Xingtao Assets Limited

(incorporated in the British Virgin Islands with limited liability)

€500,000,000 3.3% Senior Notes Due 2022 to be consolidated and form a single series with the €500,000,000 3.3% Senior Notes Due 2022
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 additional 3.3% Senior Notes due 2022 (the "Additional Notes") to be issued by Xingtao Assets Limited (the "Issuer") shall constitute a further issue of, and be consolidated and form a single series with, the €500,000,000 3.3% senior notes due 2022 issued on October 9, 2014 (the "Original Notes"). The terms for the Additional Notes are the same as those for the Original Notes in all respects except for the issue date and issue price. The total principal amount of the Additional Notes to be issued is €500,000,000. The Original Notes and the Additional Notes are referred to collectively as the Notes. Upon the issue of the Additional Notes, the aggregate principal amount of outstanding Notes will be €1,000,000,000. The Notes bear interest from and including October 9, 2014 (the "Issue Date") at the rate of 3.3% per annum payable annually in arrear on October 9 of each year (the "Interest Payment Date") commencing on October 9, 2015. The Notes will mature on October 9, 2022.

The Notes are obligations of the Issuer, unconditionally and irrevocably guaranteed by Fosun International Limited (the "Company" or the "Parent Guarantor"). We refer to the guarantee by the Parent Guarantor as the Parent Guarantee.

The Issuer is a financing company established in the British Virgin Islands to issue the Notes. It is a direct wholly-owned subsidiary of Fosun Industrial Holdings Limited, and is an indirectly wholly-owned subsidiary of the Company.

The Issuer may at its option redeem the Notes, in whole or in part, on October 9 of each year beginning on October 9, 2016 at a redemption price equal to 100% of principal amount of the Notes plus accrued and unpaid interest, if any, to the redemption date. At any time and from time to time prior to October 9, 2016 the Issuer may redeem up to 35% of the Notes, at a redemption price of 100% 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 prior to October 9, 2016 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 prospectus (the "Prospectus"). Upon occurrence of a Change of Control Triggering Event (as defined in the indenture governing the Notes among the Company, the Parent Guarantor and The Bank of New York Mellon, London Branch, as Trustee, (the "Indenture")), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. Holders will have the right, at their option, to require the Issuer to repurchase for cash all of their Notes, or any portion of the principal thereof that is equal to €100,000 or integral multiples of €1,000 in excess thereof on October 9 of each year, commencing on October 9, 2016.

The Notes are (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"), 6.875% Senior Notes due 2020 of Sparkle Assets Limited (the "2013 Notes") and 1.5% Convertible Bonds due 2018 of Logo Star Limited (the "2013 Convertible Bonds"), of the Parent Guarantor, to the event of the assets serving as security therefor, and (4) effectively subordinated to all secured obligations of the Issuer, to the extent of the assets serving as security therefor. In addition, applicable law may limit the enforceability of the Parent Guarantee. See "Risk Factors — Risks Relating to the Notes and the Parent Guarantee." For a more detailed description of the Notes, see "Description of the Notes" beginning on page 271.

It is intended that all or a substantial portion of the Notes will be held by certain affiliates of the Company subsequent to this offering.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 15.

This Prospectus constitutes a prospectus for the purpose of Directive 2003/71/EC (the "Prospectus Directive") as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area). This Prospectus has been approved by the Central Bank of Ireland (the "Central Bank"), as competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange (the "ISE") for the Additional Notes to be admitted to the Official List of the ISE (the "Official List") and to trading on its regulated market (the "Main Securities Market"). Such approval only relates to Additional Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in a Member State of the European Economic Area. References in this Prospectus to the Additional Notes being "listed" (and all related references) will mean that the Additional Notes have been admitted to the Official List and have been admitted to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC. The Original Notes are listed on the ISE. The Issuer will procure that the Additional Notes will also be listed on the ISE upon issue.

Issue Price 100%, plus accrued interest from (and including) October 9, 2014 to (but excluding) December 15, 2014

The Notes and the Parent Guarantee 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 Additional Notes are being offered and sold by Morgan Stanley & Co. International plc (the "Initial Purchaser") 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 310.

It is expected that the delivery of the Additional Notes will be made on or about December 15, 2014 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.

Sole Bookrunner and Lead Arranger

MORGAN STANLEY

The date of this Prospectus is December 10, 2014

This Prospectus 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 Prospectus 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 Prospectus or that the information contained in this Prospectus is correct as of any time after that date.

You should rely only on the information contained in this Prospectus. 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 Prospectus. If given or made, any such other information or representation should not be relied upon as having been authorized by us or Morgan Stanley & Co. International plc (the "Initial Purchaser") or the Trustee.

We, having made all reasonable inquiries, confirm that: (i) this Prospectus contains all information with respect to us and our subsidiaries and affiliates referred to in this Prospectus and the Notes that is material in the context of the issue and offering of the Additional Notes; (ii) the statements contained in this Prospectus relating to us and our subsidiaries and affiliates are true, accurate and not misleading; (iii) the opinions and intentions expressed in this Prospectus 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 Additional Notes, the omission of which would, in the context of the issue and offering of the Notes, make this Prospectus, 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 for the information contained in this Prospectus. To the best of our knowledge, who have taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect its import.

Third-party information has been accurately reproduced and that as far as we are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

We are providing this Prospectus solely for the purpose of enabling you to consider a purchase of the Additional Notes. You should read this Prospectus before making a decision whether to purchase the Additional Notes. You must not use this Prospectus for any other purpose, or disclose any information in this Prospectus to any other person.

We have prepared this Prospectus, 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 Additional Notes. By purchasing the Additional 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 Purchaser, 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 Prospectus is, or shall be relied upon as, a promise or representation by the Initial Purchaser, the Trustee, the Principal Paying and Transfer Agent, the Registrar or the Collateral Agent whether as to the past or the future. The Initial Purchaser, 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, the Initial Purchaser does not accept any responsibility for the contents of this Prospectus or for any statement made or purported to be made by the Initial Purchaser or on its behalf in connection with the Company or the issue and offering of the Notes.

Each person receiving this Prospectus 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 Purchaser, 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 Purchaser, 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 and the Parent Guarantee 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 Prospectus. Any representation to the contrary is a criminal offense in the United States.

There are restrictions on the distribution of this Prospectus and the offer and sale of the Notes (and beneficial interests therein) in the United States, the United Kingdom, the European Economic Area, Portugal, Ireland and other relevant jurisdictions.

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

This Prospectus summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this Prospectus. 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 Additional Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this Prospectus 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 Additional Notes.

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

The Additional 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 Additional 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 Additional Notes, except in limited circumstances described in this Prospectus.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this Prospectus 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 “the Company,” “Parent Guarantor,” “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 joint ventures collectively as the context requires. Fosun Group is a direct wholly-owned subsidiary of Fosun International.

Our Business

Our business consists of four business segments: (i) insurance, (ii) industrial operations, comprising four portfolio companies, namely Fosun Pharma, Forte, Nanjing Nangang and Hainan Mining, which are engaged in pharmaceuticals and healthcare, property, steel and mining businesses, respectively, (iii) investment, and (iv) 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, Peak Reinsurance and Fosun Insurance Portugal.
- We conduct our “pharmaceuticals and healthcare business” principally through Fosun Pharma.
- We conduct our “property business” principally through Forte. In addition, we also invest in real estate projects through our “investment business,” and manage real estate funds in our “asset management” segment.
- We conduct our “steel business” principally through Nanjing Nangang.
- We conduct our “mining business” principally through Hainan Mining.
- Our investment business comprises five categories:

  (i) investments in strategic associates, which comprise Yuyuan, Jianlong Group and Shanjiaowulin;

  (ii) private equity investments (“PE Investments”), which include investments in Zhaojin Mining, Focus Media, St. John Knits International, Incorporated (“St. John”), Raffaele Caruso S.p.A (“Caruso”), and Kleinwort Benson Group, etc.;

(iii) secondary market investments, which include Club Med, Folli Follie, Minsheng Bank, Industrial Bank Co., Ltd. ("Industrial Bank"), China International Travel Service Corporation Limited ("CITS"), Perfect World Co., Ltd. ("Perfect World"), Changyuan Group Ltd("Changyuan Group"), Beijing Sanyuan Foods Co., Ltd. ("Sanyuan Foods"), Ping An Insurance (Group) Company of China, Ltd. ("Ping An Insurance") and Datang International Power Generation Co., Ltd. ("Datang Power"), etc.;

(iv) capital contribution to our asset management business as a limited partner ("LP investment");

(v) other investments, which include our investments in the BFC project, the Dalian Donggang project, the Atlantis project, Clear Water Bay Land Company Limited, Shanghai Resource Property Consultancy Co., Ltd. ("Resource Property"), Starcastle Senior Living Corporation ("Starcastle Senior Living Corporation"), Cainiao Network Technology Co., Ltd. ("Cainiao"), Lloyds Chambers of London, One Chase Manhattan Plaza of New York, GCFL Great China Finance Leasing Co., Ltd. ("Chuangfu Finance Leasing"), Studio 8, LLC ("Studio 8") and our venture capital investments, etc. ; and

- Under our "asset management" segment, we currently manage five categories of funds, which are (i) the Pramerica-Fosun China Opportunity Fund and the China Momentum Fund, L.P., which are U.S. dollar funds, (ii) the Carlyle-Fosun Fund, a qualified foreign limited liability partnership, or QFLP, (iii) RMB private equity funds, (iv) RMB real estate funds and (v) Japanese Yen real estate funds. We act as the general partners of the funds we manage.

For a list of the principal companies in each business segment, refer to "Corporate Structure — Our Major Subsidiaries, Joint Ventures and Associates" in this Prospectus.

Our Portfolio Companies

We are a holding company with a diversified portfolio of companies that operate in different industries. Our portfolio companies include subsidiaries, joint ventures, 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 79.6% of our outstanding share capital on the date hereof. The remaining 20.4% 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 Ltd., 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 Prospectus, 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 State Administration for Industry and Commerce of the PRC and its subordinated agencies.

"CBRC" means the China Banking 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 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.

"PORC" means the Public Offering Review Committee under the CSRC.

"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 China Food and Drug Administration.

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

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 Prospectus to "U.S. dollars" and "US$" are to United States dollars; all references to "H.K. dollars" and "HK$" are to Hong Kong dollars, the lawful currency of Hong Kong; all references to "RMB" or "Renminbi" are to Renminbi, the lawful currency of the PRC; and all references to "€" or "euro" are to euro, the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty on the Functioning of European Union, as amended.

Solely for the convenience of the reader, this Prospectus 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$7.7502 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,

2014. All translations from RMB to U.S. dollars have been made at a rate of RMB6.2036 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, 2014. All translations from euro to U.S. dollars have been made at a rate of €1.3690 to US$1.00, the noon buying rate for U.S. dollars in The City of New York for cable transfers in euro as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2014. The noon buying rate on June 30, 2014 were €1.3690 to US$1.00, RMB6.2036 to US$1.00 and HK$7.7502 to US$1.00.

See "Exchange Rate Information" in this Prospectus. No representation is made that the H.K. dollar, RMB amounts and euro 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 Prospectus 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 Prospectus may not represent our exact ownership interest in these entities due to rounding.

Financial Terms

"EBITDA" for any year/period is defined as profit for the year/period 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 joint ventures 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 Prospectus for a reconciliation of our profit for the year under HKFRS to its definition of EBITDA.

"Original Notes" means the €500,000,000 3.3% senior notes due 2022 issued on October 9, 2014 by the Issuer.

FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. All statements other than statements of historical fact contained in this Prospectus, 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 Prospectus.

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 Prospectus and elsewhere in this Prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our view only as of the date of this Prospectus 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 Prospectus 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) Ordinance (1964) applies, and neither pieces of legislation 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 622 of the Laws of Hong Kong). All of Fosun International's directors and executive officers reside in the PRC or in Hong Kong. All or a substantial portion of the assets of such persons and Fosun International are located outside the United States. As a result, purchasers of the Additional Notes might not be able to effect service of process within the United States upon such persons or Fosun International 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 Additional 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 or its 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 or its 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 Additional Notes.

PRESENTATION OF FINANCIAL INFORMATION

We have prepared our historical consolidated financial statements in accordance with 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, 2012 and 2013, including the notes thereto, appearing elsewhere in this Prospectus 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, 2014, including the notes thereto, appearing elsewhere in this Prospectus 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. Ernst & Young are certified public accountants in Hong Kong.

"Preface to Hong Kong Financial Reporting Standards" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") sets out the relationship between HKFRS and International Financial Reporting Standards ("IFRS"). The Council of HKICPA (hereafter referred as the "Council") has a policy to achieve convergence of HKFRS with IFRS. Each HKFRS issued by the Council contains information about the extent of compliance with the equivalent IFRS. Where the requirements of a HKFRS and an IFRS differ, the HKFRS should be followed by entities reporting within the area of application of the HKFRSs.

The audited consolidated financial statements of our Group have not been prepared in accordance with the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No. 1606/2002. There may be material differences in the financial information had Regulation (EC) No. 1606/2002 been applied to the historical financial information of our Group.

As of the date of this Prospectus, there are no differences between HKFRS and IFRS which will impact the financial position and results of operations of our Group.

TABLE OF CONTENTS

OVERVIEW

The overview below is only intended to provide a limited overview of information described in more detail elsewhere in this Prospectus. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Prospectus shall have the same meanings when used in this overview. Prospective investors should therefore read this Prospectus in its entirety.

Overview

We are an insurance-oriented investment group taking roots in China with a global foothold with a select portfolio of businesses benefiting from China's growth momentum. As a result of our rapid growth since our incorporation, we have established what we believe to be 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 the value of our investment portfolio 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 aim to become a world-class investment group underpinned by the twin drivers of insurance-oriented comprehensive financial capability and industry-rooted global investment capability.

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 promoting brands, 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 to support our Group's sustainable development.

Currently, our operation consists of four business segments: (i) insurance, (ii) industrial operations, comprising four portfolio companies, namely Fosun Pharma, Forte, Nanjing Nangang and Hainan Mining, which are engaged in pharmaceuticals and healthcare, property, steel and mining businesses, respectively, (iii) investment, and (iv) asset management. 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, Focus Media, Club Med, Folli Follie, Bona Film and Minsheng Bank. 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. The total assets of our insurance segment accounted for 37% of consolidated total assets of the group as of June 30, 2014. Our asset management business segment managed USD and RMB funds with a total committed amount of RMB33,946.5 million as of June 30, 2014.

For the years ended December 31, 2012 and 2013 and the six months ended June 30, 2013 and 2014, our consolidated revenue was RMB51,764.7 million, RMB51,016.9 million, RMB23,970.6 million and RMB24,795.9 million, respectively, and our profit was RMB4,943.9 million, RMB7,852.8 million, RMB3,026.5 million and RMB2,724.1 million, respectively.

Recent Developments

Acquisition of Equity Interest in Ironshore Inc.

In August 2014, we entered into an equity purchase agreement with Ironshore Inc. pursuant to which we agree to acquire 20% of the total outstanding ordinary shares of Ironshore, at the price of US$16.50 per share, for a total consideration of US$463.8 million, subject to certain contractual adjustments. Ironshore Inc. is specialized in providing broker-sourced specialty commercial property and casualty coverages for varying risks on a global basis through its multiple international platforms. We believe that this acquisition will further expand the our insurance business and strengthen our capability to access long-term high-quality capital. The parties will explore areas of cooperation and collaboration that may provide mutual benefits by leveraging respective areas of management expertise, geographic reach, industry relationships and operating capabilities, thereby enhancing the global strength of both parties.

Separate Listing of Hainan Mining on the Shanghai Stock Exchange

In December 2014, Hainan Mining was listed on the Shanghai Stock Exchange with stock name 「海南礦業」(for identification only, "Hainan Mining") and stock code 601969. Hainan Mining has issued 186,670,000 shares at a price of RMB10.34 per share. Following the completion of the A Share IPO, our equity interest (through Fosun Group and Industrial Investment) in Hainan Mining has been diluted from 60% to 54%. Hainan Mining remains as our subsidiary.

Conversion of Equity Stake in Kleinwort Benson Group into Publicly Traded Shares of RHJ International S.A.

In September 2014, we converted our equity stake in Kleinwort Benson Group into publicly traded shares of its parent company, RHJ International S.A. (Euronext: RHJI). After the transaction, we hold approximately 19.49% of the shares of RHJ International S.A.

Voluntary Tender Offer to Club Med

In September 2014, we, Fidelidade and certain independent third parties entered into an investment agreement pursuant to which the parties have agreed to acquire Club Med through a voluntary tender offer for all the shares of Club Med and bonds issued by Club Med convertible and/or exchangeable into new or existing shares of Club Med. The offer price is €22 per share for the outstanding shares and €23.23 per unit of bonds.

The tender offer was made at a time when Club Med was entering into a new phase of its development, which required a stabilized shareholding in order to minimize short-term constraints. We intend to involve the managers of Club Med in implementing a strategy tailored for the difficult environment of the European tourism market, particularly in France.

In November 2014, Global Resorts SAS increased the price of its competing offer according to a press release of Club Med.

Autorité des marchés financiers has further released a notice which extended the duration of the tender offer and set December 1, 2014 as the deadline for Gaillon Invest II (a subsidiary of the Company) and Fidelidade to submit an improved offer. On December 1, 2014, Gaillon Invest II and Fidelidade decided to improve the terms of the offer by increasing the offer price to €23.50 per share for the outstanding shares and €24.82 per unit of bonds. An amendment to the investment agreement was executed to reflect the increase in offer price and the additional amount of cash to be contributed by our Group will be approximately €51.9 million.

Takeover Bid for All Issued Shares of Roc Oil Company Limited

In August 2014, we and Roc Oil Company Limited ("ROC") entered into a bid implementation agreement to implement a proposed transaction, which involves us, or one of our subsidiaries, making a conditional cash takeover offer for all the ROC shares issued. In September 2014, one of our wholly-owned subsidiaries, Transcendent Resources Limited, announced a takeover offer for all of the ROC shares issued. The offer price is AUD0.69 per ROC share. The offer period opened on September 15 and ended on November 14, 2014, with holders of 92.6% of ROC shares accepting the offer. The total consideration payable by Transcendent Resources Limited for the takeover is approximately AUD439,322,171. As Transcendent Resources Limited has acquired at least 90% of all ROC shares on issue, it is entitled to compulsorily acquire all ROC shares on issue in accordance with the Australian Corporations Act. Transcendent Resources Limited intends to proceed with compulsory acquisition in accordance with the Australian Corporations Act and to delist ROC from the Australian Securities Exchange.

ROC, a company listed on the Australian Securities Exchange, is the holding company for an upstream oil and gas group of companies that principally carry on oil and gas exploration, development and production activities in the Asia-Pacific region. The reason for the proposed transaction is to enable us to enter the upstream oil and gas industry and acquire oil and gas assets.

Investment in Zhongshan Public Utilities

In August 2014, Fosun Group, our wholly-owned subsidiary, acquired 13% of the total outstanding ordinary shares of Zhongshan Public Utilities at the price of RMB10.52 per share for a total consideration approximately of RMB1.06 billion. Zhongshan Public Utilities, being an industry-leading professional environmental protection enterprise, has extensive investment and operation experience and specialized skill in environmental protection water related assets. This acquisition is expected to further expand the Group's environmental protection water business. We hope to accelerate our development in the environmental protection industry while assisting in the expansion and strengthening of Zhongshan Public Utilities. This transaction is still pending for approval by the State-owned Assets Supervision and Administration Commission of the State Council.

Investment in CNFC Overseas Fishery Co., Ltd.

In August 2014, Shanghai Fosun Industrial Investment Co., Ltd. ("Fosun Industrial Investment", an indirectly wholly-owned subsidiary of the Company) and several investment funds we manage entered into a share subscription contract with CNFC Overseas Fishery Co., Ltd. ("CNFC Fishery") to subscribe for approximately 105 million shares at the price of RMB6.46 per share. After the completion of the share issuance, approximately 14.23% of the shares of CNFC Fishery will be held by Fosun Industrial Investment and several investment funds managed by us. The oceanic aquatic products produced by CNFC Fishery are high-end healthy food products and the investment in CNFC Fishery is consistent with the Group's investment strategy.

Investment in Bona Film Group Limited

We acquired, through our 80% indirectly owned subsidiary Fidelidade, approximately 13.3% equity interest in Bona Film Group Limited, a leading film distributor and vertically integrated film company in China in July 2014. The acquisition of Bona Film is a strategic foothold for us in the global movie and entertainment industry.

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, 2012 and 2013 and the six months ended June 30, 2013 and 2014, the project value of our investments, as measured by their fair market value, was RMB30,083 million, RMB38,330 million, RMB28,260 million and RMB47,537 million, respectively.

Our business segments currently cover (i) insurance, (ii) industrial operations, which comprise pharmaceuticals and healthcare, property, steel and mining businesses, (iii) investment, and (iv) asset management. As part of our investment business, we have 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, 2011, eight of our PE Investments have been successfully listed, one has been acquired by a listed company and two are in process of being acquired by listed companies.

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 opportunistically 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 companies, 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. As of June 30, 2014, we held a total of 429,918,171 shares of Yuyuan, representing a 29.91% equity interest in Yuyuan. Based on the closing price of Yuyuan's shares as of June 30, 2014, the market value of our 29.91% equity interest in Yuyuan was RMB3,164.2 million. In addition, in 2012 and 2013, we received dividends from Yuyuan in the amount of RMB17.4 million and RMB63.9 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 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, 2014, the market value of Fosun Pharma's 29.98% equity interest in Sinopharm was approximately RMB12,799.1 million. In addition, in 2012 and 2013, Fosun Pharma received dividends from

Sinopharm Investment in the aggregate amount of RMB146.3 million and RMB245 million, respectively.

In recent years we have also invested in Focus Media, Club Med, Folli Follie, Bona Film, Minsheng Bank and other companies 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

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, in 2012, Fosun Pharma successfully completed an H share offering, raising net proceeds of RMB3,156.8 million. In May 2014, we completed a rights issue of 500,884,371 rights shares at a subscription price of HK$9.76 per right shares on the basis of 39 right shares for every 500 shares, raising net proceeds of HK$4,863.6 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, China Development Bank, Bank of Communications, Standard Chartered Bank (Hong Kong) Limited, 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, committed to 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 the world.

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 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 economic 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 this company's significant sales growth in China in the first 12 months since our investment in this company.

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 and minimizing risk exposure. We have adopted comprehensive investment management and decision-making procedures which cover the whole cycle of selecting, evaluating, structuring, diligence, 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 investment groups, 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. Committee members will have one-on-one meeting(s) 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.

