment will jointly acquire 60% and 40% equity interests in Dijie, respectively, and (ii) Forte Investment will contribute 40% of the total consideration in proportion to its shareholding in Dijie in the amount of RMB972,276,000.

As at 31 December 2009, the Group had advanced RMB616,313,000 (31 December 2008: RMB616,313,000) to Shanghai Vanke. The remaining capital commitment not paid as at 31 December 2009 amounting to RMB355,963,000 (31 December 2008: RMB355,963,000) is set out in note 47 to the financial statements.

28. DEFERRED TAX

Movements in deferred tax assets and liabilities are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable future taxable profit RMB'000	Accruals and provisions RMB'000	Post-employment benefits RMB'000	Repairs and maintenance RMB'000	Additional LAT provisions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2008	36,082	48,405	8,875	3,327	167,256	19,481	283,426
Deferred tax credited/ (charged) during the year	19,567	216,843	(1,221)	3,324	108,104	33,287	379,904
Gross deferred tax assets at 31 December 2008 and 1 January 2009	55,649	265,248	7,654	6,651	275,360	52,768	663,330
Deferred tax credited/ (charged) during the year	188,507	(123,106)	(4,267)	3,391	28,192	45,019	137,736
Gross deferred tax assets at 31 December 2009	244,156	142,142	3,387	10,042	303,552	97,787	801,066

The following is an analysis of the deferred tax assets of the Group for financial reporting purposes:

	Note	2009 RMB'000	2008 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position		**801,066**	663,330
Deferred tax assets in the disposal group	29	**7,081**	—
		793,985	663,330

28. DEFERRED TAX (continued)

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Fair value adjustments arising from available-for-sale investments RMB'000	Revaluation of investment properties RMB'000	LAT indemnity RMB'000	Deemed disposal of associates RMB'000	Others RMB'000	Withholding taxes RMB'000	Total RMB'000
At 1 January 2008	243,968	88,090	37,010	47,701	—	6,475	—	423,244
Deferred tax charged/(credited) to the consolidated income statement during the year	(22,511)	—	(9,187)	14,860	—	78,743	37,440	99,345
Deferred tax charged to reserve during the year	—	(46,047)	—	—	—	—	—	(46,047)
Acquisition of subsidiaries (note 44(a))	89,039	—	—	—	—	—	—	89,039
Gross deferred tax liabilities at 31 December 2008 and 1 January 2009	310,496	42,043	27,823	62,561	—	85,218	37,440	565,581
Deferred tax charged/(credited) to the consolidated income statement during the year	(105,960)	—	(6,524)	9,755	651,402	(56,953)	63,821	555,541
Deferred tax charged to reserve during the year	—	120,851	—	—	—	—	—	120,851
Gross deferred tax liabilities at 31 December 2009	204,536	162,894	21,299	72,316	651,402	28,265	101,261	1,241,973

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding corporate income tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding corporate income tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable withholding rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries, jointly-controlled entities and associates established in Mainland China in respect of earnings generated from 1 January 2008.

29. ASSETS OF A DISPOSAL GROUP/NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

As at 31 December 2009, the assets of a disposal group classified as held for sale represent the Group's investment in a subsidiary, Tianjin Forte Puhe Development Co., Ltd. ("Tianjin Forte"). As at 31 December 2008, the non-current assets classified as held for sale represent the Group's investments in two associates, Zhaojin Mining Industry Co., Ltd. ("Zhaojin Mining") and Hainan Wuzhishan (Group) Co., Ltd. ("Hainan Wuzhishan").

(a) In December 2009, the Group through its subsidiary, Shanghai Forte Land Co., Ltd., entered into an equity transfer agreement with HNA Group, for the disposal of the Group's entire shareholding of 75% in Tianjin Forte for the consideration of RMB1,176,790,000. Tianjin Forte is principally engaged in the development and sale of properties in Tianjin, and included in the property development segment under note 5 to the financial statements.

As the disposal transaction is expected to be completed within the next 12 months from 31 December 2009, the carrying amounts of the assets and liabilities of Tianjin Forte were classified as held for sale in the consolidated statement of financial position as at 31 December 2009.

The major classes of assets and liabilities of Tianjin Forte classified as held for sale as at 31 December 2009 are as follows:

	Notes	2009 RMB'000
Assets		
Property, plant and equipment	13	4,538
Deferred tax assets	28	7,081
Completed properties for sale		1,475,662
Prepayment, deposits and other receivables		5,674
Trade receivables		11,121
Cash and bank balances		44,818
Assets of a disposal group classified as held for sale		1,548,894
Liabilities		
Interest-bearing bank and other borrowings		574,570
Trade and notes payables		286,767
Accrued liabilities and other payables		9,973
Tax payable		44,251
Loan from a related company		81,832
Liabilities directly associated with the assets classified as held for sale		997,393

29. ASSETS OF A DISPOSAL GROUP/NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (continued)

(b) In November 2008, the Group through its wholly-owned subsidiary, Shanghai Fosun Industrial Investment Co., Ltd., entered into a disposal agreement with an associate of the Group, Shanghai Yuyuan Tourist Mart Co., Ltd. ("Yuyuan"), for the disposal of the Group's partial shareholding of 10.9% in Zhaojin Mining with the consideration for the disposal of RMB394,320,000. As at 31 December 2008, the Group received the advance payment of RMB197,160,000.

As at 31 December 2009, the disposal transaction has been completed and all the consideration has been received. The loss on disposal of Zhaojin Mining amounting to RMB1,419,000 was recorded in other expenses as set out in note 8 to the financial statements.

(c) In November 2008, the Group through its wholly-owned subsidiaries, Taizhou Linhai Investment Co., Ltd. and Shanghai Fosun Chuangfu Investment Management Co., Ltd., entered into a disposal agreement with an external third party, the original individual shareholders of Hainan Wuzhishan, for the disposal of the Group's entire shareholding of 40% in Hainan Wuzhishan with the consideration for the disposal of RMB214,000,000.

As at 31 December 2009, the disposal consideration of RMB184,000,000 has been received and the gain on the disposal of Hainan Wuzhishan being the difference between the carrying amount and the disposal consideration received amounting to RMB18,404,000 was credited to other gains as set out in note 6 to the financial statements.