Experienced and visionary leadership team

We are led by our four founders — 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 Nangang, Forte and Fosun Pharma have more than 25 years of experience in the relevant industries. In addition, we actively consult international talents such as Mr. John Snow, the former U.S. 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 Nangang and Hainan Mining, to grow into leaders in their respective industries through organic growth as well as mergers and acquisitions. After excluding intersegment sales, we generated total revenue of RMB51,421.6 million, RMB50,202.8 million, RMB23,717.6 million and RMB22,056.3 million from our industrial operations (which includes businesses undertaken by Fosun Pharma, Forte, Nanjing Nangang and Hainan Mining) for the years ended December 31, 2012 and 2013 and the six months ended June 30, 2013 and 2014, respectively. Where opportunity arises, we plan to add more assets which are in line with our future strategy to our industrial operations business portfolio.

Leverage our China expertise to capture investment opportunities that benefit from China's growth 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 investment opportunities in (i) overseas-listed China-based companies with investment value; (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 U.S. dollar funds, QFLP fund, RMB private equity funds, Japanese Yen and RMB real estate funds, with a total commitment amount of RMB33,946.5 million as of June 30, 2014. We strive to develop our asset management business to further expand our investment capacity to capture investment opportunities that benefit from China's growth momentum.

Our insurance business currently includes Yong'an P&C Insurance, Pramerica Fosun Life Insurance, Peak Reinsurance and Fosun Insurance Portugal, and we believe it will develop into a 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 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, including through investments and acquisitions.

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 the operations of our portfolio companies 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 develop and retain talents.

General Information

We are a company incorporated in Hong Kong with limited liability under the Companies Ordinance (Chapter 622 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 Fuxing Road, Shanghai, China. Our registered office is located at Room 808, ICBC Tower, 3 Garden Road, Central, Hong Kong. The telephone number of the Company's registered office is +852 2509 3228. 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 business company with limited liability established on August 25, 2014 under the laws of the BVI (BVI Company Number: 1838403). Its principal executive offices are located at No. 2 East Fuxing Road, Shanghai, China, and its registered address is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The telephone number of the principal executive offices of the Issuer is +852 2509 3228. The Issuer is incorporated solely for purposes of issuing the Notes. The Issuer is a direct wholly-owned subsidiary of Industrial Holdings, and is an indirect wholly-owned subsidiary of the Company.

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

THE OFFERING

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

Issuer	Xingtao Assets Limited
Parent Guarantor	Fosun International Limited (the "Company" or the "Parent Guarantor").
Additional Notes Offered	€500,000,000 aggregate principal amount of 3.3% Senior Notes due 2022 (the "Additional Notes"), to be consolidated and form a single series with the €500,000,000 3.3% senior notes due 2022 issued on October 9, 2014 (the "Original Notes" and, together with the Additional Notes, the "Notes"). The terms for the Additional Notes are the same as those for the Original Notes in all respects except for the issue date and issue price.
Offering Price	100% of the principal amount of the Additional Notes, plus accrued interest from (and including) October 9, 2014 to (but excluding) December 15, 2014.
Issue Date of the Original Notes	October 9, 2014.
Maturity Date	October 9, 2022.
Interest	The Notes bear interest at a rate of 3.3% per annum, payable annually in arrear on October 9 of each year, commencing October 9, 2015.
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 on a senior basis, subject to the limitations described below under the caption "— The Parent Guarantee" and in "Risk Factors — Risks Relating to the Notes and the Parent Guarantee"; • effectively subordinated to all secured

obligations of the Issuer, to the extent of the assets serving as security therefor; and

- effectively subordinated to the other secured obligations (if any, other than the 2011 Notes, the 2013 Notes, the 2013 Convertible Bonds and any other Permitted Pari Passu Secured Indebtedness) of the Issuer and the Parent Guarantor, to the extent of the assets serving as security therefor.

Parent Guarantee.. The Parent Guarantor guarantees 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.

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, the 2013 Notes, the 2013 Convertible Bonds and any other Permitted Pari Passu Secured Indebtedness) of the Parent Guarantor, to the extent 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 and the Parent Guarantee."

Collateral .... The Parent Guarantor has agreed, for the benefit of the Holders, to pledge, or cause the initial Subsidiary Pledgors to pledge, as the case may be, the Capital Stock of certain offshore subsidiaries in order to secure the obligations of the Parent Guarantor under the Parent Guarantee and the Indenture, in each case subject to Permitted Liens and the Intercreditor Agreement.

The Collateral is shared on a *pari passu* basis pursuant to the Intercreditor Agreement by the holders of the Notes, the holders of the 2011 Notes, the holders of the 2013 Notes, the holders of the 2013 Convertible Bonds and the

	holders of other Permitted Pari Passu Secured Indebtedness.
Intercreditor Agreement	On the Original Issue Date, the Trustee acceded to an intercreditor agreement (as may be amended, supplemented or modified from time to time, the "Intercreditor Agreement") among (i) the Parent Guarantor, (ii) the 2013 Notes Issuer, (iii) the initial Subsidiary 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 as trustee with respect to the 2013 Notes and (vi) The Bank of New York Mellon, London Branch as trustee with respect to the 2013 Convertible Bonds. Pursuant to the Intercreditor Agreement, the parties thereto agree (1) that the Secured 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.
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........................	On October 9 of each year beginning on October 9, 2016, the Issuer may at its option redeem the Notes, in whole or in part, at the redemption prices equal to 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time prior to October 9, 2016, 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 October 9, 2016, 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 100% 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 by the Issuer at the Option of the Holders.....................................	Holders will have the right, at their option, to require the Issuer to repurchase for cash all of their Notes, or any portion of the principal thereof that is equal to €100,000 or integral multiples of €1,000 in excess thereof on October 9 of each year (each, a "Put Option Date"), commencing on October 9, 2016, at a purchase price equal to 100% of the principal amount of the Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the Put Option Date. The Issuer will be required to repurchase any outstanding Notes for which a Holder delivers a written repurchase notice to the paying agent. See *"*Description of the Notes — Repurchase of Notes by the Issuer at the Option of the Holders.*"*
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 100% 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 and the Indenture governing the Notes and the Parent Guarantee limit the Parent Guarantee's ability to, among other things, permit its subsidiaries to guarantee certain indebtedness of the Issuer or the Parent Guarantor; create liens; or 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 Additional 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 Additional Notes will be issued only in fully registered form, without coupons, in denominations of €100,000 and integral multiples of €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 Additional 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 Additional Notes, against payment in same-day funds on or about December 15, 2014, which the Issuer expects will be the third business day following the date of this Prospectus referred to as "T+3." You should note that initial trading of the Notes may be affected by the T+3 settlement. See "Plan of Distribution."
Trustee and Paying Agent	The Bank of New York Mellon, London Branch
Collateral Agent	The Bank of New York Mellon
Registrar and Transfer Agent	The Bank of New York Mellon (Luxembourg) S.A.
Listing	Application has been made for the listing of the Additional Notes on the Main Securities Market of the Irish Stock Exchange (the "ISE").

Governing Law	The Notes and the Indenture are governed by and are 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 Additional Notes, see "Risk Factors."
ISIN/Common Code	**ISIN**: XS1114393116; **Common Code**: 111439311

RISK FACTORS

Before making an investment decision, prospective investors should carefully consider all of the information set out in this Prospectus, 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 Prospectus, 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 to RMB24,795.9 million in the six months ended June 30, 2014 from RMB23,970.6 million in the same period in 2013. 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 continue to evaluate and enter into discussions regarding a wide array of 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 prospect 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 involve 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 not be able 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 to effectively implement centralized management and supervision of our portfolio companies and our investees or ensure consistent application of our strategies and policies throughout our 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 our 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 to effectively 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 and overseas insurance industry continues to increase. We face intense competition from both domestic and foreign-invested insurance companies in both domestic and foreign markets. 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 in the PRC market.

- Since China became a member of the World Trade Organization ("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 investor relationship, the quality of services provided to investors, 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 have been 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 and services, 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 industrial 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 Investment Business — 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." Further, the growth of our asset management business largely depends on our ability to retain investors and increase the size of the investment 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."

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 investors for our asset management segment depends 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 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, 2014, we had total interest-bearing bank and other borrowings of approximately RMB84,914.5 million. Our ratio of total interest-bearing bank and other borrowings to total assets was 27.1% as of June 30, 2014. In addition, we issued the Original Notes on October 9, 2014.

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 Prospectus.

Since the end of 2008, the PBOC has adjusted the bank deposit and lending rates a number of times. The PBOC's published benchmark one-year lending rate (which directly affects the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2012 and 2013 were 6.00% and 6.00%, respectively. The PBOC may make further adjustments in the future depending on macroeconomic factors.

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 RMB14,199.3 million as of June 30, 2014. A significant portion of these capital needs was financed by our operating cash flows, bank loans and securities offerings. In 2012 and 2013 and the six months ended June 30, 2014, however, we allocated a significant portion of our cash flows, amounting to RMB3,311.2 million, RMB3,591.5 million and RMB2,368.8 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.

Any revision, downgrade or withdrawal of our credit ratings may affect our ability to raise additional financing and may adversely affect the market price of the Notes.

Our Company has received long-term ratings of "BB" from Standard & Poor's Hong Kong Limited and "Ba3" from Moody's Investors Service Hong Kong Ltd.[1] These ratings reflect the rating agencies' views of our Company's ability to make timely payment of principal and interest on senior unsecured debts. There can be no assurance that these ratings will remain in effect for any given period or that the ratings will not be revised by the rating agencies at any time in the future if, in their judgment, circumstances so warrant. On April 15, 2014, Standard & Poor's Hong Kong Limited announced that it had placed our credit rating of "BB" on a stable outlook.

Any negative rating revision, downgrade or withdrawal of our Company's credit ratings by one or both of these agencies could have an adverse effect on the market price of the Notes as well as adversely impact on our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available and could have a material adverse effect on our financial condition and results of operations.

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 included in this Prospectus. 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 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview of Our Operations — Portfolio Companies" in this Prospectus.

- 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."

---

[1] Neither Standard & Poor's Hong Kong Limited nor Moody's Investors Service Hong Kong Ltd is an entity established in the European Union and has not made an application to be registered for the purposes of the EU Regulation on credit rating agencies (Regulation (EC) No. 1060/2009), as amended.

- 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 RMB112.4 million, RMB221.1 million and RMB701.9 million in aggregate as dividends from available-for-sale investments in 2012 and 2013 and the six months ended June 30, 2014, respectively, and RMB411.2 million, RMB681.5 million and RMB229.9 million in aggregate in 2012 and 2013 and the six months ended June 30, 2014, 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 Consolidated Statement of Profit or Loss —— Other Income and Gains" in this Prospectus. 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 may 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 long-term enterprise bonds issued by Nanjing Steel United in February 2009 with an outstanding principal amount of RMB2,470 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 business 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 relevant business segments may be adversely affected.

The composition of our business segments has been changing from time to time and may further 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 four business segments, under each of which, there are a number of portfolio companies. The classification of segmentation is primarily made based upon our ownership structure, business operations and development strategies. These composition and the portfolio companies under each business segment may change from time to time, based on the development of our operations. In 2012, we changed the structure of our Group's internal organization to match our business development strategy in a manner that caused the composition of our reportable segments to change. As a result, some entities within each segment were restructured to reflect this change. Four of our reportable segments, namely, pharmaceuticals and healthcare, property, steel and mining have been grouped into a single industrial operations segment, within which the key operating subsidiaries remain. We also reclassified certain operating subsidiaries into a different reportable segment. For example, we reclassified Jin'an Mining from our mining business into the steel business, and certain other "non-core" and minority holdings of companies have been reclassified and reported under our investment segment. 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 and reclassifications.

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 arrangements 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 results 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 Executive Directors, some 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 "Directors and Senior Management" in this Prospectus. 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, Fosun Pharma, a subsidiary of our Company, completed its issuing of H shares and listing on the Hong Kong Stock Exchange in October 2012. As a result, our Company's equity interest in Fosun Pharma was diluted from 48.20% to 40.97% immediately after the listing.

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, Sinopharm, our indirect associate, completed its placing of 165,668,190 H shares in April 2013. Upon the completion of the placing, Fosun Pharma's effective equity interest in Sinopharm was diluted from approximately 32.05% to 29.98%.

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 10.0% equity interest in Club Med as of June 30, 2014 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 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 Notes.

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 "— Risks Relating to Our Investment Business — 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 recover 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 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.

- Most of 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. According to PRC laws and regulations, a PRC company is required to allocate a portion of its profit to statutory reserve funds before it may pay any dividends. Furthermore, if a PRC 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 the date of this Prospectus, together beneficially owned 79.6% 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 Prospectus. 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, 2014, 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, 2014, 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 detect or prevent such fraud, sales misrepresentation, money laundering or other misconduct in a timely manner, 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 RMB12.08 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 RMB1 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, mine collapses 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 suffers 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 be 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.

We are subject to international business risks that could harm our investments in foreign markets and materially and adversely affect our business, results of operations and financial condition.

We execute on an investment model of "combining China's growth momentum with global resources." Our business consists of significant investments and asset in markets outside the PRC. Our investment and business experience in certain overseas markets is limited and we could face considerable business and regulatory risks in our expansion into international markets, including:

- a lack of local presence and familiarity with cultural, regulatory and business practices;
- shortage of personnel with necessary language skills and technical capabilities;
- burden or cost of complying with foreign laws and regulations, including unexpected changes in laws that may have an adverse effect on foreign businesses;
- inherent difficulties and delays in contract enforcement through the use of foreign legal systems;
- changes in political, regulatory or economic conditions;
- political and social instability, wars and terrorism;
- volatility in currency exchange rates;
- potentially adverse tax consequences;
- labor unrest;
- import and export duties and quotas, as well as general transportation costs;
- changes in domestic and international customs and tariffs;
- foreign exchange control or regulatory restrictions that could prevent us from repatriating income earned in such countries;
- difficulties in obtaining necessary permits, approvals, licenses or authorizations for our business and operations; and
- longer payment cycles and problems in collecting accounts receivables.

We cannot assure you that our efforts to enter into any international markets will be successful. Any of the foregoing risks could result in failure to realize economic return on our investments in those markets, which in turn could materially and adversely affect our business, results of operations and financial condition.

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, the H7N9 strain of bird 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

We have a relatively short operating history in the insurance industry.

Pramerica Fosun Life Insurance and Peak Reinsurance were both established at the end of 2012, and we acquired 80% of Fosun Insurance Portugal in 2014. 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.

Fosun Insurance Portugal is highly sensitive to changes in the Portuguese economy, which is undergoing a process of significant economic reforms that might increase uncertainty in the short term.

The continuing credit crisis in Europe has caused widespread concern about the ability of several European governments to repay their debt. Conditions in Europe have resulted in increased volatility in global capital markets, as well as lower consumer confidence in Portugal, which could continue for the foreseeable future. Fosun Insurance Portugal's operations are principally located in Europe, particularly in Portugal. Accordingly, our financial performance is particularly affected by economic and financial conditions in Portugal, and our results of operations may be further adversely affected if the difficult macroeconomic circumstances in Portugal cause a sustained or significant fall in the demand for insurance products. Portugal has agreed to receive financial assistance from the European Union and the International Monetary Fund. Despite aggressive measures taken by governments and central banks, the economic recovery has been extremely slow. A significant risk remains that these measures may not prevent the global or EU economies from falling back into an even deeper and longer-lasting recession or fail to prevent a depression in Portugal and several other countries. In these circumstances, many of the risks we face could intensify, which could have a material adverse effect on our business, results of operations and financial condition.

The recent economic downturn has had, and will continue to have, a number of negative impacts on our insurance business in Portugal. Most significantly, the recent economic downturn has resulted in a reduction in insurance premiums in the Portuguese insurance market.

The economic decline in Portugal, and the resulting need for these governments to close budgetary gaps, has led to and may in the future lead to increases in VAT, corporate income tax or other taxes. Such adverse tax consequences could result in a reduction of consumers' available discretionary income, which could negatively impact the number of people purchasing insurance products.

The growth rate of the insurance market in the PRC 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.

Competition in the PRC insurance industry is becoming more rigid 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 in the PRC 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 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 securities markets could result in lower returns or losses on the investment assets under our insurance segment.

Volatility in stock markets 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 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, 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, PE 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 material 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 the profitability of our insurance business. 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 of our insurance segment and significantly reduce our profitability in the insurance segment.

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, OCI and Instituto de Seguros de Portugal (“ISP”). 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 0 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, our business, financial condition and results of operations may be materially adversely affected.

Risks Relating to Our Industrial Operations Business

Our industrial operations comprise four portfolio companies, namely Fosun Pharma, Forte, Nanjing Nangang and Hainan Mining, which are engaged in pharmaceuticals and healthcare, property, steel and mining businesses, respectively. Risks relating to each of these businesses are described below.

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 Prospectus.

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 Prospectus. We derived a substantial portion of our revenue from sales of pharmaceutical products that were subject to price controls. From January 1, 2012 to June 30, 2014, 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 Prospectus. As of June 30, 2014, a majority of the pharmaceutical products that we manufactured were included in the National Medical Insurance Drugs Catalogue. We also have a large number of products included in the Provincial Medical Insurance Drug 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, over which we have limited control. 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 pharmaceuticals and healthcare business. Also see “— We may incur losses and our reputation may be adversely affected by potential product liabilities relating to certain products that we manufactured” below.

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

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, it could harm our reputation and expose us to regulatory investigations, costs and liabilities. 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, 2012 and 2013 and the six months ended June 30, 2014, 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 government-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 December 31, 2012 and 2013 and the six months ended June 30, 2014, our research and development expenses, excluding capitalized research and development costs, amounted to RMB252.6 million, RMB437.6 million and RMB254.1 million, respectively, which represented 5.5%, 6.7% and 7.6% 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 healthcare 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 — Industrial Operations — Pharmaceuticals and Healthcare Business (Fosun Pharma)" 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. Sales of our generic drugs accounted for over 60% 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.

For example, 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, Grandall Law Firm (Shanghai), 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.

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 pharmaceuticals and healthcare business. We do not have product liability insurance for all of the products manufactured or sold by us. From January 1, 2012 to June 30, 2014, we maintained product liability insurance for all products manufactured or sold by our subsidiaries Guilin Pharma, Huaiyin Medical Instruments Company Limited and Chongqing Carelife Pharmaceutical 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. Our product liability insurance policy is now more product-oriented, and it now covers a significant portion of our major products. 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.

Additionally, quality of pharmaceutical products may also be affected by various other factors after production. Also see "— We are subject to risks associated with quality issues that may arise on our pharmaceutical products during post-production processes" above.

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

The following risk factors apply to our operations in the property industry undertaken by Forte and its subsidiaries, as well as those classified under the investment segment and the asset management segment. The term "property business" as used in this section entitled "Risks Relating to Our Property Business" covers all such operations in the property industry.

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.

The Forte Entities currently have property development operations in major cities and provinces across China, including Beijing, Tianjin, Nanjing, Chongqing, Chengdu, Xi'an, Wuhan, Datong, Wuxi, Hangzhou, Taiyuan, Changsha, Changchun, Ningbo and Hainan. In addition, our investments in the property industry conducted through our investment segment and asset management segment may cover these and other regions in China. 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 announced various measures to slow down growth in the property segment. See "Regulation — Laws Applicable to Our Business — Property Business" in this Prospectus. We expect these measures will discourage property development for the following reasons:

- suspending or restricting land grants and development approvals for villas and larger sized 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.

On February 20, 2013, the State Council announced five measures on the control of the PRC property market, including: (1) stabilizing property prices — each major city in China is required to compile and announce its target for 2013 on how to control the prices of newly completed commodity properties; (2) strictly limiting speculative purchase of properties by strictly implementing restrictions on purchasing commodity properties and expanding the scope of experimental taxation against residential properties held by individuals; (3) increasing the supply of small to medium-sized commodity properties and lands; (4) accelerating the construction of housing for low-income individuals; and (5) strengthening the supervision of the property market.

On February 26, 2013, the State Council issued the Notice on Continuing Adjustment and Control of Property Markets (關於繼續做好房地產市場調控工作的通知) which, among other restrictive measures, provides that further restraining measures are to be adopted to strengthen the regulation of the real estate market. Major cities which have implemented the commodity housing purchase restrictions are required to enforce purchase restrictions in all administrative areas of cities and restricted housing are to include new commodity housing and second-hand housing. Non-local residents who have one or more residential property and fail to provide one-year or longer tax payment certificates or social insurance payment certificates will be barred from purchasing any residential properties located in the administrative areas subject to restrictions. For cities where housing prices are increasing at an excessively high rate, local branches of the PBOC may further raise the down-payment rate and mortgage interest rate for the purchase of a second residential property. In addition, the Notice stipulates that the state will strictly enforce a 20% tax on profits from sales of properties. Financial institutions, subject to credit requirements being satisfied, will prioritize requests for mortgages for ordinary commodity housing construction projects in which medium and small housing units constitute 70% or more of the total units in such construction project.

Some local governments, such as those of Shanghai, Beijing, Shenzhen and Guangzhou, have promulgated local rules for the implementation of this Notice.

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 delisting 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 2011.

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. For example, in 2012, the amount of the reversal of our LAT provisions exceeded the amount of our additional LAT provisions made for 2013.

According to the Administrative Regulations on the Settlement of LAT (土地增值税清算管理规程) 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
- the provincial tax authorities require it, as they may in certain other circumstances.

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 business is actually collected by the PRC tax authorities, the cash flow and financial position of our property business 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 and provinces, such as Tianjin, Nanjing, Chongqing, Chengdu, Xi'an, Wuhan, Datong, Wuxi, Hangzhou, Taiyuan, Changsha, Changchun, Ningbo and Hainan. 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 (Guotuzifa [2010] No. 34) (國土資源部關於加強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 11, 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掛牌出讓制度的意見), 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 of 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) amended 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 leaving 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 consolidated statement of profit or loss. 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. We recognized fair value gains on investment properties of RMB140.5 million, RMB1,131.0 million and RMB501.7 million for the year ended December 31, 2012 and 2013 and the six months ended June 30, 2014, respectively. 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 business.

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 business.