30. CASH AND BANK BALANCES

Group

	Notes	2009 RMB'000	2008 RMB'000
Cash on hand		3,327	7,245
Cash at banks, unrestricted		11,546,913	9,570,450
Cash and cash equivalents		11,550,240	9,577,695
Pledged bank balances	(1)	2,084,160	896,578
Time deposits with original maturity of more than three months	(2)	2,313,171	1,216,742
		15,947,571	11,691,015

Notes:

		2009 RMB'000	2008 RMB'000
(1)	Pledged bank balances to secure notes payable	1,511,684	872,900
	Pledged bank balances to secure bank loans (note 36)	520,658	—
(2)	Time deposits with original maturity of more than three months pledged to banks to secure bank loans (note 36)	2,216,434	913,446

In the preparation of the consolidated statement of cash flows, pledged bank balances and time deposits with original maturity of more than three months have been excluded from cash and cash equivalents.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Company

	2009 RMB'000	2008 RMB'000
Cash at banks, unrestricted	1,754,192	475,628
Time deposits with original maturity of more than three months	704,384	705,512
	2,458,576	1,181,140

31. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	2009 RMB'000	2008 RMB'000
Listed equity investments, at market value		
Hong Kong	**5,949**	49,637
United States	**4,100,976**	1,485,072
Mainland China	**804,058**	190
Elsewhere	**11,270**	—
	4,922,253	1,534,899

Company

	2009 RMB'000	2008 RMB'000
Listed equity investments, at market value		
Hong Kong	**5,949**	49,637
United States	**4,100,544**	1,485,072
	4,106,493	1,534,709

The above equity investments at 31 December 2009 and 2008 were classified as held for trading.

As at 31 December 2009, no equity investments at fair value through profit or loss of the Group (2008: RMB534,739,000) was pledged to secure bank loans, as set out in note 36 to the financial statements.

32. TRADE AND NOTES RECEIVABLES

	2009 RMB'000	2008 RMB'000
Trade receivables	**1,012,058**	1,068,676
Notes receivable	**3,756,933**	1,372,764
	4,768,991	2,441,440

32. TRADE AND NOTES RECEIVABLES (continued)

An aged analysis of trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2009 RMB'000	2008 RMB'000
Outstanding balances with ages:		
Within 90 days	831,628	939,067
91 to 180 days	146,081	75,258
181 to 365 days	36,593	35,977
1 to 2 years	7,271	26,742
2 to 3 years	6,302	8,906
Over 3 years	50,663	61,040
	1,078,538	1,146,990
Less: Provision for impairment of trade receivables	(66,480)	(78,314)
	1,012,058	1,068,676

The carrying amounts of trade and notes receivables approximate to their fair values.

The movements in the provision for impairment of trade receivables are as follows:

	2009 RMB'000	2008 RMB'000
At 1 January	78,314	129,362
Amount written off as uncollectible	(8,661)	(55,535)
(Reversal)/provision of impairment losses	(3,457)	6,406
Acquisition of subsidiaries	284	—
Disposal of subsidiaries	—	(1,919)
At 31 December	66,480	78,314

32. TRADE AND NOTES RECEIVABLES (continued)

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2009 RMB'000	2008 RMB'000
Neither past due nor impaired	581,927	232,060
Within 90 days past due	258,424	558,679
91 to 180 days past due	21,665	55,409
Over 180 days past due	5,594	48,723
	867,610	894,871

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The Group has pledged notes receivable of approximately RMB112,700,000 (2008: RMB112,000,000) to secure bank loans, as set out in note 36 to the financial statements.

At 31 December 2009, the discounted or endorsed but undue notes of approximately RMB5,904,751,000 (2008: RMB2,467,601,000) were derecognised. Subsequent to the end of the reporting period and up to the date when the financial statements were approved by the board of directors, an amount of RMB3,232,998,000 of the aforementioned discounted or endorsed notes fell due.

Credit terms granted to the Group's customers are as follows:

	Credit terms
Steel segment	0 to 90 days
Mining segment	0 to 90 days
Pharmaceuticals segment	90 to 180 days
Property development segment	30 to 360 days

33. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	2009 RMB'000	2008 RMB'000
Prepayments consist of:		
Prepayments for purchase of raw materials of steel	450,432	293,724
Prepayments for purchase of pharmaceutical materials	135,639	34,210
Prepayments for purchase of construction materials	223,317	155,439
Prepayments for purchase of equipment and others	443,556	357,278
Deposits	985,868	214,318
Other receivables consist of:		
Loans to third parties	23,080	75,578
Tax recoverable	283,815	1,168,632
Others	747,389	494,801
	3,293,096	2,793,980
Company		
Interest receivables	550	483
Deposits	1,017	1,064
	1,567	1,547

The carrying amounts of prepayments, deposits and other receivables approximate to their fair values.

34. INVENTORIES

	2009 RMB'000	2008 RMB'000
Raw materials	2,803,331	3,024,847
Work in progress	917,803	1,489,866
Finished goods	1,164,593	1,547,857
Spare parts and consumables	801,198	840,489
	5,686,925	6,903,059
Less: Provision for inventories	(103,254)	(699,384)
	5,583,671	6,203,675
Net book value of inventories pledged as security for bank loans (note 36)	200,000	—

35. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES

	Notes	2009 RMB'000	2008 RMB'000
Group			
Due from related companies:			
Associates	(i)	722,109	418,085
Jointly-controlled entities	(ii)	348,560	334,286
Minority shareholders of subsidiaries	(ii)	29,828	78,582
		1,100,497	830,953
Portion classified as current		908,592	830,953
		191,905	—
Company			
Due from subsidiaries	(ii)	8,334,529	8,495,874

Notes:

(i) The balances due from associates represent:

(1) An amount of RMB676,108,000 (2008: RMB316,525,000), which is unsecured, interest-free and repayable on demand.

(2) The remaining balances due from associates are trade in nature, interest-free and repayable on demand.

(ii) The balances due from subsidiaries, jointly-controlled entities and minority shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

35. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES (continued)

	Notes	2009 RMB'000	2008 RMB'000
Group			
Due to the holding company	(v)	878,749	568,819
Due to related companies:			
Associates	(iv)	87,523	314,841
Minority shareholders of subsidiaries	(iii)	206,900	428,294
Jointly-controlled entities	(iii)	51,000	121,000
		345,423	864,135
Company			
Due to the holding company	(v)	878,749	568,819

Notes:

(iii) The balances due to minority shareholders of subsidiaries and jointly-controlled entities are unsecured, interest-free and repayable on demand.

(iv) The balances due to associates include the amount of RMB72,916,000 (2008: RMB304,684,000), which is unsecured, interest-free and repayable on demand. The remaining balances due to associates are trade in nature, interest-free and repayable on demand.

(v) The balances due to the holding company represent the dividend payables which are unsecured, interest-free and repayable on demand.