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, therefore may adversely affect our revenue and profits. The PBOC published benchmark one-year lending rates in China (which directly affect the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2012 and 2013 and June 30, 2014 were 6.56%, 6.00% and 6.00%, respectively. We cannot assure you that the PRC Government will not raise 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, 2014, the aggregate amount of mortgage loan obligations guaranteed by us for the benefit of our customers was RMB2,501.0 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 slowdown 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. In 2012, our steel business generated revenue of RMB31,717.2 million and suffered a loss of RMB586.9 million. The loss was primarily due to a sharp decline in steel prices in 2012. In the six months ended June 30, 2014, our steel business generated revenue of RMB13,065.6 million, representing a decline of 8.8% compared with the corresponding period in 2013. In the six months ended June 30, 2014, our steel business generated profit of RMB49.5 million, representing a decline of 95.1% compared with the corresponding period in 2013. In particular, Nanjing Iron & Steel recorded losses in both 2012 and 2013, resulting in risk of delisting from the PRC A-share market if it continued to make losses. For the six months ended June 30, 2014, it realized a net profit of RMB116.6 million. However, there is no guarantee that it will continue to make profits in the future. 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 Prospectus. 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 ore, 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 business.

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 business.

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 business 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 business, 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 could be 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. As a result of this, 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 Investment Business

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 PE 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 prolonged 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 publicly-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 expand to new 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 businesses 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 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 Waters 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 and the buyout transaction was completed in May 2013, 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). Our investment business and the value of our investment are also affected by the performance of the companies in which we invest and the market conditions of the industries these companies operate in or are affected by. 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 investor 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 investor 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 rely heavily 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 investors for our asset management business. In an asset management business, if an investor 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 investors that could result in substantial losses to them. If our investors 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 the funds we manage would result in us receiving less management fees and carried interest.

The management fees and carried interest that we earn are driven in part by the pace at which the funds we manage make investments. Any decline in that pace would reduce our management fees and carried interest 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 the 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 the funds that we manage 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 include and 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.

The majority of our assets are located in the PRC and a majority part 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 by 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 (while certain provisions thereof were amended on December 28, 2012 and became effective on July 1, 2013). 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 2% 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 those of 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.

The Circular of SAFE on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Investment, 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特殊目的公司投融資及返程投資外匯管理有關問題的通知）was issued by SAFE and effective on July 4, 2014. Under the Circular: PRC domestic residents who plan to establish an overseas special purpose vehicle ("SPV") must conduct foreign exchange registration with the local foreign exchange authority prior to contributing their legitimate overseas or domestic assets or equity interest as capital contribution of an overseas SPV. PRC domestic residents who have contributed their domestic assets or equity interests must conduct foreign exchange registration with local foreign exchange authority which locates at the registration place of the domestic enterprise or the place of the assets or equity interests. PRC domestic residents who have contributed their overseas assets or equity interests must conduct foreign exchange registration with local foreign exchange authority which locates at the registration place of the domestic enterprise or at the place of domicile of PRC residents.

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, Grandall Law Firm (Shanghai), 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.

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 may result in PRC withholding taxes and PRC tax on the sale of Notes.

Under the Enterprise Income Tax Law ("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 taxable income (although in that event we may be able to receive dividends from our PRC subsidiaries free of PRC withholding tax). Furthermore, we may 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, 10% on payments of interest and other amounts on the Notes to non-PRC enterprise investors that are not Hong Kong resident enterprises, or 20% on payments of interest and certain other amounts on the Notes to investors who are non-PRC individuals, provided that there are no tax treaties between China and those countries which exempt or reduce such withholding tax, because the interest and other amounts may 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. In addition, if we were treated as a PRC resident enterprise for PRC tax purposes, any gain realized by such non-resident investors from the transfer of the Notes may be regarded as being derived from sources within the PRC and may accordingly be subject to a PRC tax at the rate of 10% in the case of non-resident enterprises, or 20% in the case of non-resident individuals, subject to the provisions of any applicable double tax treaty.

If we are required under the EIT Law to withhold PRC income tax from interest payments made to our foreign holders of Notes, we will be required, subject to certain exceptions, 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.

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 January 30, 2012, 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, Portuguese laws and Japanese laws, among others, and substantially all of our assets are not located in Hong Kong. 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 legal counsel, Grandall Law Firm (Shanghai), 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 and the Parent Guarantee

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

The Issuer is incorporated solely for purposes of issuing the Notes, with no independent business operations and no significant assets. The Issuer expects that the proceeds from the Additional Notes will be used by members of the Group in accordance with the intent set forth in the "Use of Proceeds" section of this Prospectus. Investors should expect that repayment of the Notes will be wholly dependent on the ability of the Parent Guarantor to honor its obligations under the Parent Guarantee. The Parent Guarantor is a holding company with no independent business operations or significant assets other than investments in its subsidiaries and derive all or substantially all of its revenue and cash from its operating subsidiaries. The Parent Guarantor therefore depends upon the receipt of sufficient funds from its subsidiaries to meet its obligations.

We cannot assure you that there will be any Subsidiary Guarantors.

According to the terms of the Notes, certain of our subsidiaries may guarantee the Notes in the future. We cannot assure you that there will be any future 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. The Notes will not be guaranteed by any current or future PRC subsidiaries or their respective subsidiaries. We do not have material operations. Accordingly, our ability to honor the Parent Guarantee 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 subsidiaries and any holders of preferred shares in such entities, would have a claim on our 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 subsidiaries (including obligations of our subsidiaries under guarantees issued in connection with our business), and all claims of creditors of our 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, 2014, our subsidiaries had total debt (excluding debt due to the Company) of approximately RMB77,232.7 million (US$12,449.7 million), capital commitments of approximately RMB3,455.9 million (US$557.1 million) and contingent liabilities of approximately RMB3,092.0 million (US$498.4 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 would have priority as to our assets securing the related obligations over claims of holders of the Notes.

The Parent Guarantee may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Parent Guarantee.

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in Hong Kong or other jurisdictions where insolvency proceeding may be commenced with respect to the Parent Guarantor, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of the Parent Guarantor if, among other things, the Parent 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.

If a court voids the Parent Guarantee, subordinates such guarantee to other indebtedness of the Parent Guarantor, or holds the Parent Guarantee unenforceable for any other reason, holders of the Notes would cease to have a claim against that Parent Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Parent Guarantor, and would solely be creditors of us. 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, 2014, our total consolidated debt including interest-bearing bank and other borrowings, convertible bonds and loans from related companies, amounted to RMB87,532.6 million (US$14,110.0 million) and, our total contingent liabilities amounted to RMB3,092.0 million (US$498.4 million). In addition, we issued the Original Notes on October 9, 2014. 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. 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. 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 Prospectus.

The terms of the Notes are less restrictive than the indentures governing the 2011 Notes and the 2013 Notes and other debt agreements to which we and our subsidiaries are subject.

Unlike the terms of the 2011 Notes and the 2013 Notes and any other debt instruments to which we and our subsidiaries are subject, the Indenture governing the Notes do not include any significant restrictive covenants which restrict, among other things, our ability and the ability of our subsidiaries, to incur or guarantee additional indebtedness, pay dividends or make distributions on our capital stock, make investments, enter into transactions with affiliates, create liens on our assets to secure debt, sell assets and merge or consolidate with another company. As a result, we are able to incur a significant amount of indebtedness, make significant amounts of 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 Parent Guarantee and the Issuer's obligations under the Notes. For a more detailed description of the restrictions provided under the terms of the Notes, see "Description of the Notes."

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 Prospectus. 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 and the ability of the Issuer to meet its obligations under the Notes, 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 and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

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). 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. 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.

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 or the Issuer's obligations under the Notes.

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

The Notes are denominated in the euro, while most 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. 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 euro, such a devaluation could adversely affect the value, translated or converted into the euro 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 euro-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. 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 covenants in our debt agreements or the Indentures governing the 2011 Notes and the 2013 Notes and the Trust Deed governing the 2013 Convertible Bonds, 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 covenants in the Indentures governing the 2011 Notes and the 2013 Notes and the Trust Deed governing the 2013 Convertible Bonds, 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.

The insolvency laws of Hong Kong and other local insolvency laws may differ from the bankruptcy law of the jurisdictions with which holders of the Notes are familiar.

Because we are incorporated under the laws of Hong Kong, an insolvency proceeding relating to us, even if brought in the jurisdictions of the holders of the Notes, would likely involve Hong Kong insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the bankruptcy law in the jurisdiction. In addition, the Issuer is incorporated in the BVI, and the insolvency laws of the BVI may also differ from the laws of 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. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from the jurisdictions with which the holders of the Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in our Additional Notes.

We may not be able to repurchase the Notes upon a Change of Control Triggering Event or on a Put Date and we may not be able to repurchase the 2011 Notes, the 2013 Notes and the 2013 Convertible Bonds upon a change of control triggering event as defined thereunder.

Upon a Change of Control Triggering Event (as defined in the section headed “Description of the Notes — Definitions” in this Prospectus), the Issuer must make an offer to purchase all outstanding Notes. Similarly, 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 and Logo Start Limited, one of our financing companies, must make an offer to purchase all outstanding 2013 Notes upon a change of control triggering event under the terms of the 2013 Notes. Pursuant to these offers, we must repurchase the tendered 2011 Notes and 2013 Notes at the repurchase price of 101% of their principal amount, plus accrued interest and unpaid interest, if any, up to, but not including, the date of purchase. In addition, the Parent Guarantor may be required to redeem all 2013 Convertible Bonds at a specified early redemption amount plus interest accrued and unpaid to the date of redemption upon the occurrence of a change of control under the terms of the 2013 Convertible Bonds. 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 or on a Put Option Date to make purchases of tendered outstanding Notes, 2011 Notes, 2013 Notes and the 2013 Convertible Bonds. Our failure to make the offer to purchase or purchase tendered Notes, 2011 Notes,2013 Notes and the 2013 Convertible Bonds would constitute an Event of Default (as defined in the section headed “Description of the Notes — Definitions” in this Prospectus) under the Notes and on event of default under the 2011 Notes, 2013 Notes and the 2013 Convertible Bonds. 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.

In addition, holders of the Notes will have the right, at their option, to require the Issuer to repurchase for cash all of their Notes, or any portion of the principal thereof that is equal to €100,000 or integral multiples of €1,000 in excess thereof on a Put Option Date (as defined in the section headed "Description of the Notes - Definition"). Pursuant to this offer or put option, as the case may be, the Issuer must repurchase the tendered Notes at a repurchase price of 100% of their principal amount, plus accrued interest and unpaid interest, if any, up to, but not including, the date of repurchase.

The Additional 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 Additional 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.

There can be no assurance that the Notes will remain listed on the Irish Stock Exchange.

We cannot assure you that the Notes will remain listed on the Official List maintained by the Irish Stock Exchange or any other stock exchange. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Main Securities Market, the delisting (whether or not for an alternative admission to listing on another stock exchange) of the Notes from the Official List of the Irish Stock Exchange may have a material effect on a Noteholder's ability to hold or to resell the Notes in the secondary market. The initial purchaser may, at its sole discretion, make a market in the Notes as permitted by applicable laws and regulations, but it is not obliged to do so and may discontinue any market-making activities at any time at its sole discretion and without notice.

The Additional Notes may initially be sold to a small number of investors that are affiliates of the Parent Guarantor; accordingly, a liquid trading market for the Notes may not develop. In addition, one initial investor may own a significant percentage or substantially all of the Notes and may therefore be able to exercise certain rights and powers on behalf of all holders of the Notes.

Similar to the Original Notes, the Additional Notes may initially be sold to a small number of investors consisting of certain affiliates of the Parent Guarantor. Accordingly, a liquid trading market may not develop or be sustained, in which case you may not be able to resell your Notes at their fair market value or at all. In addition, one initial investor may purchase a significant percentage or substantially all of the aggregate principal amount of the Notes in this offering. Any holder of a majority in aggregate principal amount of the Notes will have certain rights and powers under the Indenture and related documents. For example, subject to certain exceptions, the holders of a majority in aggregate principal amount of the Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. In addition, as described in "Description of the Notes — Amendments and Waiver," the Indenture or any Security Document may be amended with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding Notes, and any Default or Event of Default or compliance with any provision of the Notes, the Indenture and any Security Document may be waived with the consent of the holders of a majority in aggregate principal amount of the Notes, subject in each case to certain exceptions. Accordingly, any investor that holds (or any investors acting in concert that hold) a majority in aggregate principal amount of the Notes will be able to exercise such rights and powers on behalf of all Noteholders and control the outcome of votes on such matters. In addition, any investor that holds a significant percentage of the Notes, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by Noteholders. For example, holders of at least 25% in aggregate principal amount of the Notes may declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable if certain types of Events of Default have occurred and are continuing. In addition, if any such significant holder sells a material portion of the Notes at any one time, it may materially and adversely affect the trading price of the Notes. Also, any holder that is an affiliate of the Parent Guarantor may vote in favor of the Parent Guarantor to the detriment of the Noteholders as a whole.

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.

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

Facts and statistics in this Prospectus relating to China's economy and the industries that we are engaged in are derived from third-party sources. We have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources and, as far as we are aware and are able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Information from these sources, however, has not been independently verified by us, the Initial Purchaser or our or its respective advisors and, therefore, we or the Initial Purchaser makes 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 IFRS.

We will follow the applicable corporate disclosure standards for debt securities listed on the ISE, 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 Additional Notes to be listed on the ISE. The disclosure standards imposed by the ISE may be different than those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what investors in the Additional 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 certain offshore subsidiaries. The pledge of this Collateral may be voidable as a preference under insolvency or fraudulent transfer or similar laws of Luxembourg, BVI, Hong Kong or the state of Delaware 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. 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 Pledgors to pay amounts due under the Notes 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, the 2013 Notes and the 2013 Convertible Bonds 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 Parent Guarantor's ability to pay under the Parent Guarantee 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, the 2013 Notes and the 2013 Convertible Bonds 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 and the Parent Guarantee.

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, the

2011 Notes, the 2013 Notes and the 2013 Convertible Bonds 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 the benefit of the security interest over such part of the Collateral will also be granted in favor of the Collateral Agent to secure the Parent Guarantee on the issue date of the Notes, and the Company, the Subsidiary Pledgors, the Trustee and the Collateral Agent will enter into, and agree under, a supplement to the Intercreditor Agreement on the issue date of the Notes such 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 subsidiaries in the future.

The value of the Collateral may not 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 certain offshore subsidiaries. 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 subsidiaries, 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, the 2013 Notes, the 2013 Convertible Bonds and the holders of other Permitted Pari Passu Secured Indebtedness, to foreclose on the Collateral upon the occurrence of an event of default triggering event 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, the 2011 Notes, the 2013 Notes and the 2013 Convertible Bonds 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 may not be sufficient to satisfy the obligations of the Parent Guarantor under the Parent Guarantee, and the Collateral 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.

USE OF PROCEEDS

We estimate that the net proceeds from this offering, including the accrued interest from (and including) October 9, 2014 to (but excluding) December 15, 2014 and after deducting the Initial Purchaser's discounts and commissions and other estimated expenses payable in connection with the offering, will be approximately €502.77 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, 2014, as adjusted to give effect to the issuance of the Original Notes on October 9, 2014 (after deducting underwriting discounts and commissions and estimated expenses) and as further adjusted to give effect to the Additional Notes offered hereby (including the accrued interest from (and including) October 9, 2014 to (but excluding) December 15, 2014 and after deducting underwriting discounts and commissions and estimated expenses).

	As of June 30, 2014					
	Actual		As adjusted		As further adjusted	
	RMB	US$	RMB	US$	RMB	US$
	(in thousands)					
Cash and bank balances[1]	33,033,308	5,324,861	37,271,179	6,007,992	41,541,094	6,696,288
Interest-bearing bank and other borrowings						
Bank loans	56,283,586	9,072,730	56,283,586	9,072,730	56,283,586	9,072,730
Enterprise bonds and corporate bonds	10,931,400	1,762,106	10,931,400	1,762,106	10,931,400	1,762,106
Private placement note	3,982,872	642,026	3,982,872	642,026	3,982,872	642,026
Senior notes	4,029,738	649,581	4,029,738	649,581	4,029,738	649,581
Medium-term notes	2,586,274	416,899	2,586,274	416,899	2,586,274	416,899
Senior notes due 2022[2]	–	–	4,237,871	683,131	8,507,786	1,371,427
Other borrowings, secured	996,112	160,569	996,112	160,569	996,112	160,569
Other borrowings, unsecured	6,104,561	984,035	6,104,561	984,035	6,104,561	984,035
Total interest-bearing bank and other borrowings	84,914,543	13,687,946	89,152,414	14,371,077	93,422,329	15,059,373
Convertible bonds	2,418,267	389,817	2,418,267	389,817	2,418,267	389,817
Portion classified as:						
Short-term debt	42,491,548	6,849,498	42,491,548	6,849,498	42,491,548	6,849,498
Long-term portion	44,841,262	7,228,265	49,079,133	7,911,396	53,349,048	8,599,692
	87,332,810	14,077,763	91,570,681	14,760,894	95,840,596	15,449,190
Equity						
Issued capital	16,303,189	2,628,021	16,303,189	2,628,021	16,303,189	2,628,021
Reserves	27,686,906	4,463,038	27,686,906	4,463,039	27,686,906	4,463,039
Proposed final dividend	–	–	–	–	–	–
Non-controlling interests	23,382,427	3,769,171	23,382,427	3,769,171	23,382,427	3,769,171
Total equity	67,372,522	10,860,230	67,372,522	10,860,230	67,372,522	10,860,230
Total capitalization[3]	112,213,784	18,088,495	116,451,655	18,771,626	120,721,570	19,459,922

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. Senior notes due 2022 represents (i) the Original Notes issued on October 9, 2014 amounting to, after deducting underwriting discounts and commissions and estimated expenses, RMB4,237.9 million, and (ii) the Additional Notes issued hereby amounting to, including the accrued interest from (and including) October 9, 2014 to (but excluding) December 15, 2014 and after deducting underwriting discounts and commissions and estimated expenses, RMB4,269.9 million.

3. 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. Except as otherwise disclosed in this Prospectus, there has been no material change in our indebtedness and capitalization since June 30, 2014.

EXCHANGE RATE INFORMATION

Our financial statements are published in Renminbi. This Prospectus 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 Prospectus were made at the rate of HK$7.7502 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 30, 2014, translations of Renminbi amounts into U.S. dollars were made at RMB6.2036 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, 2014 and translations of euro amounts into U.S. dollars were made at €1.3690 to US$1.00, the noon buying rate for U.S. dollars in The City of New York for cable transfers in euro as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2014. You should not assume that euro, 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. 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 HK$ per US$1			
Period	**Period end**	**Average[(1)]**	**High**	**Low**
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
2013	7.7539	7.7565	7.7654	7.7503
2014				
June	7.7502	7.7516	7.7537	7.7502
July	7.7497	7.7502	7.7517	7.7495
August	7.7501	7.7504	7.7514	7.7496
September	7.7648	7.7526	7.7650	7.7500
October	7.7551	7.7572	7.7645	7.7541
November	7.7548	7.7543	7.7572	7.7519
December (through December 5)	7.7510	7.7527	7.7545	7.7510

Note:

(1) Annual averages are calculated by using the average of the exchange rates on the last business day of each month during the relevant year. Monthly averages or average for a period are calculated by using the average of the daily rates during the relevant month or 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 and on April 16, 2012, the band was expanded to 1.0 per cent. 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. Currently, the PBOC announces the closing price of a foreign currency traded against Renminbi in the inter-bank foreign exchange spot market after the closing of the market on each business day, and makes it the central parity for the following business day.

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. 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**
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
2013	6.0537	6.1412	6.2438	6.0537
2014				
June	6.2036	6.2306	6.2548	6.2036
July	6.1737	6.1984	6.2115	6.1712
August	6.1430	6.1541	6.1793	6.1395
September	6.1380	6.1382	6.1495	6.1266
October	6.1124	6.1251	6.1385	6.1107
November	6.1429	6.1249	6.1429	6.1117
December (through December 5)	6.1497	6.1508	6.1541	6.1490

Note:

(1) Annual averages are calculated by using the average of the exchange rates on the last business day of each month during the relevant year. Monthly averages or average for a period are calculated by using the average of the daily rates during the relevant month or period.

Euro Exchange Rates

The following table sets forth, for each of the periods indicated, certain information concerning the exchange rates between euro and U.S. dollars. 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 € per US$1			
Period	**Period end**	**Average**(1)	**High**	**Low**
2009	1.4332	1.3955	1.5100	1.2547
2010	1.3269	1.3216	1.4536	1.1959
2011	1.2973	1.4002	1.4875	1.2926
2012	1.3186	1.2909	1.3463	1.2062
2013	1.3779	1.3303	1.3816	1.2774
2014				
June	1.3690	1.3595	1.3690	1.3522
July	1.3390	1.3533	1.3681	1.3378
August	1.3150	1.3315	1.3436	1.3150
September	1.2628	1.2889	1.3136	1.2628
October	1.2530	1.2677	1.2812	1.2517
November	1.2438	1.2473	1.2554	1.2394
December (through December 5)	1.2304	1.2384	1.2490	1.2304

Note:

(1) Annual averages are calculated by using the average of the exchange rates on the last business day of each month during the relevant year. Monthly averages or average for a period are calculated by using the average of the daily rates during the relevant month or 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, 2012 and 2013 set forth below have been derived from our consolidated financial statements for the years ended December 31, 2012 and 2013, which have been audited by Ernst & Young, independent auditors, and are included elsewhere in this Prospectus. The selected financial data as of and for the six months ended June 30, 2013 and 2014 have been derived from our unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2014, 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 Prospectus.

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 Prospectus.