The carrying amounts of the balances with shareholders, subsidiaries and related companies approximate to their fair values.

The nature of the transactions with shareholders, and related companies is disclosed in note 49 to the financial statements.

36. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	Notes	2009 RMB'000	2008 RMB'000
Bank loans:	(1)		
Guaranteed		65,150	169,200
Secured		10,275,254	8,877,560
Unsecured		13,136,742	12,907,103
		23,477,146	21,953,863
Enterprise bonds	(2)	2,482,589	—
Corporate bonds	(3)	1,869,304	—
Short term commercial papers		—	1,397,747
Unsecured other borrowings	(4)	876,330	1,046,679
Total		28,705,369	24,398,289
Repayable:			
Within one year		16,792,363	15,228,528
In the second year		2,739,988	4,047,275
In the third to fifth years, inclusive		5,703,745	5,036,031
Over five years		3,469,273	86,455
		28,705,369	24,398,289
Portion classified as current liabilities		(16,792,363)	(15,228,528)
Long term portion		11,913,006	9,169,761

36. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Group (continued)

Notes:

		2009 RMB'000	2008 RMB'000
(1)	Bank loans		
	Guaranteed by related parties	65,150	169,200
	Secured by:		
	Buildings (note 13)	255,597	841,113
	Plant and machinery (note 13)	589,936	1,329,420
	Investment properties (note 14)	2,057,400	429,000
	Prepaid land lease payments (note 15)	31,389	1,267,674
	Mining rights (note 17)	141,289	148,595
	Inventories (note 34)	200,000	—
	Time deposits with original maturity of more than three months (note 30)	2,216,434	913,446
	Pledged bank balances (note 30)	520,658	—
	Interest in a subsidiary	327,061	618,065
	Notes receivable (note 32)	112,700	112,000
	Properties under development (note 25)	4,639,332	3,937,313
	Completed properties for sale	41,632	—
	Available-for-sale investments (note 24)	163,769	134,195
	Equity investments at fair value through profit or loss (note 31)	—	534,739
	Held-to-maturity investments (note 23)	—	31,696
		11,297,197	10,297,256
	The bank loans bear interest at rates per annum in the range of	0.27% to 7.74%	1.60% to 9.02%

(2) Enterprise bonds

On 27 February 2009, Nanjing Steel United issued long-term enterprise bonds with the par value of RMB2,500,000,000 and the effective interest rate is 6.29% per annum. One half of the principal of the enterprise bonds will be repaid on 27 February 2015 and the remainder on 27 February 2016. Interest will be paid annually in arrears.

(3) Corporate bonds

On 25 September 2009, Forte issued five-year domestic corporate bonds with the par value of RMB1,900,000,000 and the effective interest rate is 7.73% per annum. The interest will be paid annually in arrears and the maturity date is 22 September 2014.

(4) Unsecured other borrowings

	2009 RMB'000	2008 RMB'000
Borrowings from third parties	876,330	1,046,679
The other borrowings bear interest at rates per annum in the range of	2.55% to 12.18%	2.55% to 9.34%

The carrying amounts of the Group's current bank and other borrowings approximate to their fair values. The fair value of the Group's non-current bank and other borrowings as at 31 December 2009 with a carrying amount of RMB11,913,006,000 (2008: RMB9,169,761,000) was RMB11,921,339,000 (2008: RMB9,215,012,000).

36. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Company

	2009 RMB'000	2008 RMB'000
Bank loans:		
Secured	—	77,284
Unsecured	482,286	859,838
	482,286	937,122
Repayable:		
Within one year	411,848	796,020
In the second year	70,438	70,551
In the third to fifth year, inclusive	—	70,551
	482,286	937,122
Portion classified as current liabilities	(411,848)	(796,020)
Long term portion	70,438	141,102
The bank loans bear interest at rates per annum in the range of	2.28% to 2.82%	2.83% to 4.94%

The carrying amounts of the Company's current bank loans approximate to their fair values. The fair value of the Company's non-current bank loans as at 31 December 2009 with a carrying amount of RMB70,438,000 (2008: RMB141,102,000) was RMB69,456,000 (2008: RMB137,594,000).

37. TRADE AND NOTES PAYABLES

	2009 RMB'000	2008 RMB'000
Trade payables	3,539,566	3,173,599
Notes payables	3,322,401	2,006,827
	6,861,967	5,180,426

The carrying amounts of trade and notes payables approximate to their fair values.

An aged analysis of trade payables as at the end of the reporting period is as follows:

	2009 RMB'000	2008 RMB'000
Outstanding balances with ages:		
Within 90 days	2,523,171	2,484,540
91 to 180 days	414,585	402,703
181 to 365 days	181,843	54,503
1 to 2 years	345,306	175,311
2 to 3 years	44,360	34,965
Over 3 years	30,301	21,577
	3,539,566	3,173,599

Credit terms granted by the Group's suppliers are as follows:

	Credit terms
Steel segment	0 to 90 days
Mining segment	0 to 90 days
Pharmaceuticals segment	0 to 360 days
Property development segment	180 to 360 days

38. ACCRUED LIABILITIES AND OTHER PAYABLES

Group

	2009 RMB'000	2008 RMB'000
Advances from customers	**6,471,617**	3,491,041
Payables related to:		
Purchases of property, plant and equipment	**1,234,444**	762,220
Deposits received	**452,549**	244,665
Payroll	**366,327**	321,456
Business tax	**115,170**	24,177
Accrued interest expenses	**202,845**	45,244
Value-added tax	**61,986**	67,268
Accrued utilities	**163,774**	138,553
Acquisitions of subsidiaries (note 44(a))	**150,000**	143,500
Current portion of other long term payables (note 41)	**73,728**	12,200
Others	**1,238,626**	681,250
	10,531,066	5,931,574

Company

	2009 RMB'000	2008 RMB'000
Other payables	**1,489**	1,114

The carrying amounts of accrued liabilities and other payables, excluding advances from customers, approximate to their fair values.

39. LOANS FROM RELATED COMPANIES

	Carrying amounts		Fair values	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Loans from				
— a jointly-controlled entity	81,324	76,118	83,017	78,495
— an associate	25,294	—	25,286	—
— a minority shareholder of a subsidiary	—	76,075	—	77,813
Wholly repayable in the second to fourth year, inclusive	106,618	152,193	108,303	156,308

Loans from related companies are interest-free and unsecured. The fair values of these loans as at the date of inception were estimated with reference to the prevailing interest rate with the same repayment period published by the People's Bank of China. The difference between the amount of loans payable and their fair values as at the date of inception was credited to the consolidated income statement. Subsequent to the initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

40. DEFERRED INCOME

Deferred income represents government grants received related to assets.