Consolidated Statement of Profit or Loss

	Year ended December 31,		**Six months ended June 30,**		
	2012	**2013**	**2013**	**2014**	**2014**
	RMB	**RMB**	**RMB**	**RMB**	**US$**
	(audited)	**(audited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
			(in thousands)		
Revenue................	51,764,746	51,016,883	23,970,590	24,795,877	3,997,014
Cost of sales	(42,439,678)	(40,658,491)	(19,187,625)	(19,024,154)	(3,066,631)
Gross profit	9,325,068	10,358,392	4,782,965	5,771,723	930,383
Other income and gains..................	5,295,763	8,853,449	3,598,968	2,913,860	469,705
Operating expenses					
Selling and distribution expenses	(2,449,870)	(2,747,372)	(1,271,363)	(1,402,764)	(226,121)
Administrative expenses	(3,328,291)	(3,860,339)	(1,735,029)	(2,950,425)	(475,599)
Other expenses......	(1,034,870)	(1,365,895)	(750,744)	(1,113,694)	(179,524)
Finance costs	(2,773,661)	(2,765,899)	(1,318,340)	(1,760,225)	(283,743)
Share of profits and losses of:					
Joint ventures	69,077	(118,653)	(53,546)	1,159,680	186,937
Associates.............	1,174,777	1,407,597	594,966	865,025	139,439
Profit before tax....	6,277,993	9,761,280	3,847,877	3,483,180	561,477
Tax	(1,334,085)	(1,908,511)	(821,350)	(759,040)	(122,355)
Profit for the year/period	4,943,908	7,852,769	3,026,527	2,724,140	439,122
Attributable to:					
Owners of the parent.............	3,707,201	5,518,930	1,691,550	1,833,873	295,614
Non-controlling interests	1,236,707	2,333,839	1,334,977	890,267	143,508
	4,943,908	7,852,769	3,026,527	2,724,140	439,122
Dividends.............	885,181	757,328	—	—	—

Other Financial Data (unaudited)					
EBITDA[(1)]	10,748,913	14,163,105	5,985,826	6,032,527	972,424

(1) EBITDA for any year or period is defined as profit for the year or period 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 joint ventures 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,	
	2012	2013	2014	2014
	RMB (audited)	RMB (audited)	RMB (unaudited)	US$ (unaudited)
		(in thousands)		
Non-current assets				
Property, plant and equipment	24,295,887	30,215,747	33,461,131	5,393,825
Investment properties	3,985,000	9,896,252	14,757,231	2,378,817
Prepaid land lease payments	1,801,237	1,993,975	2,019,114	325,475
Exploration and evaluation assets	1,620	5,189	16,136	2,601
Mining rights	821,565	794,636	770,689	124,233
Intangible assets	1,244,004	1,871,056	2,094,546	337,634
Goodwill	1,736,060	3,050,328	3,605,737	581,233
Investments in joint ventures	6,760,773	6,470,034	7,165,666	1,155,082
Investments in associates	15,258,677	20,369,716	21,837,657	3,520,159
Available-for-sale investments	7,382,891	10,050,291	18,919,629	3,049,782
Properties under development	7,966,996	10,528,713	12,343,364	1,989,710
Due from related companies	—	—	—	—
Loans receivable	1,944,236	3,161,103	2,076,519	334,728
Prepayments	670,723	853,654	949,940	153,127
Inventories	372,222	207,541	125,997	20,310
Deferred tax assets	2,212,578	2,645,312	4,335,786	698,915
Policyholder account assets in respect of unit-linked contracts	—	—	621,497	100,183
Insurance and reinsurance debtors	—	—	72,654	11,712
Reinsurers' share of insurance contract provisions	—	—	594,907	95,897
Term deposit	—	—	811,688	130,841
Total non-current assets	76,454,469	102,113,547	126,579,888	20,404,264
Current assets				
Cash and bank balances	22,088,468	16,387,191	33,033,308	5,324,861
Equity investments at fair value through profit or loss	10,656,075	13,465,979	14,186,071	2,286,748
Trade and notes receivable	5,600,118	4,684,199	4,977,613	802,375
Prepayments, deposits and other receivables	4,975,712	7,390,945	8,869,617	1,429,753
Inventories	6,371,599	6,313,952	6,529,773	1,052,578
Completed properties for sale	4,580,194	8,949,037	7,116,988	1,147,235
Properties under development	27,333,872	20,331,229	27,177,518	4,380,927
Loan receivables	807,102	100,000	412,600	66,510
Due from related companies	3,118,450	3,175,550	2,829,637	456,128
Available-for-sale investments	—	—	72,087,365	11,620,247
Policyholder account assets in respect	—	—	6,710,696	1,081,742
Insurance and reinsurance debtors	—	—	1,854,990	299,018
Reinsurers' share of insurance contract provisions	—	—	938,382	151,264
Non-current assets/assets of a disposal group classified as held for sale	212,293	212,293	9,793	1,579
Total current assets	85,743,883	81,010,375	186,734,351	30,100,965

	As of December 31,		As of June 30,	
	2012	2013	2014	2014
	RMB (audited)	RMB (audited)	RMB (unaudited)	US$ (unaudited)
		(in thousands)		
Current liabilities				
Interest bearing bank and other borrowings	26,917,695	31,539,941	42,491,548	6,849,498
Loans from a related company	115,000	196,477	199,745	32,198
Trade and notes payable	15,626,765	14,928,283	20,194,394	3,255,270
Accrued liabilities and other payables	18,818,620	20,039,726	25,205,707	4,063,077
Tax payable	2,727,170	2,834,905	2,855,286	460,263
Finance lease payables	41,981	46,587	46,193	7,446
Deposit from customers	939,214	1,636,739	1,150,542	185,464
Due to the holding company	2,440,986	3,144,864	688,622	111,004
Due to related parties	2,354,620	2,392,109	2,238,170	360,786
Derivative financial instruments	—	—	65,663	10,585
Unearned premium provisions	—	—	2,999,860	483,568
Provision for outstanding claims	—	—	7,390,135	1,191,266
Provision for unexpired risks	—	—	370,792	59,770
Financial liabilities for unit-linked contracts	—	—	2,164,631	348,931
Investment contract liabilities	—	—	8,599,670	1,386,239
Other life insurance contract liabilities	—	—	1,262,962	203,585
Insurance and reinsurance creditors	—	—	1,704,080	274,692
Liabilities directly associated with the assets classified as held for sale	—	—	—	—
Total current liabilities	69,982,051	76,759,631	119,628,000	19,283,642
Net current assets	15,761,832	4,250,744	67,106,351	10,817,323
Total assets less current liabilities	92,216,301	106,364,291	193,686,239	31,221,587
Non-current liabilities				
Interest bearing bank and other borrowings	29,779,651	35,028,323	42,422,995	6,838,448
Convertible bonds	—	2,319,675	2,418,267	389,817
Loans from related companies	90,250	—	—	—
Finance lease payables	83,441	43,085	22,265	3,589
Deferred income	193,592	526,864	227,481	36,669
Due to related companies	1,013,120	157,851	166,072	26,770
Other long-term payables	652,102	3,220,349	3,523,551	567,985
Deferred tax liabilities	3,185,749	3,768,315	5,321,199	857,760
Provision for outstanding claims	—	—	8,522,596	1,373,815
Financial liabilities for unit-linked contracts	—	—	5,983,039	964,446
Investment contract liabilities	—	—	43,159,895	6,957,233
Other life insurance contract liabilities	—	—	14,546,357	2,344,825
Total non-current liabilities	34,997,905	45,064,462	126,313,717	20,361,357
Net assets	57,218,396	61,299,829	67,372,522	10,860,230
Equity				
Equity attributable to owners of the parent				
Issued capital	621,497	621,497	16,303,189	2,628,021
Reserves	33,690,623	38,249,408	27,686,906	4,463,038

Proposed final dividends	885,181	757,328	—	—
	35,197,301	39,628,233	43,990,095	7,091,059
Non-controlling interest	22,021,095	21,671,596	23,382,427	3,769,171
Total equity	57,218,396	61,299,829	67,372,522	10,860,230

Segment Information

Revenue[1]

	Year ended December 31,				Six months ended June 30,				
	2012		2013		2013		2014		
	RMB	%	RMB	%	RMB	%	RMB	US$	%
	(audited)		(audited)		(unaudited)		(unaudited)		
	(in thousands, except percentages)								
Insurance[2]	—	—	276,798	0.5%	26,001	0.1%	2,182,313	351,782	8.8%
Industrial Operations	51,625,020	99.8%	50,362,730	98.7%	23,814,817	99.4%	22,075,493	3,558,497	89.0%
Pharmaceuticals and healthcare	7,278,287	14.1%	9,921,487	19.4%	4,473,638	18.7%	5,502,224	886,940	22.2%
Property	10,477,991	20.2%	11,361,557	22.3%	3,629,179	15.2%	2,638,997	425,398	10.6%
Steel	31,717,201	61.3%	26,425,290	51.8%	14,333,732	59.8%	13,065,596	2,106,131	52.7%
Mining	2,151,541	4.2%	2,654,396	5.2%	1,378,268	5.7%	868,676	140,028	3.5%
Investment	242,088	0.5%	399,827	0.8%	152,573	0.6%	509,532	82,135	2.1%
Asset Management	310,825	0.6%	443,457	0.9%	172,204	0.7%	102,106	16,459	0.4%
Eliminations[3]	(413,187)	(0.9%)	(465,929)	(0.9%)	(195,005)	(0.8%)	(73,567)	(11,859)	(0.3%)
Total	51,764,746	100.0%	51,016,883	100.0%	23,970,590	100.0%	24,795,877	3,997,014	100.0%

(1) Revenue comprises sales of goods and rendering of services to external customers only, except for (i) our property segment which also includes intersegment rendering of services to our other business segments of RMB1.8 million in 2012, RMB4.6 million in 2013, RMB2.1 million in the six months ended June 30, 2013 and nil in the six months ended June 30, 2014; (ii) our mining segment which also includes intersegment sales to our steel segment of RMB201.6 million in 2012, RMB155.3 million in 2013 and RMB95.0 million in the six months ended June 30, 2013 and RMB19.2 million in the six months ended June 30, 2014; (iii) our investment segment which also includes intersegment rendering of services to our property segments of RMB58.7 million in 2012, RMB81.4 million in 2013, RMB17.8 million in the six months ended June 30, 2013 and RMB11.4 million in the six months ended June 30, 2014; and (iv) our asset management segment which also includes intersegment rendering of services to our asset management segments of RMB151.1 million in 2012, RMB224.7 million in 2013, RMB80.0 million in the six months ended June 30, 2013 and RMB43.0 million in the six months ended June 30, 2014.

(2) We recorded nil revenue in this segment in 2012 because we had no subsidiaries that generated revenue in this segment for 2012. We started generating revenues in this segment from 2013, as Pramerica Fosun Life Insurance and Peak Reinsurance obtained operation approval and business authorization from regulatory authorities, respectively, in late 2012 and commenced operation in Shanghai and Hong Kong, respectively.

(3) Intersegment sales are excluded from total revenue.

Gross profit (loss)

	Year ended December 31,				Six months ended June 30,				
	2012		2013		2013		2014		
	RMB (audited)	%	RMB (audited)	%	RMB (unaudited)	%	RMB	US$ (unaudited)	%
	(in thousands, except percentages)								
Insurance[1]	—	—	27,243	0.3%	(2,040)	—	688,231	110,941	11.9%
Industrial Operations	8,968,554	96.2%	9,885,591	95.4%	4,620,200	96.7%	4,771,534	769,155	82.6%
Pharmaceuticals and healthcare	3,151,483	33.8%	4,378,118	42.3%	1,959,387	41.0%	2,315,608	373,268	40.1%
Property	3,219,407	34.5%	2,549,525	24.6%	773,424	16.2%	647,393	104,358	11.2%
Steel	1,125,821	12.1%	1,266,785	12.2%	980,011	20.5%	1,269,949	204,711	22.0%
Mining	1,471,843	15.8%	1,691,163	16.3%	907,378	19.0%	538,584	86,818	9.3%
Investments[1]	121,658	1.3%	234,858	2.3%	76,632	1.6%	233,134	37,581	4.0%
Asset Management[1]	310,825	3.3%	432,656	4.2%	172,204	3.6%	102,106	16,459	1.8%
Eliminations[2]	(75,969)	(0.8%)	(221,956)	(2.2%)	(84,031)	(1.9)	(23,282)	(3,753)	(0.3%)
Total	9,325,068	100.0%	10,358,392	100.0%	4,782,965	100.0%	5,771,723	930,383	100.0%

(1) We recorded nil gross profit in this segment in 2012 because we have no subsidiaries that generated revenue or incurred cost of sales in this segment in 2012. We started generating revenues in this segment from 2013, as Pramerica Fosun Life Insurance and Peak Reinsurance obtained operation approval and business authorization from regulatory authorities, respectively, in late 2012 and commenced operation in Shanghai and Hong Kong, respectively.

(2) 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,				
	2012		2013		2013		2014		
	RMB (audited)	%	RMB (audited)	%	RMB (unaudited)	%	RMB	US$ (unaudited)	%
	(in thousands, except percentages)								
Insurance	(58,657)	(1.2%)	619,053	7.9%	107,198	3.5%	150,899	24,324	5.5%
Industrial Operations	3,793,303	76.6%	6,090,827	77.7%	2,827,622	93.5%	1,990,407	320,847	73.1%
Pharmaceuticals and healthcare	1,841,604	37.2%	2,399,948	30.6%	1,202,151	39.7%	1,136,759	183,242	41.7%
Property	1,767,313	35.7%	2,180,357	27.8%	74,302	2.5%	516,686	83,288	19.0%
Steel	(586,939)	(11.9%)	506,605	6.5%	1,010,238	33.4%	49,450	7,971	1.8%
Mining	771,325	15.6%	1,003,917	12.8%	540,931	17.9%	287,512	46,346	10.6%
Investments	1,983,100	40.1%	1,783,807	22.7%	397,956	13.1%	986,060	158,950	36.2%
Asset Management	(51,056)	(1.0%)	(36,871)	(0.5%)	(33,416)	(1.1%)	49,956	8,053	1.8%
Unallocated expenses	(468,162)	(9.5%)	(525,379)	(6.7%)	(213,797)	(7.1%)	(431,724)	(69,592)	(15.8%)
Eliminations[1]	(254,620)	(5.0%)	(78,668)	(1.1%)	(59,036)	(1.9%)	(21,458)	(3,460)	(0.8%)
Total	4,943,908	100.0%	7,852,769	100.0%	3,026,527	100.0%	2,724,140	439,122	100.0%

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

THE ISSUER

General

The Issuer of the Additional Notes, Xingtao Assets Limited, was incorporated on August 25, 2014 as a business company with limited liability under the laws of the BVI (BVI Company Number: 1838403). Its registered office is located at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

Business Activity

The Issuer has no business operations. It was solely established for the purpose of issuing the Notes.

Capitalization

The Issuer is authorized to issue a maximum of 50,000 shares with a par value of US$1.00 each of a single class. Out of the authorized share capital, one share has been issued and paid up upon incorporation of the Issuer.

As of the date of this Prospectus, other than the Original Notes, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2012 and 2013 and the reviewed interim condensed consolidated financial statements as of and for the six months ended June 30, 2014 included elsewhere in this Prospectus. 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 Prospectus.

Basis of Presentation

We are an insurance-oriented investment group taking roots in China with a global foothold with a diversified portfolio of companies in multiple business lines. Currently, our business consists of four business segments: (i) insurance, (ii) industrial operations, comprising four portfolio companies, namely Fosun Pharma, Forte, Nanjing Nangang and Hainan Mining, which are engaged in pharmaceuticals and healthcare, property, steel and mining businesses, respectively, (iii) investment, and (iv) asset management. The financial information included in this Prospectus 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

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.

Overview of Our Operations

We are an insurance-oriented investment group taking roots in China with a global foothold with a diversified portfolio of companies in different industries. We aim to become a world-class investment group underpinned by the twin drivers of insurance-oriented comprehensive financial capability and industry-rooted global investment capability. We focus on identifying and capturing investment opportunities that benefit from China's growth momentum. Currently, our business consists of four business segments: (i) insurance, (ii) industrial operations, comprising four portfolio companies, namely Fosun Pharma, Forte, Nanjing Nangang and Hainan Mining, which are engaged in pharmaceuticals and healthcare, property, steel and mining businesses, respectively, (iii) investment, and (iv) asset management.

Our consolidated revenue was RMB51,016.9 million in 2013, compared with RMB51,764.7 million in 2012. Our consolidated profit for the year was RMB7,852.8 million in 2013, compared with RMB4,943.9 million in 2012. Our consolidated total assets were RMB313,314.2 million as of June 30, 2014, compared with RMB183,123.9 million as of December 31, 2013, RMB162,198.4 million as of December 31, 2012. Our consolidated revenue was RMB24,795.9 million for the six months ended June 30, 2014, compared with RMB23,970.6 million for the six months ended June 30, 2013. Our consolidated profit was RMB2,724.1 million for the six months ended June 30, 2014, compared with RMB3,026.5 million for the six months ended June 30, 2013.

Business Segments

Management monitors the results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Since the year ended December 31, 2012, as the management changes the structure of its internal organization to match the business development strategy in a manner that causes the composition of our reportable segment to change, four of our reportable segments, namely, pharmaceuticals and healthcare, property, steel and mining have been grouped into a single industrial operations sector, within which the key operating subsidiaries remain. 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 joint venture, provision of reinsurance through Peak Reinsurance, and provision of life and non-life insurance in Portugal through Fosun Insurance Portugal.

- Industrial Operations. Our industrial operations segment comprises four portfolio companies, namely Fosun Pharma, Forte, Nanjing Nangang and Hainan Mining, which are engaged in the following businesses:

    - 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 and other companies. In addition, we also invest in real estate projects through our "investment" segment and manage real estate funds in our "asset management" segment.

    - Steel. The steel segment principally relates to our manufacture and sale of steel products. The segment reflects the consolidated results of Nanjing Nangang.

    - Mining. The mining segment principally relates to our mining and ore processing of various metals. The segment reflects the consolidated results of Hainan Mining

- Investment. The investment segment principally relates to our management of investment in a series of enterprises benefiting from China's growth momentum in the domestic and international markets, based on our model of "combining China's growth momentum with global resources". Our investment business comprises five segments:

investments in strategic associates, PE Investments, secondary market investments, LP Investments and other investments.

- 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.

For more information of our various business segments, see "Business — Our Businesses."

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 RMB525.4 million in 2013 compared with RMB468.2 million in 2012, and RMB431.7 million for the six months ended June 30, 2014, compared with RMB213.8 million for the six months ended June 30, 2013.

Total assets in the (i) insurance, (ii) industrial operations (including our four portfolio companies, namely, Fosun Pharma, Forte, Nanjing Nangang, and Hainan Mining, which engage in the business of pharmaceuticals and healthcare, property, and steel and mining, respectively), (iii) investment, and (iv) asset management segments as of June 30, 2014 were RMB116,766.7 million, RMB148,856.8 million, RMB47,194.6 million, and RMB3,614.8 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 RMB183,123.9 million as of December 31, 2013 and RMB313,314.2 million as of June 30, 2014, respectively do reflect the eliminations of intersegment balances, which were RMB5,936.5 million and RMB3,118.7 million as of the respective date.

Portfolio Companies

Our portfolio companies consist of four categories: subsidiaries, joint ventures, 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 consolidated statement of profit or loss 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.

Joint Ventures

A joint venture is a company subject to joint control, resulting in none of the participating parties has unilateral control over its economic activities. Our investments in joint ventures 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 joint ventures is included in the consolidated statement of profit or loss and consolidated reserves, respectively. Where the profit sharing ratio is different to our equity interest, the share of post-acquisition results of the joint ventures is determined based on the agreed profit sharing ratio. Unrealized gains and losses resulting from transactions between us and our joint ventures are eliminated to the extent of our investments in the joint ventures, except where unrealized losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of joint ventures is included as part of the our investments in joint ventures.

The results of joint ventures are included in the Company's consolidated statement of profit or loss to the extent of dividends received and receivable. The Company's investments in joint ventures 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 joint venture, 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 statement of profit or loss 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 consolidated statement of profit or loss 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 joint ventures in our operating segments as of June 30, 2014, refer to the section headed "Group Structure — Our Major Subsidiaries, Joint Ventures and Associates" in this Prospectus.

Factors Affecting Our Results of Operations and Financial Condition

Factors Specific to Our Insurance Segment

As our insurance segment plays an increasingly important role in our business, we expect certain factors specific to our insurance segment to have a larger impact on our results of operations and financial condition, including:

- *Fluctuations in Market Interest Rates*. Interest rate risks arise from our insurance and investment contracts with guaranteed features. These contracts carry the risk that interest income from the financial assets backing the liabilities are insufficient to fund the guaranteed benefits payable as interest rates fall or fail to meet customer expectations for participating products. In periods of rapidly increasing interest rates, policy loans, surrenders and withdrawals may increase.

- *Fluctuation in Equity Markets*. Fluctuations in equity markets may affect our investment returns and sales of many of our investment-linked and universal life insurance products. Sales of investment-linked and universal life insurance products typically decrease in periods of protracted or steep declines in equity markets and increase in periods of rising equity markets. In particular, customers may be reluctant to commit to new investment-linked and universal life savings products in times of uncertainty or market volatility, although some customers with regular premium paying policies may choose to maintain their payments of regular premiums as markets decline, following a strategy of dollar cost averaging. Policy loans, surrenders and withdrawals may increase at times of declining equity markets. In addition, lower investment returns for our investment-linked and universal life insurance products would also reduce the asset management and other fees we earn, certain of which are based on the account balance of these contracts.

- *Customer Sentiment and Policy Behavior*. Customer sentiment and actual policyholder behavior (such as policy take-up rates, premium holidays, lapses and surrenders) may differ from our expectations due to factors that are outside of our control. In particular, persistency varies over time and from one type of product to another. Persistency measures the proportion of customers who continue to maintain their policies with us, which we calculate by reference to the percentage of insurance policies remaining in-force from month to month, as measured by premiums. Factors that cause policy take-up, lapse and surrender rates to vary over time include changes in investment performance of the assets underlying the contract (in the case of investment-linked and universal life contracts), changes in the rate of policyholder dividends declared relative to competitors, regulatory changes that make alternative products more attractive, customer perception of the insurance industry in general and our insurance operations in particular, and general economic conditions. These factors can cause our results of operations and the financial position of our business to fluctuate from year to year.

- *Claim Experience.* Our results of operations and financial condition are affected by our claims experience, which may vary from the assumptions that we make both when we design and price our products and when we calculate our insurance contract liabilities. Claims experience varies over time and from one type of product to another, and may be impacted by specific events and changes in macroeconomic conditions, population demographics, mortality, morbidity and other factors.

Global 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 elsewhere in the world and have had or may have a significant impact on our results of operations and financial condition. For example, unfavorable economic conditions could increase our funding costs, limit our access to the capital markets or make credit harder to obtain. Developments in the global financial markets may also affect our counterparties which could adversely affect their ability to meet their obligations to us. Further deterioration or volatility in the global financial markets or general economic conditions could result in a prolonged economic downturn or recession and our operating results, financial position and liquidity could be materially and adversely affected.

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, the financial crisis of 2008 has significantly adversely affected the performance of a large number of asset management companies.

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. 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 economic development in China and globally. 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.

Effect of 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 global economic environment, as well as various PRC-specific factors, including the PRC economy, household wealth, the reform of the social welfare system and demographic changes. If there is a 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, coupled 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 pre-sale of units in a project may commence many months or possibly years after we first incur development expenses. 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.

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 and globally. Our Group also evaluates which industries are likely to experience future growth in order to consider the overall mix of our businesses.

In our insurance segment, we design and distribute a broad range of traditional life, investment-linked and universal life, accident & health and group insurance products. Our performance in the insurance business is affected by our ability to deliver the most suitable products to our targeted customer segments through multiple distribution channels on a timely basis. Our ability to expand and build alternative distribution channels, direct marketing and independent financial advisers/brokerage channels, may affect the performance of our operations.