	2009 RMB'000	2008 RMB'000
Special purpose fund for technology improvement	**82,669**	47,702

41. OTHER LONG TERM PAYABLES

	2009 RMB'000	2008 RMB'000
Payables for rehabilitation:		
At 1 January	**30,921**	40,048
Additions	**453**	415
Interest increment (note 7)	**2,832**	2,658
Classified as current portion (note 38)	**—**	(12,200)
At 31 December	**34,206**	30,921
Payables for retirement benefits:		
At 1 January	**603,330**	697,424
Additions	**22,424**	—
Interest increment (note 7)	**24,117**	31,215
Payments made	**(48,628)**	(125,309)
Classified as current portion (note 38)	**(73,528)**	—
At 31 December	**527,715**	603,330
Total	**561,921**	634,251

Payables for rehabilitation are in relation to the costs of the Group's obligations for land reclamation.

Payables for retirement benefits represent liabilities taken over by the Group from the former parent company of the Former SOEs, which are State-owned enterprises, in respect of the retirement benefits of the Qualified SOE Employees and the Qualified Retirees.

The long term payables are based on estimates of future payments made by management and are discounted at rates in the range of 5.70% to 7.83%.

42. SHARE CAPITAL

Shares

	2009 RMB'000	2008 RMB'000
Authorised:		
100,000,000,000 (2008: 100,000,000,000) ordinary shares of HKD0.1 each	**9,746,013**	9,746,013
Issued and fully paid:		
6,421,594,500 (2008: 6,421,594,500) ordinary shares of HKD0.1 each	**621,497**	621,497

The following changes in the Company's authorised and issued share capital took place during the period from 1 January 2008 to 31 December 2009 are as follows:

	Number of ordinary shares	Nominal value of ordinary shares RMB'000
Authorised:		
As at 31 December 2008 and 31 December 2009	100,000,000,000	9,746,013
Issued and fully paid:		
As at 1 January 2008 (6,437,500,000shares of HKD0.1 each)	6,437,500,000	622,962
Repurchase and cancellation of shares	(15,905,500)	(1,465)
As at 31 December 2008 and 31 December 2009	6,421,594,500	621,497

43. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Company

	Issued capital RMB'000 (note 42)	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Capital redemption reserve RMB'000 (note 42)	(Accumulated losses)/ Retained earnings RMB'000	Proposed final dividend RMB'000 (note 11)	Total equity RMB'000
At 1 January 2008	622,962	11,785,713	(333,745)	—	(326,531)	1,022,219	12,770,618
Repurchase and cancellation of shares (note 42)	(1,465)	—	—	—	(76,650)	—	(78,115)
Transfer on shares repurchased and cancelled (note 42)	—	—	—	1,465	(1,465)	—	—
Final dividend declared	—	—	—	—	—	(1,022,219)	(1,022,219)
Proposed final 2008 dividend (note 11)	—	—	—	—	(453,051)	453,051	—
Exchange realignment	—	—	(596,244)	—	—	—	(596,244)
Total comprehensive income for the year*	—	—	—	—	667,014	—	667,014
At 31 December 2008 and 1 January 2009	621,497	11,785,713	(929,989)	1,465	(190,683)	453,051	11,741,054
Final dividend declared (note 11)	—	—	—	—	—	(453,051)	(453,051)
Proposed 2009 final dividends (note 11)	—	—	—	—	(927,270)	927,270	—
Exchange realignment	—	—	(18,890)	—	—	—	(18,890)
Total comprehensive income for the year*	—	—	—	—	4,306,395	—	4,306,395
At 31 December 2009	621,497	11,785,713	(948,879)	1,465	3,188,442	927,270	15,575,508

* The consolidated profit attributable to owners of the parent for the year ended 31 December 2009 includes a profit of RMB4,306,395,000 (2008: RMB667,014,000) which has been dealt with in the financial statements of the Company.

(a) Other deficits

The opening balance of other deficits as at 1 January 2008 represented the acquisition of the entire equity interest in Fosun Group pursuant to the reorganisation of the Group prior to the listing of its shares on the Hong Kong Stock Exchange, after netting off paid-up capital and capital reserve (arising from the bonus share issue of its subsidiaries) of Fosun Group.

43. RESERVES (continued)

(b) Statutory surplus reserve (the "SSR")

In accordance with the Company Law of the PRC and the respective articles of association of the subsidiaries established in Mainland China (the "PRC Subsidiaries"), each of the PRC Subsidiary is required to allocate 10% of its profits after tax, as determined in accordance with the applicable PRC accounting standards and regulations, to the SSR until such reserve reaches 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the SSR can be capitalised as paid-up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(c) Distributable reserves

For dividend purposes, the amount which the PRC subsidiaries can legally distribute by way of a dividend is determined by reference to the distributable profits as reflected in their PRC statutory financial statements which are prepared in accordance with the applicable PRC accounting standards and regulations.

In accordance with the Company Law of the PRC, profits after tax of the PRC subsidiaries can be distributed as dividends after the appropriation to the SSR as set out above.

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

	2009 RMB'000	2008 RMB'000
Fair value recognised on acquisitions:		
Property, plant and equipment (note 13)	28,205	140,407
Prepaid land lease payments (note 15)	—	2,668
Exploration and evaluation assets (note 16)	—	5,000
Mining rights (note 17)	—	636,263
Intangible assets (note 18)	—	6,929
Properties under development	1,389,678	159,832
Cash and bank balances	8,356	21,445
Trade and notes receivables	6,775	41
Prepayments, deposits and other receivables	7,222	172,985
Inventories	9,103	13,469
Interest-bearing bank and other borrowings	(200,000)	—
Trade and notes payables	(7,676)	(6,807)
Accrued liabilities and other payables	(449,884)	(176,610)
Tax payable	—	(136)
Deferred tax liabilities (note 28)	—	(89,039)
Minority interests	(4,550)	(254,747)
	787,229	631,700
Goodwill on acquisition (note 19)	—	8,297
Excess over the cost of business combinations (note 6)	—	(6,520)
	787,229	633,477
Satisfied by:		
Cash	637,229	479,332
Investment in an associate	—	10,645
Cash consideration unpaid (note 38)	150,000	143,500
	787,229	633,477

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(a) Acquisition of subsidiaries (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2009 RMB'000	2008 RMB'000
Cash consideration	**(637,229)**	(479,332)
Cash and bank balances acquired	**8,356**	21,445
Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries	**(628,873)**	(457,887)

The major acquisition of a subsidiary during the year is set out as follows:

On 24 August 2009, Forte Group acquired a 100% equity interest in Nanjing Runchang Property Development Co., Ltd ("Nanjing Runchang"), a private limited company located in Nanjing, Mainland China. Nanjing Runchang is engaged in property development. The purchase consideration for the acquisition was in the form of cash amounting to RMB625,000,000, of which RMB150,000,000 remained unpaid as at 31 December 2009.