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. 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.

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 have expanded into Beijing, Tianjin, Nanjing, Chongqing, Chengdu, Xi’an, Wuhan, Datong, Wuxi, Hangzhou, Taiyuan, Changsha, Changchun, Ningbo and Hainan. 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

We face competition globally and in China. In particular, 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 compete with existing international and Chinese insurance companies, mutual fund companies, banks and investment management firms, some of which have greater financial, marketing and management resources than we do. Competition may negatively affect our business and future prospects by reducing our market share in the geographical markets in which we operate, decreasing our margins and spreads, increasing our policy acquisition costs and operating expenses and reducing the growth of our customer base.

- 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 by our PRC resident subsidiaries is subject to enterprise income tax at the rate of 25%, but some of our portfolio companies currently enjoy preferential rates between 0% and 20%. 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%. Under the laws of Portugal, Fosun Insurance Portugal is subject to income tax at the rate of 31.5%.

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 Consolidated Statement of Profit or Loss

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. 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 Joint Ventures

Share of profits and losses of joint ventures comprise our proportionate share of the profits and losses of joint ventures 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 statement of profit or loss for our results of operations, expressed as percentages of revenue, for the years ended December 31, 2012 and 2013 and the six months ended June 30, 2013 and 2014. 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,		
	2012	2013	2013	2014	2014
	RMB	RMB	RMB	RMB	US$
	(audited)	(audited)	(unaudited)	(unaudited)	(unaudited)
	(in thousands, except per share data)				
Revenue.................	51,764,746	51,016,883	23,970,590	24,795,877	3,997,014
Cost of sales	(42,439,678)	(40,658,491)	(19,187,625)	(19,024,154)	(3,066,631)
Gross profit	9,325,068	10,358,392	4,782,965	5,771,723	930,383
Other income and gains..................	5,295,763	8,853,449	3,598,968	2,913,860	469,705
Operating expenses					
Selling and distribution costs..................	(2,449,870)	(2,747,372)	(1,271,363)	(1,402,764)	(226,121)
Administrative expenses............	(3,328,291)	(3,860,339)	(1,735,029)	(2,950,425)	(475,599)
Other expenses......	(1,034,870)	(1,365,895)	(750,744)	(1,113,694)	(179,524)
Finance costs	(2,773,661)	(2,765,899)	(1,318,340)	(1,760,225)	(283,743)
Share of profits and losses of:					
Joint ventures	69,077	(118,653)	(53,546)	1,159,680	186,937

Associates.............	1,174,777	1,407,597	594,966	865,025	139,439
Profit before tax....	6,277,993	9,761,280	3,847,877	3,483,180	561,477
Tax........................	(1,334,085)	(1,908,511)	(821,350)	(759,040)	(122,355)
Profit for the year .	4,943,908	7,852,769	3,026,527	2,724,140	439,122
Attributable to:					
Owners of the parent	3,707,201	5,518,930	1,691,550	1,833,873	295,614
Non-controlling interests	1,236,707	2,333,839	1,334,977	890,267	143,508
	4,943,908	7,852,769	3,026,527	2,724,140	439,122
Dividends.............	885,181	757,328	—	—	—

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,				
	2012		2013		2013		2014		
	RMB	%	RMB	%	RMB	%	RMB	US$	%
	(audited)		(audited)		(unaudited)		(unaudited)		
	(in thousands, except percentages)								
Insurance[(2)]	—	—	276,798	0.5%	26,001	0.1%	2,182,313	351,782	8.8%
Industrial Operations....	51,625,020	99.8%	50,362,730	98.7%	23,814,817	99.4%	22,075,493	3,558,497	89.0%
Pharmaceuticals and healthcare...........	7,278,287	14.1%	9,921,487	19.4%	4,473,638	18.7%	5,502,224	886,940	22.2%
Property	10,477,991	20.2%	11,361,557	22.3%	3,629,179	15.2%	2,638,997	425,398	10.6%
Steel	31,717,201	61.3%	26,425,290	51.8%	14,333,732	59.8%	13,065,596	2,106,131	52.7%
Mining	2,151,541	4.2%	2,654,396	5.2%	1,378,268	5.7%	868,676	140,028	3.5%
Investment...................	242,088	0.5%	399,827	0.8%	152,573	0.6%	509,532	82,135	2.1%
Asset Management......	310,825	0.6%	443,457	0.9%	172,204	0.7%	102,106	16,459	0.4%
Eliminations[(3)]	(413,187)	(0.9%)	(465,929)	(0.9%)	(195,005)	(0.8%)	(73,567)	(11,859)	(0.3%)
Total...........................	51,764,746	100.0%	51,016,883	100.0%	23,970,590	100.0%	24,795,877	3,997,014	100.0%

(1) Revenue comprises sales of goods and rendering of services to external customers only, except for (i) our property segment which also includes intersegment rendering of services to our other business segments of RMB1.8 million in 2012, RMB4.6 million in 2013, RMB2.1 million in the six months ended June 30, 2013 and nil in the six months ended June 30, 2014; (ii) our mining segment which also includes intersegment sales to our steel segment of RMB201.6 million in 2012, RMB155.3 million in 2013 and RMB95.0 million in the six months ended June 30, 2013 and RMB19.2 million in the six months ended June 30, 2014; (iii) our investment segment which also includes intersegment rendering of services to our property segments of RMB58.7 million in 2012, RMB81.4 million in 2013, RMB17.8 million in the six months ended June 30, 2013 and RMB11.4 million in the six months ended June 30, 2014; and (iv) our asset management segment which also includes intersegment rendering of services to our asset management segments of RMB151.1 million in 2012, RMB224.7 million in 2013, RMB80.0 million in the six months ended June 30, 2013 and RMB43.0 million in the six months ended June 30, 2014.

(2) We recorded nil revenue in this segment in 2012 because we have no subsidiaries that generated revenue in this segment in 2012. We started generating revenues in this segment from 2013, as Pramerica Fosun Life Insurance and Peak Reinsurance obtained operation approval and business authorization from regulatory authorities, respectively, in late 2012 and commenced operation in Shanghai and Hong Kong, respectively.

(3) Intersegment sales are excluded from total revenue.

Gross profit (loss)

	Year ended December 31				Six months ended June 30,				
	2012		2013		2013		2014		
	RMB (audited)	%	RMB (audited)	%	RMB (unaudited)	%	RMB	US$ (unaudited)	%
	(in thousands, except percentages								
Insurance[1].................	—	—	27,243	0.3%	(2,040)	0.5%	688,231	110,941	11.9%
Industrial Operations....	8,968,554	96.2%	9,885,591	95.4%	4,620,200	96.7%	4,771,534	769,155	82.6%
Pharmaceuticals and healthcare...........	3,151,483	33.8%	4,378,118	42.3%	1,959,387	41.0%	2,315,608	373,268	40.1%
Property	3,219,407	34.5%	2,549,525	24.6%	773,424	16.2%	647,393	104,358	11.2%
Steel	1,125,821	12.1%	1,266,785	12.2%	980,011	20.5%	1,269,949	204,711	22.0%
Mining	1,471,843	15.8%	1,691,163	16.3%	907,378	19.0%	538,584	86,818	9.3%
Investments	121,658	1.3%	234,858	2.3%	76,632	1.6%	233,134	37,581	4.0%
Asset Management......	310,825	3.3%	432,656	4.2%	172,204	3.6%	102,106	16,459	1.8%
Eliminations[2]	(75,969)	(0.8%)	(221,956)	(2.2%)	(84,032)	(1.9%)	(23,282)	(3,753)	(0.3%)
Total...........................	9,325,068	100.0%	10,358,392	100.0%	4,782,965	100.0%	5,771,723	930,383	100.0%

(1) We recorded nil gross profit in this segment in 2012 because we have no subsidiaries that generated revenue or incurred cost of sales in this segment in 2012.

(2) 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,				
	2012		2013		2013		2014		
	RMB (audited)	%	RMB (audited)	%	RMB (unaudited)	%	RMB	US$ (unaudited)	%
	(in thousands, except percentages)								
Insurance....................	(58,657)	(1.2%)	619,053	7.9%	107,198	3.5%	150,899	24,324	5.5%
Industrial Operations....	3,793,303	76.6%	6,090,827	77.7%	2,827,622	93.5%	1,990,407	320,847	73.1%
Pharmaceuticals and healthcare...........	1,841,604	37.2%	2,399,948	30.6%	1,202,151	39.7%	1,136,759	183,242	41.7%
Property	1,767,313	35.7%	2,180,357	27.8%	74,302	2.5%	516,686	83,288	19.0%
Steel	(586,939)	(11.9%)	506,605	6.5%	1,010,238	33.4%	49,450	7,971	1.8%
Mining	771,325	15.6%	1,003,917	12.8%	540,931	17.9%	287,512	46,346	10.6%
Investments	1,983,100	40.1%	1,783,807	22.7%	397,956	13.1%	986,060	158,950	36.2%
Asset Management......	(51,056)	(1.0%)	(36,871)	(0.5%)	(33,416)	(1.1%)	49,956	8,053	1.8%
Unallocated expenses .	(468,162)	(9.5%)	(525,379)	(6.7%)	(213,797)	(7.1%)	(431,724)	(69,592)	(15.8%)
Eliminations[2]	(254,620)	(5.0%)	(78,668)	(1.1%)	(59,036)	(1.9%)	(21,458)	(3,460)	(0.8%)
Total...........................	4,943,908	100.0%	7,852,769	100.0%	3,026,527	100.0%	2,724,140	439,122	100.0%

(1) 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, 2014 Compared with the Six months Ended June 30, 2013

Revenue. Revenue increased by 3.4% to RMB24,795.9 million (US$3,997.0 million) in the six months ended June 30, 2014 from RMB23,970.6 million in the same period in 2013. The increase was mainly attributable to the increase in revenue of the insurance segment, the pharmaceuticals and healthcare segment and the investment segment. This increase was partially offset by the decrease in revenue of our property segment, mining segment, steel segment and asset management segment.

- Insurance segment — Revenue in the insurance segment increased by 8,293.2% to RMB2,182.3 million (US$351.8 million) in the six months ended June 30, 2014 from RMB26.0 million in the same period in 2013. The increase was mainly due to the Group's acquisition of 80% equity of Fosun Insurance Portugal in May 2014.

- Industrial operations segment comprising:

- Pharmaceuticals and healthcare segment — Revenue in the pharmaceuticals and healthcare segment increased by 23.0% to RMB5,502.2 million (US$886.9 million) in the six months ended June 30, 2014 from RMB4,473.6 million in the same period in 2013. The increase was mainly due to the rapid business development in aspects of drug manufacturing and R&D, medical services, investments, etc., which resulted in an increase in sales volume.

- Property segment — Revenue in the property segment decreased by 27.3% to RMB2,639.0 million (US$425.4 million) in the six months ended June 30, 2014 from RMB3,629.2 million in the same period in 2013. The decrease was mainly due to the decrease in sales area of Forte's property under development as compared with the same period of last year.

- Steel segment — Revenue in the steel segment decreased by 8.8% to RMB13,065.6 million (US$2,106.1 million) in the six months ended June 30, 2014 from RMB14,333.7 million in the same period in 2013. The decrease was primarily due to a decrease in both sales volume of products and average selling prices.

- Mining segment — Revenue in the mining segment in the six months ended June 30, 2014 decreased by 37.0% to RMB868.7 million (US$140.0 million), including intersegment sales of RMB19.2 million, from RMB1,378.3 million, including intersegment sales of RMB95.0 million, in the same period in 2013. Revenue in the mining segment from inter-segment sales decreased by 79.8% to RMB19.2 million in the six months ended June 30, 2014 from RMB95.0 million in the same period in 2013. The decrease of revenue was mainly due to a decrease in both sales volume of products and average selling prices.

- Investment segment — Revenue in the investment segment increased by 233.9% to RMB509.5 million (US$82.1 million) in the six months ended June 30, 2014 from RMB152.6 million in the same period in 2013. The increase was mainly due to the acquisition of One Chase Manhattan Plaza of New York, freehold for investment purpose, in December 2013.

- Asset management segment — Revenue in the asset management segment decreased by 40.7% to RMB102.1 million (US$16.5 million) in the six months ended June 30, 2014, including intersegment sales of RMB43.0 million, from RMB172.2 million, including intersegment sales of RMB80.0 million, in the same period in 2013. Revenue in the asset management segment from inter-segment sales decreased by 46.3% to RMB43.0 million in the six months ended June 30, 2014 from RMB80.0 million in the same period in 2013. This decrease of revenue was primarily due to the Group's disposal of the subsidiary Star Capital Management in December 2013.

Cost of sales. Cost of sales decreased by 0.9% to RMB19,024.2 million (US$3,066.6 million) in the six months ended June 30, 2014 from RMB19,187.6 million in the same period in 2013.

- Insurance segment — Cost of sales in the insurance segment increased to RMB1,494.1 million (US$240.8 million) in the six months ended June 30, 2014 from nil in the same period in 2013. Such increase was primarily due to the Group's acquisition of 80% equity of Fosun Insurance Portugal in May 2014.

- Industrial operations segment comprising:

    - Pharmaceuticals and healthcare segment — Cost of sales in the pharmaceuticals and healthcare segment increased by 26.7% to RMB3,186.6 million (US$513.7 million) in the six months ended June 30, 2014 from

RMB2,514.3 million in the same period in 2013. Such increase was primarily due to the increase in sales volume in Fosun Pharma's pharmaceutical manufacturing business and medical services, as well as the increase in price of raw material.

    - Property segment — Cost of sales in the property segment decreased by 30.3% to RMB1,991.6 million (US$321.0 million) in the six months ended June 30, 2014 from RMB2,855.8million in the same period in 2013. Such decrease was in line with the decrease of GFA booked.

    - Steel segment — Cost of sales in the steel segment decreased by 11.7% to RMB11,795.6 million (US$1,901.4 million) in the six months ended June 30, 2014 from RMB13,353.7 million in the same period in 2013. Such decrease was primarily due to the decrease in sales volume as well as decreases in prices of raw materials, including iron ore, in the six months ended June 30, 2014 as compared with the same period in 2013.

    - Mining segment — Cost of sales in the mining segment decreased by 29.9% to RMB330.1 million (US$53.2 million) in the six months ended June 30, 2014 from RMB470.9 million in the same period in 2013. Such decrease was mainly due to the decrease in sales volume.

- Investment segment — Cost of sales in the investment segment increased by 264.2% to RMB276.4 million (US$44.6 million) in the six months ended June 30, 2014 from RMB75.9 million in the same period in 2013. Such increase was primarily due to the acquisition of One Chase Manhattan Plaza of New York, freehold for investment purpose, in December 2013.

- Asset management segment – Cost of sales in the asset management segment was nil in the six months ended June 30, 2013 and 2014.

Gross Profit. As a result of the foregoing, gross profit increased by 20.7% to RMB5,771.7 million (US$930.4 million) in the six months ended June 30, 2014 from RMB4,783.0 million in the same period in 2013.

- Insurance segment — Gross profit in the insurance segment increased to RMB688.2million (US$110.9 million) in the six months ended June 30, 2014 from a loss of RMB2.0million in the same period in 2013. Gross profit margin decreased to 31.5% from 100%, primarily due to the Group's acquisition of 80% equity of Fosun Insurance Portugal in May 2014.

- Industrial operations segment comprising:

    - Pharmaceuticals and healthcare segment — Gross profit in the pharmaceuticals and healthcare segment increased by 18.2% to RMB2,315.6million (US$373.3 million) in the six months ended June 30, 2014 from RMB1,959.4 million in the same period in 2013. Gross profit margin decreased to 42.1% from 43.8%, primarily due to the increase in price of raw material.

    - Property segment — Gross profit in the property segment decreased by 16.3% to RMB647.4 million (US$104.4 million) in the six months ended June 30, 2014 from RMB773.4 million in the same period in 2013. The gross profit margin increased to 24.5% in the six months ended June 30, 2014 from 20.5% in the same period in 2013 mainly due to the change in property sales mix related to delivery of more projects with higher gross profit margin.

- Steel segment — Gross profit in the steel segment increased by 29.6% to RMB1,269.9 million (US$204.7 million) in the six months ended June 30, 2014 from RMB980.0 million in the same period in 2013. Gross profit margin increased to 9.7% in the six months ended June 30, 2014 from 6.8% in the same period in 2013 because the average purchasing prices for the raw materials used in our steel production decreased in the six months ended June 30, 2014 compared to the same period in 2013, offset by a smaller decrease in the average selling prices for our steel products in the same periods.

- Mining segment — Gross profit in the mining segment decreased by 40.6% to RMB538.6 million (US$86.8 million) in the six months ended June 30, 2014 from RMB907.4 million in the same period in 2013. Gross profit margin decreased to 62.0% in the six months ended June 30, 2014 from 65.8% in the same period in 2013 because the average selling prices of our iron ore products decreased substantially.

- Investment segment — Gross profit in the investment segment increased by 204.3% to RMB233.1 million (US$37.6 million) in the six months ended June 30, 2014 from RMB76.6 million in the same period in 2013. Gross profit margin decreased to 45.8% from 50.2%, primarily due to addition of new investment in One Chase Manhattan Plaza of New York, with a lower gross profit margin.

- Asset management segment — Gross profit in the asset management decreased by 40.7% to RMB102.1 million (US$16.5 million) in the six months ended June 30, 2014 from RMB172.2 million in the same period in 2013, primarily due to the Group's disposal of the subsidiary Star Capital Management in December 2013. Gross profit margin remained 100% in both periods as zero cost of sales was recorded in this segment.

Other Income and Gains. Other income and gains decreased to RMB2,913.9 million (US$469.7 million) in the six months ended June 30, 2014 from RMB3,599.0 million in the same period in 2013. The decrease was mainly attributable to the decrease in gain on disposal of available-for-sale investments, gain on deemed disposal of interests in an associate, as well as gain on disposal of equity investments at fair value through profit or loss, offset in part by increase in dividends and interests from available-for-sale investments, and gain on fair value adjustment of investment properties.

- Gain on disposal of available-for-sale investments — Gain on disposal of available-for-sale investments decreased to RMB709.6 million in the six months ended June 30, 2014 from RMB1,417.2 million in the same period in 2013. Gain on disposal of available-for-sale investments in the six months ended June 30, 2014 was mainly from the disposal of bonds held by Fosun Insurance Portugal.

- Gain on deemed disposal of interests in an associate — Gain on deemed disposal of interests in an associate decreased to nil in the six months ended June 30, 2014 from RMB587.0 million in the same period in 2013. For the six months ended June 30, 2013, the amount represented the gain on deemed disposal of Sinopharm Industrial Investment Co., Ltd.

- 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 RMB50.1 million in the six months ended June 30, 2014 from RMB374.7 million in the same period in 2013. Gain on disposal of equity investments at fair value through profit or loss in the six months ended June 30, 2014 was mainly from disposal of bonds issued by 21 Vianet Group Inc.

- Dividends and interests from available-for-sale investments — The dividends and interests from available-for-sale investments increased to RMB701.9 million in the six months ended June 30, 2014 from RMB172.8 million in the same period in 2013. The dividends and interests from available-for-sale investments in the six months ended June 30, 2014 was mainly from the interests of bonds hold by Fosun Insurance Portugal.

- Gain on fair value adjustment of investment properties — Gain on fair value adjustment of investment properties increased to RMB501.7 million in the six months ended June 30, 2014 from RMB47.0 million in the same period in 2013, primarily due to the increased fair value adjustment of our investment properties in Beijing, Shanghai and Hangzhou.

Operating Expenses. Operating expenses increased by 45.5% to RMB5,466.9 million (US$881.2 million) in the six months ended June 30, 2014 from RMB3,757.1 million in the same period in 2013. The increase was mainly attributable to the increase in the operating expenses in the insurance segment, the investment segment, as well as the pharmaceuticals and healthcare segment.

- Insurance segment — Operating expenses in the insurance segment increased to RMB1,452.8 million (US$234.2 million) in the six months ended June 30, 2014 from nil in the same period in 2013. As a percentage of revenue, operating expenses in this segment was 66.6% in the six months ended June 30, 2014.

    - Selling and distribution costs — We recorded nil selling and distribution costs under our insurance segment for the six months ended June 30, 2013 and 2014.

    - Administrative expenses. Administrative expenses increased to RMB889.9 million (US$143.4 million) in the six months ended June 30, 2014 from nil in the same period in 2013. Such increase was primarily due to the Group's acquisition of 80% equity of Fosun Insurance Portugal in May 2014.

    - Other expenses — Other expenses increased to RMB562.9 million (US$90.7 million) in the six months ended June 30, 2014 from nil in the same period in 2013. Such increase was primarily due to the Group's acquisition of 80% equity of Fosun Insurance Portugal in May 2014.

- Industrial operations segment comprising:

    - Pharmaceuticals and healthcare segment — Operating expenses in the pharmaceuticals and healthcare segment increased by 21.6% to RMB1,846.8 million (US$297.7 million) in the six months ended June 30, 2014 from RMB1,518.5 million in the same period in 2013. As a percentage of revenue, operating expenses in this segment decreased to 33.6% in the six months ended June 30, 2014 from 33.9% in the same period in 2013.

        - Selling and distribution costs — Selling and distribution costs increased by 14.9% to RMB1,017.3 million (US$164.0 million) in the six months ended June 30, 2014 from RMB885.7 million in the same period in 2013. Such increase was in line with the growth in revenue.

        - Administrative expenses. Administrative expenses increased by 21.5% to RMB529.3 million (US$85.3 million) in the six months ended June 30, 2014 from RMB435.7 million in the same period in 2013. Such increase was primarily due to increase in staff costs and the amortization expenses of certain intangible assets.

        - Other expenses — Other expenses increased by 52.2% to RMB300.2 million (US$48.4 million) in the six months ended June 30, 2014 from RMB197.2 million in the same period in 2013. Such increase was primarily due to increase in R&D expenses.

- Property segment — Operating expenses in the property segment decreased by 0.3% to RMB406.8 million (US$65.6 million) in the six months ended June 30, 2014 from RMB408.1 million in the same period in 2013. As a percentage of revenue, operating expenses in this segment increased to 15.4% in the six months ended June 30, 2014 from 11.2% in the same period in 2013.

  - Selling and distribution costs — Selling and distribution costs decreased by 22.7% to RMB148.0 million (US$23.9 million) in the six months ended June 30, 2014 from RMB191.5 million in the same period in 2013. 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 25.3% to RMB243.5 million (US$39.3 million) in the six months ended June 30, 2014 from RMB194.3 million in the same period in 2013. Such increase was primarily due to increase in professional and consulting fees in connection with valuation of investment property.