The effect of the acquisitions on the financial results of the Group from the date of acquisition to the end of the respective years is as follows:

	2009 RMB'000	2008 RMB'000
Financial results:		
Revenue	**27,817**	6,481
Loss for the year	**(10,491)**	(15,823)

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended 31 December 2009 would have been RMB34,882,738,000 (2008: RMB40,255,033,000) and RMB6,823,159,000 (2008: RMB2,700,991,000), respectively.

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Disposal of subsidiaries

	2009 RMB'000	2008 RMB'000
Net assets disposed of:		
Property, plant and equipment (note 13)	182	26,094
Prepaid land lease payments (note 15)	1,846	—
Cash and bank balances	259	16,641
Trade and notes receivables	—	51,329
Available-for-sale investments	—	5,000
Prepayments, deposits and other receivables	1,114	14,824
Inventories	1,664	67,756
Interest-bearing loans and other borrowings	—	(31,900)
Trade and notes payables	—	(66,906)
Accrued liabilities and other payables	(2,459)	(20,265)
Tax payable	—	(205)
	2,606	62,368
Minority interests	—	(30,867)
Net gain on disposal of subsidiaries (notes 6)	494	4,710
	3,100	36,211
Satisfied by:		
Cash	3,100	35,604
Prepayments, deposits and other receivables	—	607
	3,100	36,211

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2009 RMB'000	2008 RMB'000
Cash consideration	3,100	35,604
Cash and bank balances disposed of	(259)	(16,641)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	2,841	18,963

45. SHARE-BASED PAYMENT

On 31 October 2009, six management members of Shanghai Resource Property Consultancy Co., Ltd. ("Shanghai Resource"), a subsidiary of Forte, were granted with a 23% equity interest in Shanghai Resource for a consideration of RMB10,967,000. The fair value of the equity interest as at the grant date was RMB27,393,000, as valued by Sallmanns. The excess of the fair value over the consideration, being an incentive and reward to the six management members' contribution to the successful operation of Shanghai Resource in past years, amounting to RMB16,426,000 was recognised as an equity-settled share-based payment and recorded in the staff costs on the date of the grant.

46. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties, as set out in note 14 to the financial statements, under operating lease arrangements.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

Group

	2009 RMB'000	2008 RMB'000
Within one year	32,333	17,233
In the second to fifth year, inclusive	71,463	29,766
Over five years	25,244	395
	129,040	47,394

As lessee

The Group leases certain of its office properties, shop lots, land and plant buildings under operating lease arrangements.

46. OPERATING LEASE ARRANGEMENTS (continued)

As lessee (continued)

At the end of the reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	2009 RMB'000	2008 RMB'000
Within one year	64,555	38,862
In the second to fifth year, inclusive	247,266	99,045
Over five years	516,996	174,078
	828,817	311,985

Company

	2009 RMB'000	2008 RMB'000
Within one year	1,679	2,961
In the second to fifth year, inclusive	—	1,481
	1,679	4,442

47. COMMITMENTS

In addition to the operating lease commitments detailed in note 46 above, the Group and the Company had the following capital commitments at the end of the reporting period:

Group

	2009 RMB'000	2008 RMB'000
Contracted, but not provided for:		
In respect of:		
Plant and machinery	492,465	387,168
Properties under development	4,531,525	4,108,550
Intangible assets	23,899	—
Prepaid land lease payments	5,600	—
Investments	477,419	375,963
	5,530,908	4,871,681

	2009 RMB'000	2008 RMB'000
Authorised, but not contracted for:		
In respect of:		
Plant and machinery	950,843	41,462
Investments	1,864,000	1,437,895
	2,814,843	1,479,357

In addition, the Group's share of the jointly-controlled entities' own capital commitments, which are not included in the above, is as follows:

	2009 RMB'000	2008 RMB'000
Contracted but not provided for:		
Properties under development	33,499	6,022

Company

	2009 RMB'000	2008 RMB'000
Authorised, but not contracted for:		
Investments	1,864,000	1,437,895

48. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the end of the reporting period:

	2009 RMB'000	2008 RMB'000
Guaranteed bank loans of:		
Related parties (note 49)	**846,800**	1,867,500
Third parties	**50,000**	491,000
	896,800	2,358,500
Qualified buyers' mortgage loans*	**2,762,666**	1,938,549
	3,659,466	4,297,049

* The Group provided guarantees of approximately RMB2,762,666,000 (2008: RMB1,938,549,000) in favour of their customers in respect of mortgage loans provided by banks to such customers for their purchases of the Group's developed properties where the underlying real estate certificates can only be provided to the banks in a time delayed manner due to administrative procedures in the PRC. These guarantees provided by the Group will be released when the customers pledge their real estate certificates as security to the banks for the mortgage loans granted by the banks.

The Directors consider that in case of default in payments, the net realisable value of the related properties can cover the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made in the financial statements for the guarantees.

49. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

Name of related parties	Nature of transactions	2009 RMB'000	2008 RMB'000
Sales of goods			
Sinopharm Group Co. Ltd. (Notes 4 & 14)	Sales of pharmaceutical products	96,610	47,125
Shanghai Lianhua Fosun Pharmcy Chain Operation Co., Ltd. (Notes 1, 4 & 14)	Sales of pharmaceutical products	26,896	22,622
Beijing Yongan Fosun Pharmacy Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	—	77
Shanghai Pharmacy Holdings Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	7,148	8,570
Suzhou Laishi Transfusion Equipment Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	6,268	1,822
Shanghai Liyi Pharmacy Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	5,103	3,622
Wanbang Anesiva (Jiangsu) Pharmaceutical Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	—	438
Guilin Auspicious Pharmaceutical Industrial Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	581	439
Shanghai Huifeng Fosun Pharmacy Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	2,922	—
Ningbo Steel International Trading Co., Ltd. (Note 4)	Sales of iron ore products	—	105,245
Ningbo Iron & Steel Co., Ltd. (Note 4)	Sales of iron and steel products	—	6,260
Total sales of goods		145,528	196,220

49. RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Nature of transactions	2009 RMB'000	2008 RMB'000
Purchases of goods			
Sinopharm Group Co. Ltd. (Notes 4 & 14)	Purchases of pharmaceutical products	10,095	12,957
Wuhan Zhonglian Pharmaceutical Pharmaceutical Co., Ltd. (Notes 1 & 4)	Purchases of pharmaceutical products	—	668
Shanghai Pharmacy Holdings Co., Ltd. (Notes 1 & 4)	Purchases of pharmaceutical products	8,514	8,570
Suzhou Laishi Transfusion Equipment Co., Ltd. (Notes 1 & 4)	Purchases of pharmaceutical products	3,660	—
Ningbo Iron & Steel Co., Ltd. (Note 4)	Purchases of iron and steel products	—	132,333
Hainan Iron and Steel Co., Ltd. (Notes 3, 4 & 15)	Purchases of iron ore products	21,005	—
Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd. (Notes 1 & 4)	Purchases of coking coal products	92,257	—
Total purchases of goods		135,531	154,528
Service income			
Wuxi Forte Real Estate Development Co., Ltd. (Notes 2 & 5)	Consulting services provided to the related company	—	4,302
Tangshan Jianlong Industrial Co., Ltd. (Notes 1 & 5)	Consulting services provided to the related company	32,035	—
Wuxi Forte Real Estate Development Co., Ltd. (Notes 2 & 5)	Sales agency services provided to the related company	877	928
Total service income		32,912	5,230

49. RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Nature of transactions	2009 RMB'000	2008 RMB'000
Interest income			
Shaanxi Jianqin Real Estate Development Co., Ltd. (Notes 2 & 7)	Interest income	13,740	21,981
Show All Limited (Notes 2 & 7)	Interest income	—	6,266
Total interest income		13,740	28,247
Interest expense			
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 1 & 7)	Interest expense	6,690	—
Other expenses			
Shanghai Foreal Property Management Co., Ltd. (Notes 1 & 6)	Property management services provided by the related company	13,392	11,096
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 1 & 6)	Management fees	—	6,628
Nanjing Xinwu Shipping Co., Ltd. (Notes 1 & 6)	Transportation fees	69,987	109,884
Nanjing Iron & Steel Group Co., Ltd. (Notes 3, 6 & 15)	Operating lease in respect of office buildings leased from the related company	3,023	3,593
Hainan Iron and Steel Co., Ltd. (Notes 3, 6 & 15)	Operating lease in respect of land lease from the related company	15,776	13,263
Total other expenses		102,178	144,464
Underlying notional interest of loans from related companies			
Wuxi Forte Real Estate Development Co., Ltd. (Notes 2 & 9)	Notional interest	5,206	5,093
Yangzte Tianjin Limited (Notes 3, 10 & 15)	Notional interest	5,840	5,396
Total notional interests		11,046	10,489

49. RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Nature of transactions	2009 RMB'000	2008 RMB'000
Loans from related companies			
Tianjin Binhai Auto Parts Industry Base Co., Ltd. (Notes 1 & 11)	Loan provided by the related company	28,000	—
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 1 & 7)	Loan provided by the related company	247,792	—
Total loans from related companies		275,792	—
Guarantees of bank loans			
Nanjing Iron & Steel Group Co., Ltd. (Notes 3, 8 & 15)	Bank loans guaranteed by the related company	3,272,288	4,392,200
Ningbo Iron & Steel Co., Ltd. (Note 8)	Guarantees granted for bank loans of the related company	—	1,839,000
Nanjing Xinwu Shipping Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	53,000	28,500
Tangshan Jianlong Industrial Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	200,000	—
Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	52,800	—
Beijing Yuquanxincheng Property Development Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	100,000	—
Beijing Hehua Property Development Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	441,000	—
Loans to related companies			
Shaanxi Jianqin Real Estate Development Co., Ltd. (Notes 2 & 7)	Entrusted loan provided to the related company	220,000	—
Show All Limited (Notes 2 & 12)	Shareholder loan provided to the related company	—	126,400
Shaanxi Jianqin Real Estate Development Co., Ltd. (Notes 2 & 12)	Shareholder loan provided to the related company	—	140,000
Total loans to related companies		220,000	266,400

49. RELATED PARTY TRANSACTIONS (continued)

Notes:

(1) They are associates of the Group.

(2) They are jointly-controlled entities of the Group.

(3) They are minority shareholders of the subsidiaries of the Group.

(4) The Directors consider that the sales and purchases were undertaken on commercial terms similar to those offered to/by unrelated customers/suppliers in the ordinary course of business of the relevant companies.

(5) The Directors consider that the fees for consulting services and sales agency services were determined based on prices available to third party customers.

(6) The Directors consider that the fees for property management services, management services, transportation services and leasing paid to related companies were determined based on prices available to third party customers of the related companies.

(7) The Directors consider that the loans provided by/to the related companies are unsecured, repayable on demand, and the applicable interest rates are determined in accordance with the prevailing market borrowing rates.

(8) The bank loans were guaranteed by related companies free of charge. The guarantees were given by the Group for bank loans of related companies free of charge.

(9) The entrusted bank loan in the amount of RMB93,000,000 is provided by Wuxi Forte Real Estate Development Co., Ltd. and is interest-free, unsecured and repayable by 2012 as set out in note 39 to the financial statements. The corresponding notional interest for the year ended 31 December 2009 amounted to approximately RMB5,206,000 (2008: RMB5,093,000).

(10) The loan in the amount of RMB99,716,000 is provided by Yangzte Tianjin Limited, a minority shareholder of Tianjin Forte, and is interest-free, unsecured and repayable by 2010. The corresponding notional interest for the year ended 31 December 2009 amounted to approximately RMB5,840,000 (2008: RMB5,396,000).

(11) The loan in the amount of RMB28,000,000 is provided by Tianjin Binhai Auto Parts Industry Base Co., Ltd. and is interest-free, unsecured and repayable by 2011 as set out in note 39 to the financial statements.

(12) The shareholder loans in the amount of RMB290,000,000 are provided to Shaanxi Jianqin Real Estate Development Co., Ltd. and loans amounting to RMB126,400,000 are provided to Show All Limited as set out in note 21 to the financial statements.

(13) Compensation of key management personnel of the Group:

	2009 RMB'000	2008 RMB'000
Short term employee benefits	12,529	12,210
Pension scheme contributions	252	154
Total compensation paid to key management personnel	12,781	12,364

49. RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

(14) These transactions constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules for the period ended 15 October 2009. The Group confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of these transactions. On 15 October 2009, Shanghai Fosun Pharmaceutical Development Company Limited, a subsidiary of Fosun Pharma completed its transfer of 1% of the total issued shares of Forte to Fosun Group. From 15 October 2009, Shanghai Lianhua Fosun Pharmacy Chain Operation Co., Ltd. and Sinopharm Group Co. Ltd. ceased to be connected persons of the Company and these transactions no longer constituted continuing connected transactions of the Group.