  - Other expenses — Other expenses decreased by 31.8% to RMB15.3 million (US$2.5 million) in the six months ended June 30, 2014 from RMB22.3 million in the same period in 2013.

- Steel segment — Operating expenses in the steel segment decreased by 19.2% to RMB922.4 million (US$148.7 million) in the six months ended June 30, 2014 from RMB1,141.0 million in the same period in 2013. As a percentage of revenue, operating expenses in this segment decreased to 7.1% in the six months ended June 30, 2014 from 8.0% in the same period in 2013.

  - Selling and distribution costs — Selling and distribution costs increased by 25.7% to RMB232.6 million (US$37.5 million) in the six months ended June 30, 2014 from RMB185.0 million in the same period in 2013. Such increase was primarily due to increase in transportation fees and staff costs.

  - Administrative expenses — Administrative expenses decreased by 4.8% to RMB447.5 million (US$72.1 million) in the six months ended June 30, 2014 from RMB470.0 million in the same period in 2013. Such decrease was primarily due to decrease in depreciation expense.

  - Other expenses — Other expenses decreased by 50.1% to RMB242.4 million (US$39.1 million) in the six months ended June 30, 2014 from RMB485.9 million in the same period in 2013. Such decrease was primarily due to decrease in assets impairment losses.

- Mining segment — Operating expenses in the mining segment decreased by 10.2% to RMB161.3 million (US$26.0 million) in the six months ended June 30, 2014 from RMB179.7 million in the same period in 2013. As a percentage of revenue, operating expenses in this segment increased to 18.6% in the six months ended June 30, 2014 from 13.0% in the same period in 2013.

  - Selling and distribution costs — Selling and distribution costs increased, by 114.3%, to RMB6.0 million (US$1.0 million) in the six months ended June 30, 2014 from RMB2.8 million in the same period in 2013. Such increase was due to increase in staff costs and traffic expenses.

  - Administrative expenses — Administrative expenses decreased by 5.2% to RMB138.8 million (US$22.4 million) in the six months ended June 30, 2014 from RMB146.4 million in the same period in 2013. Such decrease was due to decrease in the compensation fees for mineral resources, which was in line with the decrease in revenue.

- Other expenses — Other expenses decreased by 45.9% to RMB16.5 million (US$2.7 million) in the six months ended June 30, 2014 from RMB30.5 million in the same period in 2013. Such decrease was due to decrease in loss of inventory provision.

- Investment segment – Operating expenses in this segment increased by 39.7% to RMB257.2 million (US$41.5 million) in the six months ended June 30, 2014 from RMB184.1 million in the same period in 2013, primarily as a result of the investment business expansion. As a percentage of revenue, operating expenses in this segment decreased to 50.5% in the six months ended June 30, 2014 from 120.7% in the same period in 2013.

  - Selling and distribution costs — Selling and distribution costs increased to RMB6.7 million (US$1.1 million) in the six months ended June 30, 2014 from RMB0.2 million in the same period in 2013. Such increase was primarily due to the increase in staff costs.

  - Administrative expenses — Administrative expenses increased by 53.3% to RMB249.7 million (US$40.3 million) in the six months ended June 30, 2014 from RMB162.9 million in the same period in 2013. Such increase was primarily due to the increase in staff costs, traffic fees and consulting fees related to the investment business.

  - Other expenses — Other expenses decrease by 96.2% to RMB0.8 million (US$0.1 million) in the six months ended June 30, 2014 from RMB21.1 million in the same period in 2013. Such decrease was due to decrease in miscellaneous expenses.

- Asset management segment — Operating expenses in this segment decreased by 62.1% to RMB66.6 million (US$10.7 million) in the six months ended June 30, 2014 from RMB175.6 million in the same period in 2013, primarily as a result of the disposal of our subsidiary, Star Capital Management, in December 2013. As a percentage of revenue, operating expenses in this segment decreased to 65.2% in the six months ended June 30, 2014 from 102.0% in the same period in 2013.

  - Selling and distribution costs — Selling and distribution costs decreased to nil in the six months ended June 30, 2014 from RMB20.6 million in the same period in 2013.

  - Administrative expenses — Administrative expenses decreased by 56.9% to RMB66.6 million (US$10.7 million) in the six months ended June 30, 2014 from RMB154.5 million in the same period in 2013 as a result of the disposal of our subsidiary, Star Capital Management, in December 2013.

  - Other expenses — Other expenses decreased to nil in the six months ended June 30, 2014 from RMB0.5 million in the same period in 2013.

Finance Costs. Finance costs increased by 33.5% to RMB1,760.2 million (US$283.7 million) in the six months ended June 30, 2014 from RMB1,318.3 million in the same period in 2013. The increase was mainly attributable to an increase in financial costs in the pharmaceuticals and healthcare, property, steel and investment segment.

- Insurance segment — Finance costs in the insurance segment remained at nil in the six months ended June 30, 2014 and in the same period in 2013.

- Industrial operations segment comprising:

  - Pharmaceuticals and healthcare segment — Finance costs in the pharmaceuticals and healthcare segment increased by 3.3% to RMB186.9 million (US$30.1 million) in the six months ended June 30, 2014 from RMB180.9 million in the same period in 2013. Such increase was primarily due to increase in the outstanding amount of borrowings of subsidiaries in the segment. As a percentage of revenue, finance costs decreased to 3.4% in the six months ended June 30, 2014 from 4.0% in the same period in 2013.

  - Property segment — Finance costs in the property segment increased by 2.6% to RMB210.8 million (US$34.0 million) in the six months ended June 30, 2014 from RMB205.4 million in the same period in 2013. Such increase was primarily due to increase in the outstanding amount of borrowings of subsidiaries in the segment. As a percentage of revenue, finance costs increased to 8.0% in the six months ended June 30, 2014 from 5.7% in the same period in 2013.

  - Steel segment — Finance costs in the steel segment increased by 5.6% to RMB513.3 million (US$82.7 million) in the six months ended June 30, 2014 from RMB486.2 million in the same period in 2013. Such increase was primarily due to increase in the outstanding amount of borrowings of subsidiaries in the segment. As a percentage of revenue, finance costs increased to 3.9% in the six months ended June 30, 2014 from 3.4% in the same period in 2013.

  - Mining segment — Finance costs in the mining segment increased by 4.4% to RMB23.7 million (US$3.8 million) in the six months ended June 30, 2014 from RMB22.7 million in the same period in 2013. Such increase was primarily due to increase in the outstanding amount of borrowings of subsidiaries in the segment. As a percentage of revenue, finance costs increased to 2.7% in the six months ended June 30, 2014 from 1.6% in the same period in 2013.

- Investment segment — Finance costs in this segment increased by 76.4% to RMB885.7 million (US$142.8 million) in the six months ended June 30, 2014 from RMB502.2 million in the same period in 2013. Such increase was due to increase in the outstanding amount of borrowings of subsidiaries in this segment.

- Asset management segment — Finance costs in this segment decreased to nil in the six months ended June 30, 2014 from RMB12.8 million in the same period in 2013, as a result of the disposal of our subsidiary, Star Capital Management, in December 2013 .

Share of Profits and Losses of Joint Ventures. Share of profits of joint ventures increased to a profit of RMB1,159.7 million (US$186.9 million) in the six months ended June 30, 2014 from a loss of RMB53.5 million in the same period in 2013. The increase was mainly attributable to the increase in share of profits of joint ventures in the property segment, steel segment, as well as the investment segment, which was partially net off by the increase in share of losses of joint ventures in pharmaceuticals and healthcare segment and insurance segment.

- Insurance segment — Share of losses of joint ventures in the insurance segment increased by 47.3% to RMB26.8 million (US$4.3 million) in the six months ended June 30, 2014 from RMB18.2 million in the same period in 2013. Such increase was mainly attributable to the increase in the operating loss of Pramerica Fosun Life Insurance, the major joint venture of insurance segment.

  - Industrial operations segment comprising:

    - Pharmaceuticals and healthcare segment — Share of losses of joint ventures in the pharmaceuticals and healthcare segment increased by 88.2% to RMB9.6 million (US$1.6 million) in the six months ended June 30, 2014 from RMB5.1 million in the same period in 2013. Such increase was mainly because of the results of operations fluctuation of our joint ventures.

    - Property segment — Share of profits of joint ventures in the property segment increased by 323.3% to RMB74.5 million (US$12.0 million) in the six months ended June 30, 2014 from RMB17.6 million in the same period in 2013. Such increase was mainly contributed by increase in a profit of Fuyang Furun Property Co., Ltd. as a result of the gain on fair value adjustment of a certain investment property.

    - Steel segment — Share of profits of joint ventures in the steel segment increased by 71.4% to RMB6.0 million (US$1.0 million) in the six months ended June 30, 2014 from RMB3.5 million in the same period in 2013. This increase was primarily because of the results of operations fluctuation of our joint ventures.

    - Mining segment — Share of losses of joint ventures in the mining segment remained at nil in the six months ended June 30, 2014, as in the same period in 2013.

- Investment segment — Share of profits and losses of joint ventures in this segment increased to a profit of RMB1,115.9 million (US$179.9 million) in the six months ended June 30, 2014 from a loss of RMB10.5 million in the same period in 2013. Such increase was mainly contributed by increase in a profit of Haizhimen as a result of the gain on fair value adjustment of certain investment properties.

- Asset management segment — Share of losses of joint ventures in this segment decreased by 99.3% to RMB0.3 million (US$0.05 million) in the six months ended June 30, 2014 from RMB40.8 million in the same period in 2013. Such decrease was mainly because of the results of operations fluctuation of our joint ventures.

Share of Profits and Losses of Associates. Share of profits of associates increased by 45.4% to RMB865.0 million (US$139.4 million) in the six months ended June 30, 2014 from RMB595.0 million in the same period in 2013. The increase was mainly attributable to an increase in share of profits of associates in the pharmaceuticals and healthcare, property, insurance and investment segments.

- Insurance segment — Share of profits of associates in the insurance segment increased by 26.6% to RMB60.4 million (US$9.7 million) in the six months ended June 30, 2014 from RMB47.7 million in the same period in 2013. Such increase was mainly attributable to the improved operating results of Yong'An P&C Insurance.

- Industrial operations segment comprising:

    - Pharmaceuticals and healthcare segment — Share of profits of associates in the pharmaceuticals and healthcare segment increased by 27.2% to RMB498.3 million (US$80.3 million) in the six months ended June 30, 2014 from RMB391.6 million in the same period in 2013. Such increase was mainly attributable to the increase in the operating profits of Sinopharm Investment, the major associate of Fosun Pharma.

    - Property segment — Share of profits of associates in the property segment increased by 210.4% to RMB85.6 million (US$13.8 million) in the six months ended June 30, 2014 from RMB28.4 million in the same period in 2013. Such increase was mainly contributed by Shanghai Dijie Real Estate Ltd. ("Shanghai Dijie"), which was acquired by Forte in latter half year 2013.

- Steel segment — Share of profits of associates in the steel segment increased by 46.2% to RMB1.9 million (US$0.3 million) in the six months ended June 30, 2014 from RMB1.3 million in the same period in 2013. This increase was primarily attributable to the improved operating results of Jianlong Group, our major associate in the steel segment in the six months ended June 30, 2014.

- Mining segment — Share of losses of associates in the mining segment remained at nil in the six months ended June 30, 2014, as in the same period in 2013.

- Investment segment — Share of profits of associates in this segment increased by 73.7% to RMB218.9 million (US$35.3 million) in the six months ended June 30, 2014 from RMB126.0 million in the same period in 2013. Such increase was mainly attributable to the privatization of Focus Media.

- Asset management segment — Share of profits of associates in this segment remained at nil in the six months ended June 30, 2014, unchanged from the same period in 2013.

Tax. Tax decreased by 7.6% to RMB759.0 million (US$122.4 million) in the six months ended June 30, 2014 from RMB821.4 million in the same period in 2013.

- Insurance segment — Tax for the insurance segment increased to RMB91.5 million (US$14.7 million) in the six months ended June 30, 2014 from nil in the same period in 2013. Such increase was mainly attributable to the Group's acquisition of 80% equity of Fosun Insurance Portugal in May 2014.

- Industrial operations segment comprising:

    - Pharmaceuticals and healthcare segment — Tax for the pharmaceuticals and healthcare segment decreased by 19.1% to RMB201.4 million (US$32.5 million) in the six months ended June 30, 2014 from RMB248.9 million in the same period in 2013. Such decrease was mainly attributable to a decrease in profit before tax.

    - Property segment — Tax for the property segment increased by 16.3% to RMB309.7 million (US$49.9 million) in the six months ended June 30, 2014 from RMB266.3 million in the same period in 2013. Such increase was mainly attributable to an increase in land appreciation tax ("LAT") according to the tax arrangement.

    - Steel segment — Tax for the steel segment decreased to tax credit of RMB9.2 million (tax credit of US$1.5 million) in the six months ended June 30, 2014 from tax provision of RMB45.8 million in the same period in 2013. Such decrease was primarily due to the decrease in profit before tax.

    - Mining segment — Tax for the mining segment decreased by 53.2% to RMB91.9 million (US$14.8 million) in the six months ended June 30, 2014 from RMB196.3 million in the same period in 2013. Such decrease was mainly attributable to the decrease in profit before tax.

- Investment segment — Tax for this segment decreased by 52.9% to RMB43.3 million (US$7.0 million) in the six months ended June 30, 2014 from RMB91.9 million in the same period in 2013. Such decrease was mainly attributable to the decrease in taxable profits.

- Asset management segment — Tax for this segment increased to tax provision of RMB3.9 million (US$0.6 million) in the six months ended June 30, 2014 from tax credit of

RMB6.2 million in the same period in 2013. Such increase was mainly attributable to the increase in profit before tax.

Profit for the period. As a result of the foregoing, profit for the period decreased by 10.0% to RMB2,724.1 million (US$439.1 million) in the six months ended June 30, 2014 from RMB3,026.5 million in the same period in 2013.

- Insurance segment — Profit for the period in the insurance segment increased by 40.8% to RMB150.9 million (US$24.3 million) in the six months ended June 30, 2014 from RMB107.2 million in the same period in 2013.

- Industrial operations segment comprising:

  - Pharmaceuticals and healthcare segment — Profit for the period in the pharmaceuticals and healthcare segment decreased by 5.4% to RMB1,136.8 million (US$183.2 million) in the six months ended June 30, 2014 from RMB1,202.2 million in the same period in 2013.

  - Property segment — Profit for the period in the property segment increased by 595.4% to RMB516.7 million (US$83.3 million) in the six months ended June 30, 2014 from RMB74.3 million in the same period in 2013.

  - Steel segment — Profit for the period in the steel segment decreased by 95.1% to RMB49.5 million (US$8.0 million) in the six months ended June 30, 2014 from RMB1,010.2 million in the same period in 2013.

  - Mining segment — Profit for the period in the mining segment decreased by 46.8% to RMB287.5 million (US$46.3 million) in the six months ended June 30, 2014 from RMB540.9 million in the same period in 2013.

- Investment segment — Profit for the period in this segment increased by 147.8% to RMB986.1 million (US$159.0 million) in the six months ended June 30, 2014 from RMB398.0 million in the same period in 2013.

- Asset management segment — Profit for the period in the asset management segment was RMB50.0 million (US$8.1 million) in the six months ended June 30, 2014 compared with loss for the period of RMB33.4 million in the same period in 2013.

Non-controlling interests. Non-controlling interests decreased by 33.3% to RMB890.3 million (US$143.5 million) in the six months ended June 30, 2014 from RMB1,335.0 million in the same period in 2013.

- Insurance segment — Non-controlling interests in the insurance segment increased by 211.1% to RMB36.4 million (US$5.9 million) in the six months ended June 30, 2014 from RMB11.7 million in the same period in 2013. The increase was mainly due to the Group's acquisition of 80% equity of Fosun Insurance Portugal in May 2014 .

- Industrial operations segment comprising:

  - Pharmaceuticals and healthcare segment — Non-controlling interests in the pharmaceuticals and healthcare segment decreased by 5.4% to RMB730.4 million (US$117.7 million) in the six months ended June 30, 2014 from RMB772.3 million in the same period in 2013. The decrease reflected a decrease in profit for the six months ended June 30, 2014.

  - Property segment — Non-controlling interests in the property segment increased by 210.0% to a loss of RMB15.5 million (loss of US$2.5 million) in the six months ended June 30, 2014 from a loss of RMB5.0 million in the same period in 2013. Such decrease reflected an increase in loss for the six months ended June 30, 2014.

- Steel segment — Non-controlling interests in the steel segment decreased by 93.0% to RMB27.1 million (US$4.4 million) in the six months ended June 30, 2014 from RMB386.6 million in the same period in 2013. The decrease reflected a decrease in profit for the six months ended June 30, 2014.

- Mining segment — Non-controlling interests in the mining segment decreased by 46.9% to RMB115.0 million (US$18.5 million) in the six months ended June 30, 2014 from RMB216.4 million in the same period in 2013. The decrease reflected a decrease in profit for the six months ended June 30, 2014.

- Investment segment — Non-controlling interests in this segment shared losses in both periods, or, specifically, of RMB13.2 million (US$2.1 million) in the six months ended June 30, 2014 and RMB7.3 million in the same period in 2013.

- Asset management segment — Non-controlling interests in the asset management segment shared losses in both periods, or specifically, of RMB18.4 million (US$3.0 million) in the six months ended June 30, 2014 and RMB55.6 million in the same period in 2013.

Year Ended December 31, 2013 Compared with Year Ended December 31, 2012

Revenue. Revenue decreased by 1.4% to RMB51,016.9 million in 2013 from RMB51,764.7 million in 2012. The decrease was mainly attributable to a decrease in revenue of the steel segment.

- Insurance segment — Revenue in the pharmaceuticals and healthcare segment increased to RMB276.8 million in 2013 from nil in 2012. The increase in revenue was mainly due to the increase in revenue of Peak Reinsurance, which was the new subsidiary from December 2012 of our insurance segment.

- Industrial operations segment comprising:

  - Pharmaceuticals and healthcare segment — Revenue in the pharmaceuticals and healthcare segment increased by 36.3% to RMB9,921.5 million in 2013 from RMB7,278.3 million in 2012. The increase in revenue was mainly due to increase in sales of products manufactured by Fosun Pharma as well as increase in revenue from distribution of diagnostic products and medical services.

  - Property segment — Revenue in the property segment increased by 8.4% to RMB11,361.6 million in 2013 from RMB10,478.0 million in 2012. The increase was mainly due to the increased in the GFA booked by Forte in 2013.

  - Steel segment — Revenue in the steel segment decreased by 16.7% to RMB26,425.3 million in 2013 from RMB31,717.2 million in 2012. The decrease was primarily due to decrease in the prices of steel products as well as the sales volume.

  - Mining segment — Revenue in the mining segment in 2013 increased by 23.4% to RMB2,654.4 million, including intersegment sales of RMB155.3 million, from RMB2,151.5 million, including intersegment sales of RMB201.6 million, in 2012. The increase of revenue was mainly due to increase in selling price of iron ore as well as the sales volume.

- Investment segment — Revenue in the investment segment increased by 65.1% to RMB399.8 million, including intersegment sales of RMB81.4 million, in 2013 from RMB242.1 million including intersegment sales of RMB58.7 million, in 2012. The increase was primarily due to increase in property sales commission and service fee income from Resource Property.

- Asset management segment — Revenue in the asset management segment increased by 42.7% to RMB443.5 million in 2013 from RMB310.8 million in 2012. The increase was primarily due to additional management fee income in line with the expansion of asset management business.

Cost of sales. Cost of sales decreased by 4.2% to RMB40,658.5 million in 2013 from RMB42,439.7 million in 2012. The decrease was generally in line with the decrease in revenue of the steel business.

- Insurance segment — Cost of sales in the insurance segment increased to RMB249.6 million in 2013 from nil in 2012. Such increase was primarily due to the new subsidiary Peak Reinsurance which started operation from December 2012.

- Industrial operations segment comprising:

    - Pharmaceuticals and healthcare segment — Cost of sales in the pharmaceuticals and healthcare segment increased by 34.3% to RMB5,543.4 million in 2013 from RMB4,126.8 million in 2012. 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 21.4% to RMB8,812.0 million in 2013 from RMB7,258.6 million in 2012. Such increase was attributable to the increase in GFA booked by Forte in 2013 compared to 2012.

    - Steel segment — Cost of sales in the steel segment decreased by 17.8% to RMB25,158.5 million in 2013 from RMB30,591.4 million in 2012. Such decrease was primarily due to decrease in both sales volume and raw material costs.

    - Mining segment — Cost of sales in the mining segment increased by 41.7% to RMB963.2 million in 2013 from RMB679.7 million in 2012. Such increase was mainly due to increase in cost of raw material as well as increase in sales volume.

- Investment segment — Cost of sales in the investment segment increased by 37.0% to RMB165.0 million in 2013 from RMB120.4 million in 2012. Such increase was primarily due to the increase in advertising expenses and marketing costs which was in line with the increase in revenue.

- Asset management segment — Cost of sales in the asset management segment increased to RMB10.8 million in 2013 from nil in 2012.

Gross Profit. As a result of the foregoing, gross profit increased by 11.1% to RMB10,358.4 million in 2013 from RMB9,325.1 million in 2012.

- Insurance segment — Gross profit in the insurance segment increased to RMB27.2 million in 2013 from nil in 2012. Gross profit margin was 9.8% in 2013.

- Industrial operations segment comprising:

- Pharmaceuticals and healthcare segment — Gross profit in the pharmaceuticals and healthcare segment increased by 38.9% to RMB4,378.1 million in 2013 from RMB3,151.5 million in 2012. Gross profit margin increased to 44.1% from 43.3%, primarily as a result of increase of sales price of our major products according to the market condition.

- Property segment — Gross profit in the property segment decreased by 20.8% to RMB2,549.5 million in 2013 from RMB3,219.4 million in 2012. The property segment's gross profit margin decreased to 22.4% in 2013 from 30.7% in 2012 mainly due to change in property sales mix which included more delivery of projects with lower gross of margin.

- Steel segment — Gross profit in the steel segment increased by 12.5% to RMB1,266.8 million in 2013 from RMB1,125.8 million in 2012. Gross profit margin increased to 4.8% in 2013 from 3.5% in 2012 mainly because the extent of decrease in average price of raw materials far exceeded that of decrease in the average selling price of steel products.

- Mining segment — Gross profit in the mining segment increased by 14.9% to RMB1,691.2 million in 2013 from RMB1,471.8 million in 2012. Gross profit margin decreased to 63.7% in 2013 from 68.4% in 2012 mainly due to the increase in average price of raw materials far exceeded that of increase in the average selling price of iron ore.