(15) These transactions constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules. They are exempted from the disclosure requirements under Chapter 14A of the Listing Rules.

50. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2009 Group

Financial assets

	Financial assets at fair value through profit or loss-held for trading RMB'000	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Held-to-maturity investments	—	79,220	—	—	79,220
Available-for-sale investments	—	—	—	2,943,458	2,943,458
Loans receivable	—	—	220,000	—	220,000
Cash and bank balances	—	—	15,947,571	—	15,947,571
Equity investments at fair value through profit or loss	4,922,253	—	—	—	4,922,253
Trade and notes receivables	—	—	4,768,991	—	4,768,991
Financial assets included in prepayments, deposits and other receivables (note 33)	—	—	2,040,152	—	2,040,152
Due from related companies	—	—	1,100,497	—	1,100,497
	4,922,253	79,220	24,077,211	2,943,458	32,022,142

50. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2009 Group (continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings	28,705,369
Loans from related companies	106,618
Trade and notes payables	6,861,967
Financial liabilities included in accrued liabilities and other payables (note 38)	4,059,449
Due to related companies and the holding company	1,224,172
Other long term payables	561,921
	41,519,496

2008 Group

Financial assets

	Financial assets at fair value through profit or loss-held for trading RMB'000	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Held-to-maturity investments	—	63,761	—	—	63,761
Available-for-sale investments	—	—	—	1,905,289	1,905,289
Loans receivable	—	—	220,000	—	220,000
Cash and bank balances	—	—	11,691,015	—	11,691,015
Equity investments at fair value through profit or loss	1,534,899	—	—	—	1,534,899
Trade and notes receivables	—	—	2,441,440	—	2,441,440
Financial assets included in prepayments, deposits and other receivables (note 33)	—	—	1,953,329	—	1,953,329
Due from related companies	—	—	830,953	—	830,953
	1,534,899	63,761	17,136,737	1,905,289	20,640,686

50. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2008 Group (continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings	24,398,289
Loans from related companies	152,193
Trade and notes payables	5,180,426
Financial liabilities included in accrued liabilities and other payables (note 38)	2,440,533
Due to related companies and the holding company	1,432,954
Other long term payables	634,251
	34,238,646

2009 Company

Financial assets

	Financial assets at fair value through profit or loss-held for trading RMB'000	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Total RMB'000
Held-to-maturity investments	—	35,320	—	35,320
Equity investments at fair value through profit or loss	4,106,493	—	—	4,106,493
Cash and bank balances	—	—	2,458,576	2,458,576
Financial assets included in prepayments, deposits and other receivables (note 33)	—	—	1,567	1,567
Due from subsidiaries	—	—	8,334,529	8,334,529
	4,106,493	35,320	10,794,672	14,936,485

50. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2009 Company (continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in accrued liabilities and other payables (note 38)	1,489
Interest-bearing bank loans	482,286
Due to the holding company	878,749
	1,362,524

2008 Company

Financial assets

	Financial assets at fair value through profit or loss-held for trading RMB'000	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Total RMB'000
Held-to-maturity investments	—	31,696	—	31,696
Equity investments at fair value through profit or loss	1,534,709	—	—	1,534,709
Cash and bank balances	—	—	1,181,140	1,181,140
Financial assets included in prepayments, deposits and other receivables (note 33)	—	—	1,547	1,547
Due from subsidiaries	—	—	8,495,874	8,495,874
	1,534,709	31,696	9,678,561	11,244,966

50. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2008 Company (continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in accrued liabilities and other payables (note 38)	1,114
Interest-bearing bank loans	937,122
Due to the holding company	568,819
	1,507,055

51. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 December 2009, the Group and the Company held the following financial assets measured at fair value while no financial liabilities were measured at fair value.

Assets measured at fair value as at 31 December 2009:

Group

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments:				
Equity investments (note 24)	868,773	—	—	868,773
Equity investments at fair value through profit or loss	4,922,253	—	—	4,922,253
	5,791,026	—	—	5,791,026

Company

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	4,106,493	—	—	4,106,493

During the year ended 31 December 2009, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other borrowings, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also entered into derivative transactions, representing forward currency contracts, during the year ended 31 December 2009. The purpose is to manage the currency risks arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. At 31 December 2009, approximately 31% (2008: 24%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variable held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

Group:

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax RMB'000
2009	**27**	**(29,998)**
	(81)	**89,994**
2008	27	(19,538)
	(81)	57,758

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar and Hong Kong dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Group:

	Increase/ decrease in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000
2009		
If RMB weakens against United States dollar	**5**	**(19,423)**
If RMB strengthens against United States dollar	**5**	**19,423**
If RMB weakens against Hong Kong dollar	**5**	**58,334**
If RMB strengthens against Hong Kong dollar	**5**	**(58,334)**
2008		
If RMB weakens against United States dollar	5	36,623
If RMB strengthens against United States dollar	5	(36,623)
If RMB weakens against Hong Kong dollar	5	29,560
If RMB strengthens against Hong Kong dollar	5	(29,560)

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, held-to-maturity investments, available-for-sale investments, equity investments at fair value through profit or loss, amounts due from related companies, and other receivable, arises from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables were widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 32 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans. The Group's policy is that not more than 80% of the borrowings should mature in any 12-month period. 69% (2008: 62%) of the Group's debts would mature in less than one year as at 31 December 2009 based on the carrying value of borrowings reflected in the financial statements.

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payment, was as follows:

2009 Group

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	1,793,969	14,998,394	8,474,429	3,486,683	28,753,475
Loans from related companies	—	—	—	121,000	—	121,000
Trade and notes payables	1,983,529	1,957,762	2,920,676	—	—	6,861,967
Due to related companies	345,423	—	—	—	—	345,423
Due to the holding company	878,749	—	—	—	—	878,749
Financial liabilities included in accrued liabilities and other payables	4,020,921	—	38,528	—	—	4,059,449
Other long term payables	—	—	—	484,471	200,233	684,704
	7,228,622	3,751,731	17,957,598	9,079,900	3,686,916	41,704,767

2008 Group

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	177,284	1,417,024	13,634,220	9,083,306	86,455	24,398,289
Loans from related companies	—	—	—	180,467	—	180,467
Trade and notes payables	1,727,793	1,966,480	1,486,153	—	—	5,180,426
Due to related companies	864,135	—	—	—	—	864,135
Due to the holding company	568,819	—	—	—	—	568,819
Financial liabilities included in accrued liabilities and other payables	2,440,533	—	—	—	—	2,440,533
Other long term payables	—	—	—	669,725	220,416	890,141
	5,778,564	3,383,504	15,120,373	9,933,498	306,871	34,522,810

In addition, the guarantees provided by the Group will be called in case of default in payments by the guarantees as set out in note 48.

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

2009 Company

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	—	411,849	70,438	—	482,287
Due to the holding company	878,749	—	—	—	—	878,749
Financial liabilities included in accrued liabilities and other payables	1,489	—	—	—	—	1,489
	880,238	—	411,849	70,438	—	1,362,525

2008 Company

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	77,284	683,460	35,276	141,102	—	937,122
Due to the holding company	568,819	—	—	—	—	568,819
Financial liabilities included in accrued liabilities and other payables	1,114	—	—	—	—	1,114
	647,217	683,460	35,276	141,102	—	1,507,055

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments (note 31) and available-for-sale investments measured at fair value (note 24) as at 31 December 2009. The Group's listed investments are listed on the Hong Kong, Shenzhen, Shanghai, United States and Singapore stock exchanges and are valued at quoted market prices at the end of the reporting period.

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the income statement.

		Carrying amount of equity investments RMB'000	Increase in profit before tax RMB'000	Increase in equity RMB'000
2009				
Investments listed in:				
Hong Kong	— Available-for-sale	**275,074**	**—**	**13,754**
	— Held-for-trading	**5,949**	**297**	**—**
Shenzhen	— Available-for-sale	**113,771**	**—**	**5,689**
Shanghai	— Available-for-sale	**25,313**	**—**	**1,266**
	— Held-for-trading	**804,058**	**40,000**	**—**
United States	— Available-for-sale	**454,615**	**—**	**22,731**
	— Held-for-trading	**4,100,976**	**205,049**	**—**
Singapore	— Held-for-trading	**11,270**	**564**	**—**
2008				
Investments listed in:				
Hong Kong	— Available-for-sale	73,490	—	3,675
	— Held-for-trading	49,637	2,482	—
Shenzhen	— Available-for-sale	107,582	—	5,379
	— Held-for-trading	96	5	—
Shanghai	— Available-for-sale	57,962	—	2,898
	— Held-for-trading	94	5	—
United States	— Available-for-sale	154,558	—	7,728
	— Held-for-trading	1,485,072	74,254	—

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 31 December 2008.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio between 20% to 60%. Net debt includes interest-bearing bank and other borrowings, and loans from related companies, less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and minority interests. The gearing ratios as at the ends of the reporting periods were as follows:

Group

	2009 RMB'000	2008 RMB'000
Interest-bearing bank and other borrowings	**28,705,369**	24,398,289
Loans from related companies	**106,618**	152,193
Less: Cash and cash equivalents	**(10,550,240)**	(9,577,695)
Net debt	**18,261,747**	14,972,787
Total equity	**36,328,087**	30,043,087
Total equity and net debt	**54,589,834**	45,015,874
Gearing ratio	**33%**	33%

53. OTHER SIGNIFICANT MATTERS

During the year, the Company further acquired an aggregate of 15,767,000 American Depository Shares ("ADS") of Focus Media Holding Limited ("Focus Media") at a total consideration of approximately RMB765,000,000 and Fosun Industrial Co., Limited, a subsidiary of the Company, further acquired 4,928,770 ADS of Tongjitang Chinese Medicines Company ("Tongjitang") at a total consideration of approximately RMB114,300,000.

As at 31 December 2009, the Group held approximately 25.80% and 32.09% of the total issued share capital of Focus Media and Tongjitang, respectively. The Group's interests in these entities are not accounted for under the equity method because the Group has no significant influence over these entities by way of representation on the board of directors and participation in the policy-making process, despite the fact that the Group's equity interests in these entities were higher than 20% as at 31 December 2009.

54. EVENTS AFTER THE REPORTING PERIOD

(a) On 7 January 2010, China Alliance Properties Limited ("China Alliance"), a wholly-owned subsidiary of Forte, entered into a subscription agreement with Shanghai Zendai Property Limited ("Zendai Property"), a company listed on the Main Board of Hong Kong Stock Exchange, pursuant to which China Alliance agreed to subscribe for 1,550,000,000 new ordinary shares issued by Zendai Property for a consideration of HKD480,500,000. Immediately after the completion of subscription on 26 January 2010, China Alliance held 2,431,815,000 shares of Zendai Property, representing approximately 19.68% of the issued share capital of Zendai Property as enlarged by the allotment and issue of the subscription shares.

(b) On 27 January 2010, Fosun Pharma, a subsidiary of the Company, was approved conditionally by the Public Offering Review Committee of the China Securities Regulatory Commission for the issue of additional A shares by way of private placement to Fosun Group and other designated investors (the "A Share Issue"). According to the proposal in regard to the A Share Issue, the total number of A shares via non-public issue is no less than 200,000,000 and no more than 460,000,000, and Fosun Group will subscribe for more than 8% and no more than 30% of the total number of issued shares with a consideration of no more than RMB600,000,000.

(c) On 10 February 2010, Skysail Investments Limited, a wholly-owned subsidiary of Forte, entered into an equity transfer agreement with Garden Plaza 2005 (Delaware) LLC, Garden Plaza 2007 (Delaware) LLC, Garden Plaza DM 2007 (Delaware) LLC and Baekdu Investments Limited to acquire the entire issued share capital of Garden Plaza Capital SRL, a society with restricted liability organised and existing under the laws of Barbados for a total consideration of USD328,000,000. Garden Plaza Capital SRL owns two pieces of land measuring 116,822 square meters and the property with a total construction area of 97,227 square meters in Shanghai, China through its PRC subsidiary.

54. EVENTS AFTER THE REPORTING PERIOD (continued)

(d) On 24 February 2010, Fosun Group, a wholly-owned subsidiary of the Company, and The Carlyle Group ("Carlyle"), entered into an agreement, pursuant to which a jointly-operated RMB fund namely Fosun-Carlyle (Shanghai) Equity Investment Fund ("Fosun-Carlyle Fund") would be established with an initial investment of USD100,000,000. Fosun Group and Carlyle's Asia Growth Fund committed USD50,000,000 to the fund, respectively. On 3 March 2010, Fosun-Carlyle Fund obtained the business licence from Shanghai Administration of Industry and Commerce and completed the registration process.

55. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation.

56. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2010.

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