- Investment segment — Gross profit in the investment increased by 93.0% to RMB234.9 million in 2013 from RMB121.7 million in 2012. Gross profit margin increased to 58.7% in 2013 from 50.3% in 2012, primarily as a result of increase of revenue as mentioned above.

- Asset management segment — Gross profit in the asset management increased by 39.2% to RMB432.7 million in 2013 from RMB310.8 million in 2012. Gross profit margin decreased to 97.6% in 2013 from 100% in 2012.

Other Income and Gains. Other income and gains increased to RMB8,853.4 million in 2013 from RMB5,295.8 million in 2012. The increase was mainly attributable to the increase in gain on disposal of available-for-sale investments, gain on fair value adjustment of investment properties, gain on disposal of equity investments at fair value through profit or loss, gain on deemed disposal of interests in associates and gain on acquisition of an associate.

- Gain on disposal of available-for-sale investments — Gain on disposal of available for sale investments increased to RMB1,822.8 million in 2013 from RMB747.8 million in 2012. The increase was attributable to the disposal of the securities of Huatai.

- Gain on fair value adjustment of investment properties — Gain on fair value adjustment of investment properties increased to RMB1,131.0 million in 2013 from RMB140.5 million in 2012, due primarily to the increased fair value adjustment of our investment property in Beijing and Hangzhou.

- 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 RMB949.2 million in 2013 from RMB194.6 million in 2012. In 2013, we disposed of the securities of Focus Media, Perfect World and E-house (China) Holdings Ltd. which resulted in the gain of RMB257.0 million, RMB115.0 million and RMB109.0 million, respectively.

- Gain on deemed disposal of interests in associates — Gain on deemed disposal of partial interests in associates increased to RMB473.1 million in 2013 from nil in 2012. The gain on deemed disposal of partial interests in associates mainly comprised the gain on deemed disposal of Sinopharm Investment.

- Gain on acquisition of an associate — Gain on acquisition of an associate increased to RMB441.6 million in 2013 from nil. The gain on acquisition of an associate in 2013 was the gain on acquisition 40% equity of Shanghai Dijie.

Operating Expenses. Operating expenses increased by 17.0% to RMB7,973.6 million in 2013 from RMB6,813.0 million in 2012.

- Insurance segment — Operating expenses in the insurance segment increased to RMB143.9 million in 2013 from RMB24.9 million in 2012. The increase was attributable to the increase in operating expenses of Peak Reinsurance, which obtained operation approval and business authorization from the relevant regulatory authorities in late 2012.

- Industrial operations segment comprising:

    - Pharmaceuticals and healthcare segment — Operating expenses in the pharmaceuticals and healthcare segment increased by 28.0% to RMB3,392.6 million in 2013 from RMB2,649.6 million in 2012. As a percentage of revenue, operating expenses in this segment decreased to 34.8% in 2013 from 36.4% in 2012.

        - Selling and distribution costs — Selling and distribution costs increased by 21.9% to RMB1,843.5 million in 2013 from RMB1,512.3 million in 2012. Such increase was primarily due to revenue growth from 2012 to 2013.

        - Administrative expenses. Administrative expenses increased by 27.9% to RMB1,014.4 million in 2013 from RMB793.1 million in 2012. Such increase was primarily due to an increase in staff costs and the amortization expenses of certain intangible assets.

        - Other expenses — Other expenses increased by 55.3% to RMB534.6 million in 2013 from RMB344.2 million in 2012. Such increase was primarily due to increase in the provision for the impairment of non-current assets classified as held for sales as well as the increase in R&D expenses.

    - Property segment — Operating expenses in the property segment increased by 10.5% to RMB1,055.3 million in 2013 from RMB954.6 million in 2012. As a percentage of revenue, operating expenses in this segment increased to 9.3% in 2013 from 9.1% in 2012.

        - Selling and distribution costs — Selling and distribution costs increased by 2.6% to RMB470.3 million in 2013 from RMB458.3 million in 2012. Such increase was primarily due to increase in staff costs in 2013.

        - Administrative expenses — Administrative expenses increased by 10.4% to RMB513.3 million in 2013 from RMB465.1 million in 2012. Such increase was primarily due to increase in staff costs, as well as the increase in property tax.

        - Other expenses — Other expenses increased by 129.8% to RMB71.7 million in 2013 from RMB31.2 million in 2012. Such increase was primarily due to increase in the penalty because of the arbitration of

Forte's subsidiary Beijing Baihong Property Development Co., Ltd. (北京柏宏房地产发展有限公司).

- Steel segment — Operating expenses in the steel segment increased by 13.0% to RMB1,934.9 million in 2013 from RMB1,735.3 million in 2012. As a percentage of revenue, operating expenses in this segment increased to 7.3% in 2013 from 5.5% in 2012.

  - Selling and distribution costs — Selling and distribution costs decreased by 11.8% to RMB399.0 million in 2013 from RMB452.2 million in 2012. Such decrease was primarily due to decrease in transportation fees, which was in line with the decrease in revenue.

  - Administrative expenses — Administrative expenses increased by 4.6% to RMB862.8 million in 2013 from RMB824.8 million in 2012, primarily due to the increase in staff costs.

  - Other expenses — Other expenses increased by 46.8% to RMB673.0 million in 2013 from RMB458.3 million in 2012. Such increase was primarily due to the increase in the provision for impairment of property, plant and equipment.

- Mining segment — Operating expenses in the mining segment increased by 1.8% to RMB376.4 million in 2013 from RMB369.7 million in 2012. As a percentage of revenue, operating expenses in this segment decreased to 14.2% in 2013 from 17.2% in 2012.

  - Selling and distribution costs — Selling and distribution costs decreased, by 11.8% to RMB9.0 million in 2013 from RMB10.2 million in 2012. Such decrease was primarily due to decrease in sales.

  - Administrative expenses — Administrative expenses increased by 6.0% to RMB326.8 million in 2013 from RMB308.3 million in 2012.

  - Other expenses — Other expenses decreased by 20.7% to RMB40.6 million in 2013 from RMB51.2 million in 2012. Such increase was mainly due to increase in miscellaneous expenses.

- Investment segment — Operating expenses in the investment segment decreased by 5.7% to RMB422.6 million in 2013 from RMB448.0 million in 2012. As a percentage of revenue, operating expenses in this segment decreased to 105.7% in 2013 from 185.1% in 2012.

  - Selling and distribution costs — Selling and distribution costs increased by 414.3% to RMB3.6 million in 2013 from RMB0.7 million in 2012. The increase was due to an increase in staff costs, which was in line with increase in revenue.

  - Administrative expenses — Administrative expenses increased by 23.5% to RMB364.4 million in 2013 from RMB295.0 million in 2012. Such increase was mainly attributable to increase in staff costs, traffic fees as the business expansion.

  - Other expenses — Other expenses decreased by 64.2% to RMB54.5 million in 2013 from RMB152.4 million in 2012. Such decrease was primarily due to our cut-down of miscellaneous expenses.

- Asset management segment — Operating expenses in this segment increased by 14.0% to RMB433.9 million in 2013 from RMB380.5 million in 2012. As a percentage of revenue, operating expenses in this segment decreased to 97.8% in 2013 from 122.4% in 2012, primarily as a result of our asset management business expansion.

Finance Costs. Finance costs slightly decreased by 0.3% to RMB2,765.9 million in 2013 from RMB2,773.7 million in 2012. The decrease was mainly attributable to the declining average interest rate of bank borrowings in 2013. The interest rates of borrowings in 2013 were between approximately 0.96% and 11%, as compared with between approximately1.44% and 15% in 2012.

- Insurance segment —Finance income/costs in the insurance segment represented interest income and bank charges. We recorded finance income of RMB0.1 million in 2012 and nil finance costs under our insurance segment in 2013.

- Industrial operations segment comprising:

    - Pharmaceuticals and healthcare segment — Finance costs in the pharmaceuticals and healthcare segment decreased by 5.4% to RMB350.5 million in 2013 from RMB370.5 million in 2012.

    - Property segment — Finance costs in the property segment increased by 14.1% to RMB326.9 million in 2013 from RMB286.5 million in 2012.

    - Steel segment — Finance costs in the steel segment decreased by 21.3% to RMB930.2 million in 2013 from RMB1,182.1 million in 2012.

    - Mining segment — Finance costs in the mining segment increased by 0.7% to RMB42.2 million in 2013 from the RMB41.9 million in 2012.

- Investment segment — Finance costs in this segment increased by 40.3% to RMB1,236.8 million in 2013 from RMB881.5 million in 2012.

- Asset management segment — Finance costs in this segment increased by 0.8% to RMB13.3 million in 2013 from RMB13.2 million in 2012.

Share of Profits and Losses of Joint Ventures. Share of profits and losses of joint ventures represented a loss of RMB118.7 million in 2013 compared to a profit of RMB69.1 million in 2012. The loss was primarily due to the decrease in share of profits and losses of joint ventures in property segment. Such decrease was mainly contributed by Chengdu Property Co., Ltd. as no property projects was completed to sales in 2013.

Share of Profits and Losses of Associates. Share of profits of associates increased to RMB1,407.6 million in 2013 from RMB1,174.8 million in 2012. The increase was mainly attributable to the increase in share of profits of associates in the property and investment segments, which was partially net off by the decrease in share of profits of associates in the pharmaceuticals and healthcare segment.

- Insurance segment — Share of profits of associates in the insurance segment increased to RMB22.7 million in 2013 from nil in 2012. Such increase was mainly contributed to the improved operating results of Yong'An P&C Insurance.

- Industrial operations segment comprising:

    - Pharmaceuticals and healthcare segment — Share of profits of associates in the pharmaceuticals and healthcare segment decreased by 3.6% to RMB782.5 million in 2013 from RMB811.5 million in 2012. Such increase was mainly attributable to the disposal of the associates Tongjitang in October 2013.

- Property segment — Share of profits of associates in the property segment increased by 10.3% to RMB197.7 million in 2013 from RMB179.2 million in 2012. Such increase was mainly contributed by Fuxin Property and Chengdu Yincheng Property due to the sale of completed properties in 2013.

- Steel segment — Share of profits of associates in the steel segment increased by 119.0% to RMB4.6 million in 2013 from RMB2.1 million in 2012 which was primarily due to improved operating results of Jianlong Group, the major associate in the steel segment.

- Mining segment — We realized nil share of profits and losses under our mining segment.

- Investment segment — Share of profits of associates in this segment increased by 119.8% to RMB400.1 million in 2013 from RMB182.0 million in 2012. Such increase was mainly attributable to the improved operating results of Yuyuan and the privatization of Focus Media in 2013.

- Asset management segment — We realized nil share of profits or losses under our asset management segment.

Tax. Tax increased by 43.1% to RMB1,908.5 million in 2013 from RMB1,334.1 million in 2012.

- Insurance segment — We recorded tax of RMB9.0 million in 2013 and nil tax under our insurance segment in 2012. Such increase was mainly attributable to the increase of taxable profits of Peak Reinsurance.

- Industrial operations segment comprising:

    - Pharmaceuticals and healthcare segment — Tax for the pharmaceuticals and healthcare segment increased to RMB506.3 million in 2013 from RMB283.8 million in 2012. Such increase was mainly attributable to the increase of taxable profits in 2013 as compared to 2012.

    - Property segment — Tax for the property segment increased by 20.5% to RMB1,015.0 million in 2013 from RMB842.3 million in 2012. Such increase was mainly attributable to the increase of taxable profits in 2013 as compared to 2012.

    - Steel segment — Tax credit for the steel segment decreased by 45.9% to RMB149.0 million in 2013 from RMB275.5 million in 2012. Such decrease was primarily due to the decrease of taxable losses in 2013 as compared to 2012.

    - Mining segment — Tax for the mining segment increased by 6.6% to RMB335.7 million in 2013 from RMB315.0 million in 2012. Such increase was mainly attributable to the increase of taxable profits in 2013 as compared to 2012.

- Investment segment — Tax for this segment decreased by 23.3% to RMB187.8 million in 2013 from RMB245.0 million in 2012. Such decrease was mainly attributable to the decrease of taxable profits in 2013 as compared to 2012.

- Asset management segment — Tax for this segment changed to a tax expense of RMB18.6 million in 2013 from a tax credit of RMB16.0 million in 2012. Such decrease was mainly attributable to the increase of taxable profits in 2013 as compared to 2012.

Profit for the Year. As a result of the foregoing, profit for the year increased by 58.8% to RMB7,852.8 million in 2013 from RMB4,943.9 million in 2012.

- Insurance segment — Profit for the year in the insurance segment was RMB619.1 million in 2013 compared to a loss for the year of RMB58.7 million in 2012.

- Industrial operations segment comprising:

    - Pharmaceuticals and healthcare segment — Profit for the year in the pharmaceuticals and healthcare segment increased by 30.3% to RMB2,399.9 million in 2013 from RMB1,841.6 million in 2012.

    - Property segment — Profit for the year in the property segment increased by 23.4% to RMB2,180.4 million in 2013 from RMB1,767.3 million in 2012.

    - Steel segment — Profit for the year in the steel segment changed to a profit of RMB506.6 million in 2013 from a loss of RMB586.9 million in 2012.

    - Mining segment — Profit for the year in the mining segment increased by 30.2% to RMB1,003.9 million in 2013 from RMB771.3 million in 2012.

- Investment segment — Profit for the year in this segment decreased by 10.0% to RMB1,783.8 million in 2013 from RMB1,983.1 million in 2012.

- Asset management segment — Loss for the year in the asset management segment decreased by 27.8% to RMB36.9 million in 2013 from RMB51.1 million in 2012.

Non-controlling interests. Non-controlling interests increased by 88.7% to RMB2,333.8 million in 2013 from RMB1,236.7 million in 2012.

- Insurance segment – Non-controlling interests in the insurance segment increased to RMB95.5 million in 2013 from a loss of RMB3.7 million in 2012. The increase reflected an increase in profit for the year 2013.

- Industrial operations segment comprising:

    - Pharmaceuticals and healthcare segment – Non-controlling interests in the pharmaceuticals and healthcare segment increased by 40.5% to RMB1,571.1 million in 2013 from RMB1,118.2 million in 2012. The increase reflected an increase in profit for the year 2013.

    - Property segment — Non-controlling interests in the property segment decreased by 41.0% to RMB144.5 million in 2013 from RMB245.1 million in 2012. The decrease was mainly due to a decrease in profit for the year 2013.

    - Steel segment — Non-controlling interests in the steel segment increased by 146.3% to a profit of RMB137.7 million in 2013 from a loss of RMB297.6 million in 2012. The increase reflected a change from loss-making to profit-making in that segment.

    - Mining segment — Non-controlling interests in the mining segment increased by 30.2% to RMB401.6 million in 2013 from RMB308.5 million in 2012. The increase reflected an increase in profit for the year 2013.

- Investment segment — Non-controlling interests in this segment shared a profit of RMB2.2 million in 2013 and a loss of RMB22.7 million in 2012.

- Asset management segment — Non-controlling interests in the asset management segment shared losses in both years, or, specifically, of RMB87.9 million in 2013 and RMB112.1 million in 2012.

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, 2014, we had cash and cash equivalents of RMB33,033.3 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 Prospectus.

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,	
	2012	2013	2014	2014
	RMB	RMB	RMB	US$
	(audited)		(unaudited)	
	(in thousands)			
Net cash flows from/(used in) operating activities	7,540,209	155,716	(1,560,936)	(251,618)
Net cash flows used in investing activities	(6,838,141)	(19,919,802)	(12,389,330)	(1,997,119)
Net cash flows from/(used by) financing activities	4,586,025	13,068,554	16,948,337	2,732,016
Net increase (decrease) in cash and cash equivalents	5,288,093	(6,695,532)	2,998,071	483,279

Cash Flows from/(used in) Operating Activities

Cash inflow generated from operating activities in 2012 was RMB10,638.8 million and profit before tax was RMB6,278.0 million. Cash generated from operating activities before changes in working capital was RMB5,083.6 million. Changes in working capital balances resulted in an RMB5,555.2 million positive adjustment of cash flows mainly attributable to (i) a decrease of RMB887.4 million in trade and notes receivables due to the decrease in Nanjing Nangang's trade receivables and its increasing bill discount activities; (ii) an increase of RMB4,119.3 million in trade and notes payables primarily resulting from an extended commercial credit facility obtained from upstream corporations in Nanjing Nangang and the accelerated property development of Forte; and (iii) an increase of RMB3,973.4 million in accrued liabilities and other payables owing to the increase in the customers' prepayment in Forte. This positive adjustment was partially offset by (i) an increase of RMB3,238.1 million in properties under development and an increase of RMB1,628.8 million in completed properties held for sale, both of which were mainly due to the increase in the investment in property development projects; (ii) an increase of RMB283.1 million in prepayments, deposits and other receivables; and (iii) an increase of RMB362.1 million in amounts due from related companies mainly due to the financial assistance pro rata granted to co-developing and jointly developing projects in accordance with our shareholding in such projects in the property business. Interest paid of RMB661.5 million and income tax paid of RMB2,437.1 million also contributed to cash outflow for the year ended December 31, 2012.

Cash inflow generated from operating activities in 2013 was RMB3,429.6 million and profit before tax was RMB9,761.3 million. Cash generated from operating activities before changes in working capital was RMB5,341.6 million. Changes in working capital balances resulted in an RMB1,911.9 million negative adjustment of cash flows mainly attributable to (i) an increase of RMB2,961.1 million in properties under development and an increase of RMB4,368.8 million in completed properties held for sale, both were mainly due to the increase in the investment in property development projects; (ii) an increase of RMB4,012.2 million in prepayments, deposits and other receivables mainly due to the increase in prepaid taxes and levies in connection with the growth of property pre-sales as well as the increase of funding provided to third parties for property development and the increase in reinsurance receivables; and (iii) a decrease of RMB239.1 million in amounts due to related companies mainly due to the repayment to the related company Hainan Steel Group(海南钢铁集团) in 2013. This negative adjustment was partially offset by (i) a decrease of RMB1,131.4 million in trade and notes receivables due to the decrease in Nanjing Nangang's accounts receivable with the decline in sales revenue and its increasing bill discount activities; (ii) an increase of RMB6,850.3 million in accrued liabilities and other payables was mainly due to the increase in prepayments by customers of Forte, as well as the increase of reinsurance contract liabilities of the insurance segment; and (iii) an increase of RMB697.5 million in deposit from customers. Interest paid of RMB1,073.4 million and income tax paid of RMB2,200.5 million also contributed to cash outflow for the year ended December 31, 2013.

Cash flows used in our operating activities for the six months ended June 30, 2014 was RMB1,560.9 million (US$251.6 million) and profit before tax was RMB3,483.2 million (US$561.5 million) primarily due to the increase in property under development. This negative adjustment was partially offset by an increase in trade payable.

Cash Flows from Investing Activities

In 2012, net cash outflow from investing activities was RMB6,838.1 million, mainly comprising cash used by our Group to (i) purchase property, plant and equipment in the amount of RMB4,255.4 million; (ii) purchase available-for-sale investments of RMB780.7 million and equity investments at fair value through profit or loss of RMB2,073.3 million; and (iii) acquisition of joint ventures, such as Harbin Xinghao Real Estate Development Co., Ltd. (哈爾濱星浩房地產發展有限公司) and Pramerica Fosun Life Insurance, of RMB1,966.7 million; (iv) acquisition of subsidiaries, such as Zhejiang Dongyang China Woodcarving Culture City Co., Ltd. (浙江東陽中國木雕城有限公司), Ningbo Zhongrui Investment Co., Ltd. (寧波中瑞投資有限公司), Ningbo Baolai Property Co., Ltd. (寧波寶來置業有限公司) and Ningbo Hucheng Property Co., Ltd. (寧波滸城置業有限公司), of RMB1,387.2 million; and (v) purchase available-for-sale investments of RMB780.7 million. Cash outflow was partially offset by cash inflow resulting from (i) proceeds from the disposal of available-for-sale investments of RMB1,581.3 million; (ii) proceeds from the disposal of equity investments at fair value through profit or loss of RMB1,461.2 million (US$234.5 million); (iii) dividends received from associates of RMB548.5 million.

In 2013, net cash outflow from investing activities was RMB19,919.8 million, mainly comprising cash used by our Group to (i) purchase property, plant and equipment in the amount of RMB6,448.0 million; (ii) purchase available-for-sale investments of RMB3,104.1 million and equity investments at fair value through profit or loss of RMB8,354.0 million; and (iii) acquisition of subsidiaries, such as Hunan Dongting Pharmaceutical Co., Ltd., of RMB7,899.8 million, associates of RMB1,307.0 million and joint ventures of RMB1,984.3 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 RMB5,325.4 million; (ii) proceeds from the disposal of available-for-sale investments of RMB2,998.1 million; and (iii) proceeds from disposal of associates and disposal of partial interests in associates of RMB1,426.6 million.

For the six months ended June 30, 2014, net cash outflow from investing activities was RMB12,389.3 million (US$1,997.1 million), mainly comprising cash used by our Group to (i) acquisition of subsidiaries in the amount of RMB8,405.6 million; (ii) purchase of available-for-sale investments at fair value, and equity investments through profit or loss of RMB3,804.7 million; (iii) increase in pledged bank balances and time deposits with original maturity of more than three months of RMB2,699.9 million; and (iv) purchase of items of property, plant and equipment, prepaid land lease payments, intangible assets, mining rights, and exploration and evaluation assets of RMB2,665.9 million. Cash outflow was partially offset by cash inflow resulting from net cash inflow from investing activities of foreign insurance business in the amount of RMB2,868.3 million; and (ii) proceeds from disposal of available-for-sale investments and equity investments at fair value through profit or loss of RMB1,740.5 million

Cash Flows from Financing Activities

In 2012, net cash inflow from financing activities was RMB4,586.0 million, primarily comprising (i) new bank and other borrowings of RMB46,217.3 million; and (ii) capital contribution from non-controlling shareholders of subsidiaries of RMB5,143.2 million. Cash inflow was partially offset by (i) repayment of bank and other borrowings of RMB43,208.7 million; (ii) RMB2,649.7 million interest paid; and (iii) dividends paid to non-controlling shareholders of subsidiaries of RMB860.7 million.

In 2013, net cash inflow from financing activities was RMB13,068.6 million, primarily comprising (i) new bank and other borrowings of RMB52,945.4 million; and (ii) issuance of convertible bonds of RMB3,037.5 million. Cash inflow was partially offset by (i) repayment of bank and other borrowings of RMB38,738.3 million; (ii) RMB2,518.1 million interest paid; and (iii) dividends paid to non-controlling shareholders of subsidiaries of RMB1,209.3 million.

In the six months ended June 30, 2014, net cash inflow from financing activities was RMB16,948.3 million (US$2,732.0 million), primarily due to comprising new bank and other borrowings of RMB37,269.2 million. Cash inflow was partially offset by (i) repayment of bank and other borrowings of RMB18,297.2 million and (ii) net cash outflow from financing activities of foreign insurance business of RMB2,756.6 million.

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 Prospectus.

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 Prospectus.

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,	
	2012	2013	2014	2014
	RMB	RMB	RMB	US$
	(audited)		(unaudited)	
	(in thousands)			
Insurance segment	—	2,455	8,714	1,405
Industrial operations segment	4,724,405	7,352,054	3,327,527	563,386
Pharmaceuticals and healthcare	1,163,155	1,095,787	944,628	152,271
Property	39,094	36,494	4,366	704
Steel	2,992,456	5,774,491	2,156,369	347,600
Mining	529,700	445,282	222,164	35,811
Investment segment	98,871	14,553	119,666	19,290
Asset management segment	8,687	2,584	—	—
Total	4,831,963	7,371,646	3,455,907	557,081

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, 2014, our total consolidated debt was RMB87,532.6 million. The table below presents the amounts due by year of maturity for our total debt obligations outstanding as of June 30, 2014.

	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	37,363.0	12,333.1	11,469.2	2,219.0	63,384.3
Loans from related companies	199.7	-	-	-	199.7
Debt securities					
Nanjing Steel United enterprise bonds	1,235.0	1,233.3	3,977.5	-	6,445.8
Forte domestic corporate bonds	1,898.5	-	-	-	1,898.5
Fosun Group corporate bonds	-	-	1,094.9	-	1,094.9

Fosun Pharma medium-term notes	-	2,586.3	-	-	2,586.3
Fosun Pharma corporate bonds	-	-	1,492.2	-	1,492.2
Senior notes	-	1,833.9	-	2,195.8	4,029.7
Convertible bonds	-	-	2,418.3	-	2,418.3
Private placement notes	1,995.1	1,987.8	-	-	3,982.9
	42,691.3	19,974.4	20,452.1	4,414.8	87,532.6

As of June 30, 2014, the Group had unutilized banking facilities of RMB103,919.8 million.

For a more detailed discussion of our material indebtedness, see "Description of Other Material Indebtedness" in this Prospectus.

Operating Lease Arrangements and Capital Commitments

We lease certain of our office properties, shop lots, land and plant buildings under operating lease arrangements. As of June 30, 2014, our total future minimum lease payments under non-cancellable operating leases were RMB993,071.0 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, 2014, our Group's capital commitments contracted but not provided for were RMB12,483.4 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, 2014 included elsewhere in this Prospectus 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, 2014, we had issued guarantees of RMB541.0 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 Prospectus.

We had also, as of June 30, 2014, issued guarantees of RMB2,501.0 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.

Total contingent liabilities of our Group as of June 30, 2014 were RMB3,092.0 million, compared with RMB3,166.4 million as of December 31, 2013. During the years ended December 31, 2012 and 2013 and the six months ended June 30, 2014, 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. 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 Prospectus.

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, 2014, 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, 2014, 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 2.6% in 2012 and an overall inflation rate of

2.6% in 2013. 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 on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of profit or loss 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 statement of profit or loss (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, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized 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 utilized, except (i) 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 (ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, 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 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 assets are 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.

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 joint ventures, 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 statement of profit or loss 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

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, our Group elects whether to measure the non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation 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-related 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 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 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 has been allocated to 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. Goodwill disposed of in this circumstance is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

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 statement of profit or loss 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 statement of profit or loss 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 statement of profit or loss.

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 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. 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.

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 positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in the consolidated statement of profit or loss. 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 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 includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in other income and gains in the consolidated statement of profit or loss. The loss arising from impairment is recognized in the consolidated statement of profit or loss in finance costs for loans and in other expenses for receivables.

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 investments revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the statement of profit of loss 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 investments revaluation reserve to the statement of profit or loss in other gains or losses. 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 statement of profit or loss 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 if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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 statement of profit or loss.

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 primarily derecognized (i.e. removed from the Group's consolidated statement of financial position) 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 Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. 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 statement of profit or loss 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 statement of profit or loss 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 statement of profit or 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 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 statement of profit or loss.

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 prices 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 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 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 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 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 joint ventures 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:

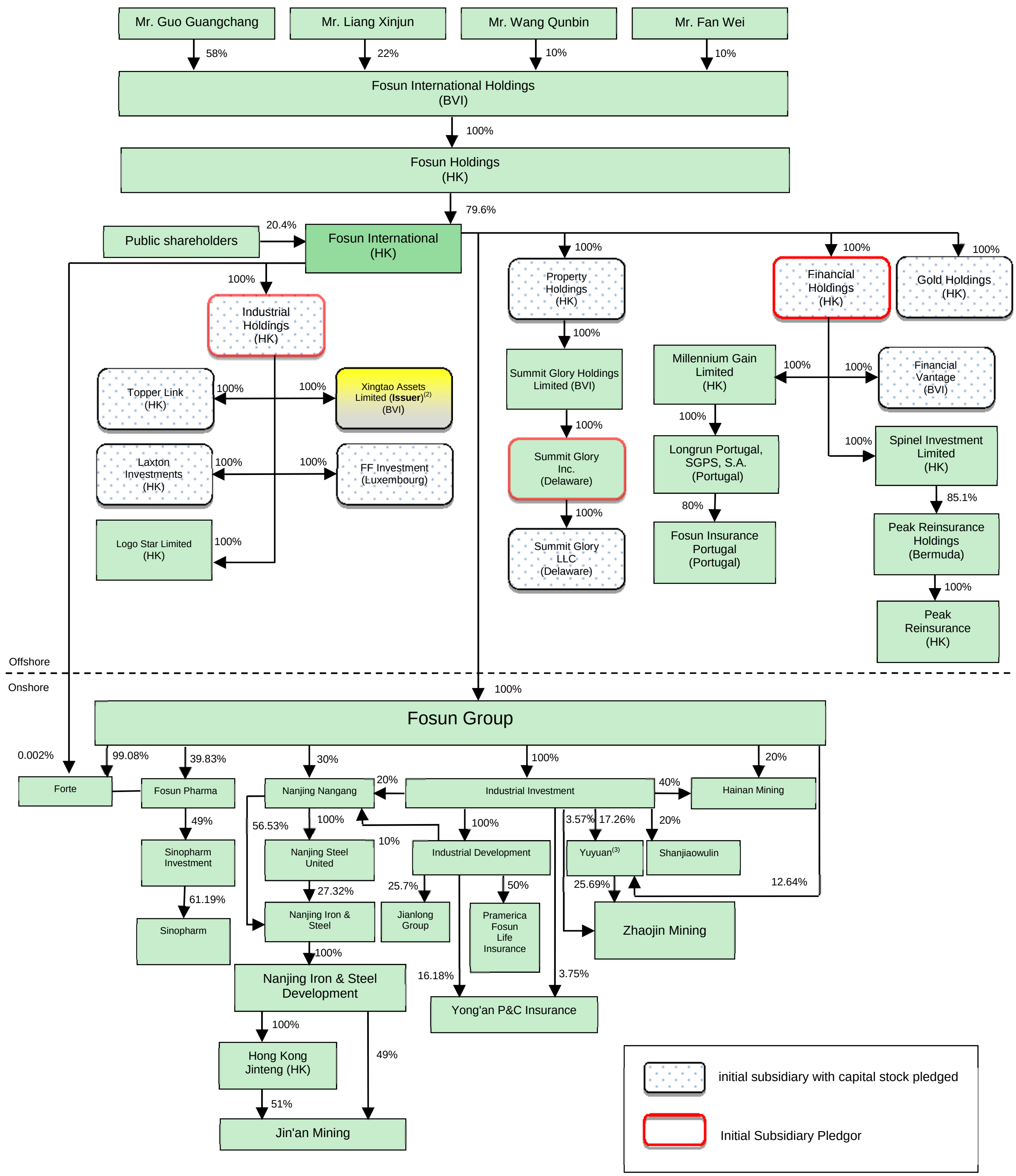
	Year ended December 31,		Six months ended June 30,		
	2012	2013	2013	2014	
	RMB	RMB	RMB	RMB	US$
			(in thousands)		
Profit for the year/period	4,943,908	7,852,769	3,026,527	2,724,140	439,122
Adjustments					
Interest expenses..........................	2,727,815	2,660,956	1,250,974	1,562,662	251.896
Amortization	175,944	152,380	77,330	93,272	15,035
Tax	1,334,085	1,908,511	821,350	759,040	122,355
Depreciation	1,567,161	1,588,489	809,645	893,413	144,016
EBITDA	10,748,913	14,163,105	5,985,826	6,032,527	972,424

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.

CORPORATE STRUCTURE

Corporate Structure

The following structural chart sets forth our basic corporate structure as of June 30, 2014[(1)]:



Notes:

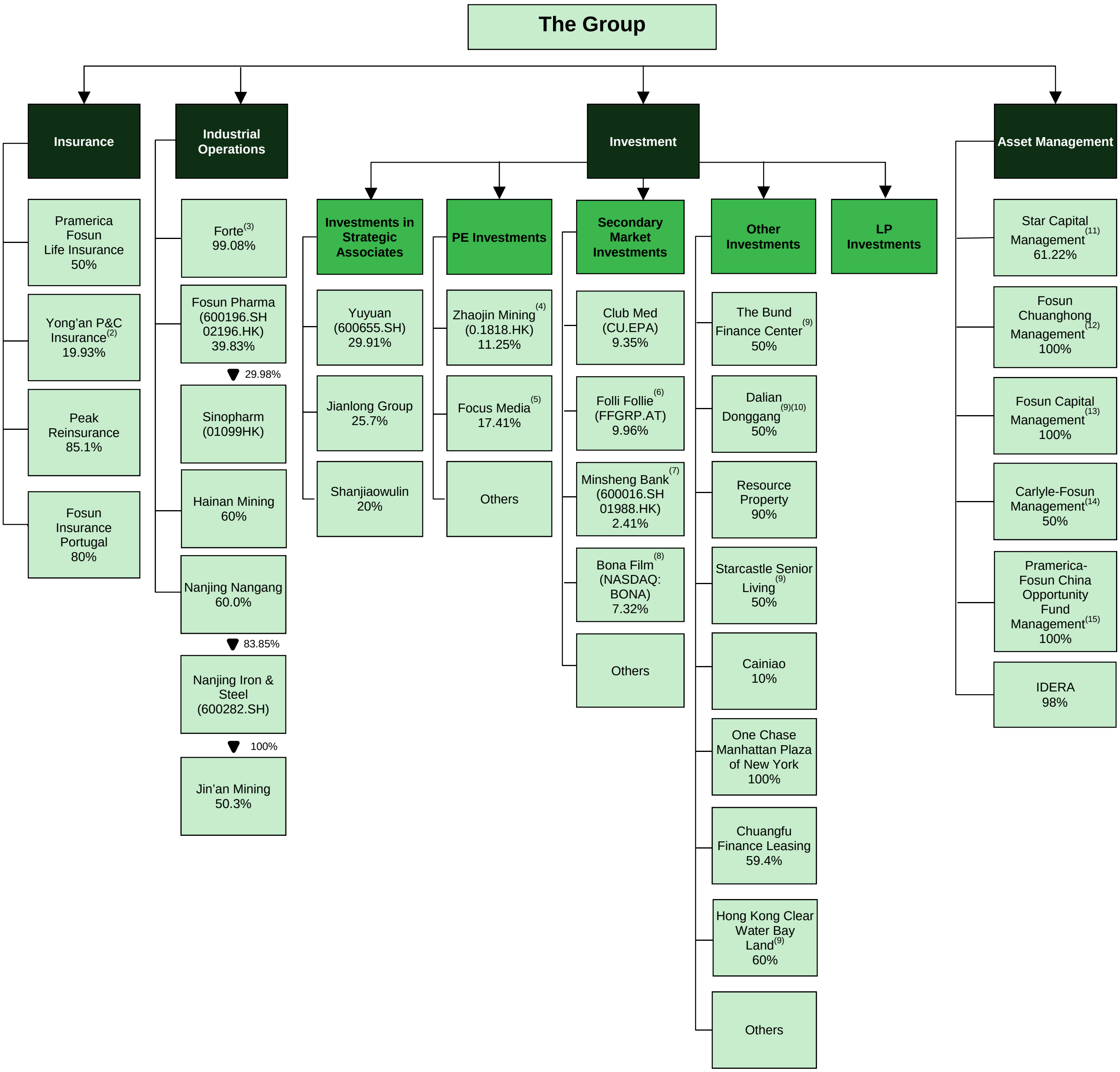
(1) The basic corporate structure depicts our major subsidiaries, joint ventures and associates. Unless otherwise specifically indicated, the place of incorporation of the various entities set forth above is the PRC.

(2) Xingtao Assets Limited was incorporated on August 25, 2014.

(3) Fosun Group held a 12.64% equity interest in Yuyuan directly, a 17.26% equity interest in Yuyuan through Industrial Investment and a 0.01% equity interest in Yuyuan through Shanghai Fosun Pioneering Investment Management Co. Ltd. Fosun Group's aggregate equity interest in Yuyuan is 29.91%. In addition, Nanjing Iron & Steel held 20,000 shares in Yuyuan.

Segment Presentation

The following structural chart sets forth the presentation of our segments (shareholding percentages represent effective equity interests as of June 30, 2014):



Notes:

(1) Shareholding held percentages represent effective equity interests as at June 30, 2014.

(2) The Group held the equity interests in Yong'an P&C Insurance through the subsidiaries. Industrial Development and Industrial Investment, as to 16.18% and 3.75% respectively.

(3) Results of Forte real estate series fund are included.

(4) The Group held 3.57% equity interests in Zaojin Mining via its subsidiary Industrial Investment. As Yuyuan, 29.91% owned associate of the Group, also held 25.69% equity interests in Zhaojin Mining, the Group held totally 11.25% effective equity interests in Zhaojin Mining.

(5) The Group held 17.41% shares of Giovanna Group Holdings Limited while Giovanna Group Holdings Limited indirectly wholly owns Focus Media.

(6) The Group held 9.96% equity interests in Folli Follie. In addition, Pramerica-Fosun China Opportunity Fund held 3.89% equity interests through its wholly-owned subsidiary.

(7) The Group held its A shares through its subsidiary, Nanjing Iron & Steel, and its wholly-owned subsidiary, Industrial Development, representing 0.66% and 0.35% of its total number of A shares respectively; the Company and its wholly-owned subsidiary Topper Link held its H shares representing 9.15% of its total number of H shares. In addition, Pramerica-Fosun Opportunity Fund held its H shares representing 0.51% of its total number of H shares.

(8) The Group held a total equity interest of 7.5% in Bona Film through its subsidiaries of Orrick Investments Limited, Peak Reinsurance and Fidelidade. In July 2014, the Group increased its equity interest in Bona Film to 20.8% through Fidelidade.

(9) The names of the Group's investment projects.

(10) The Group directly held 50% equity interests while the other 50% were held by Star Capital Fund. As a result the Group held its effective equity interests of 64%.

(11) Star Capital Management, general partner of Star Capital Fund.

(12) Fosun Chuanghong Management, general partner of Fosun Chuanghong Fund.

(13) Fosun Capital Management, general partner of Fosun Capital Fund.

(14) Carlyle-Fosun Management, general partner of Carlyle-Fosun Fund.

(15) Pramerica-Fosun China Opportunity Fund Management, general partner of Pramerica-Fosun China Opportunity Fund.

Our Major Subsidiaries, Joint Ventures and Associates

As of June 30, 2014, our Company's ownership interests in its major subsidiaries, joint ventures and associates were as follows:

Name of company	Place and date of incorporation/registration and place of business	Effective equity interest attributable to our Company	Principal activities
上海復星高科技（集團）有限公司 (Shanghai Fosun High Technology (Group) Co., Ltd.)	PRC/Mainland China 21 November 1994	100.0%	Investment holding

Name of company	Place and date of incorporation/registration and place of business	Effective equity interest attributable to our Company	Principal activities
上海復星工業技術發展有限公司 (Shanghai Fosun Industrial Technology Development Co., Ltd.)	PRC/Mainland China 4 August 2003	100.0%	Investment holding
上海復星產業投資有限公司 (Shanghai Fosun Industrial Investment Co., Ltd.)	PRC/Mainland China 22 November 2001	100.0%	Investment holding
南京南鋼鋼鐵聯合有限公司 (Nanjing Nangang Iron & Steel United Co., Ltd.)	PRC/Mainland China 20 May 2009	60.0%	Manufacture and sale of iron and steel products
南京鋼鐵聯合有限公司 (Nanjing Iron & Steel United Co., Ltd.)	PRC/Mainland China 24 March 2003	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/Mainland China 27 September 2009	50.3%	Manufacture and sale of iron and steel products
南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.)	PRC/Mainland China 18 March 1999	50.3%	Manufacture and sale of iron and steel products
南京鋼鐵有限公司 (Nanjing Iron & Steel Limited)	PRC/Mainland China 28 June 2001	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)	Hong Kong 20 June 2005	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/Mainland China 15 April 1998	50.3%	International trading
安徽金安礦業有限責任公司 (Anhui Jin'an Mining Co., Ltd.)	PRC/Mainland China 24 July 2006	50.3%	Mining and ore processing
上海復星醫藥（集團）股份有限公司 (Shanghai Fosun Pharmaceutical (Group) Co., Ltd.)	PRC/Mainland China 31 May 1995	39.8%	Pharmaceutical manufacturing, pharmaceutical distribution and retail, healthcare services and diagnostic products and medical devices
上海復星醫藥產業發展有限公司 (Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.)	PRC/Mainland China 27 November 2001	39.8%	Investment holding

Name of company	Place and date of incorporation/registration and place of business	Effective equity interest attributable to our Company	Principal activities
錦州奧鴻藥業有限責任公司 (Jinzhou Aohong Pharmaceutical Co., Ltd.)	PRC/Mainland China 28 January 2002	37.0%	Manufacture and sale of pharmaceutical products
江蘇萬邦生化醫藥股份有限公司 (Jiangsu Wanbang Biopharmaceutical Co., Ltd.)	PRC/Mainland China 30 December 1998	37.9%	Manufacture and sale of pharmaceutical products
湖北新生源生物工程股份有限公司 (Shine Star (Hubei) Biological Engineering Co., Ltd.)	PRC/Mainland China 10 December 2001	20.3%	Manufacture and sale of pharmaceutical products
復地（集團）股份有限公司 (Shanghai Forte Land Co., Ltd.)	PRC/Mainland China 13 August 1998	99.1%	Property development
上海復地投資管理有限公司 (Shanghai Forte Investment Co., Ltd.)	PRC/Mainland China 21 July 2006	99.1%	Investment holding
武漢中北房地產開發有限公司 (Wuhan Zhongbei Property Development Co., Ltd.)	PRC/Mainland China 3 April 2007	69.3%	Property development
南京潤昌房地產開發有限公司 (Nanjing Runchang Property Development Co., Ltd.)	PRC/Mainland China 1 April 2009	99.1%	Property development
浙江復地置業發展有限公司 (Zhejiang Forte Property Development Co., Ltd.)	PRC/Mainland China 20 November 2006	74.3%	Property development
長春兆基房地產開發有限公司 (Changchun Zhaoji Real Estate Development Co., Ltd.)	PRC/Mainland China 8 February 2007	99.1%	Property development
成都復地置業有限公司 (Chengdu Forte Land Co., Ltd)	PRC/Mainland China 25 June 2008	99.1%	Property development
海南礦業股份有限公司 (Hainan Mining Co., Ltd.)	PRC/Mainland China 22 August 2007	60.0%	Mining and ore processing
上海創富投資管理有限公司 (Fosun Capital Investment & Management Co., Ltd.)	PRC/Mainland China 28 April 2007	100.0%	Capital investment and management
鼎睿再保險有限公司 (Peak Reinsurance Company Limited)	Hong Kong 23 November 2010	85.1%	Reinsurance

Name of company	Place and date of incorporation/registration and place of business	Effective equity interest attributable to our Company	Principal activities
Fidelidade-Campanhia de Seguros, S.A.	Portugal 7 October 1835	80%	Insurance
Summit Glory LLC	Delaware USA 6 November 2013	100%	General business
國藥產業投資有限公司 (Sinopharm Industrial Investment Co., Ltd.)	PRC/Mainland China 6 May 2008	19.5%	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/Mainland China 13 May 1992	29.91%	Retail
天津建龍鋼鐵實業有限公司 (Tianjin Jianlong Iron & Steel Industrial Co., Ltd.)	PRC/Mainland China 14 September 2010	25.7%	Manufacture and sale of iron and steel products
上海証大房地產有限公司 (Shanghai Zendai Property Limited)	Bermuda/Mainland China 28 July 2004	16.2%	Property investment and management
永安財產保險股份有限公司 (Yong'an Insurance Co., Ltd.)	PRC/Mainland China 13 September 1996	19.9%	Insurance
Giovanna Group Holdings Limited	Cayman Island/ Mainland China 22 October 2012	17.4%	Investment and management in digital media business
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/Mainland China 26 April 2010	50.0%	Property investment and management
無錫復地房地產開發有限公司 (Wuxi Forte Real Estate Development Co., Ltd.)	PRC/Mainland China 28 September 2004	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.)	PRC/Mainland China 22 September 1992	49.5%	Property development

BUSINESS

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 Purchaser, 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. Such information has been accurately reproduced and that as far as we are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, 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 an insurance-oriented investment group taking roots in China with a global foothold with a select portfolio of businesses benefiting from China's growth momentum. As a result of our rapid growth since our incorporation, we have established what we believe to be 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 the value of our investment portfolio 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 aim to become a world-class investment group underpinned by the twin drivers of insurance-oriented comprehensive financial capability and industry-rooted global investment capability.

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 promoting brands, 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 to support our Group's sustainable development.

Currently, our operation consists of four business segments: (i) insurance, (ii) industrial operations, comprising four portfolio companies, namely Fosun Pharma, Forte, Nanjing Nangang and Hainan Mining, which are engaged in pharmaceuticals and healthcare, property, steel and mining businesses, respectively, (iii) investment, and (iv) asset management. 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, Focus Media, Club Med, Folli Follie, Bona Film and Minsheng Bank. 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. The total assets of our insurance segment accounted for 37% of consolidated total assets of the group as of June 30, 2014. Our asset management business segment managed USD and RMB funds with a total committed amount of RMB33,946.5 million as of June 30, 2014.

For the years ended December 31, 2012 and 2013 and the six months ended June 30, 2013 and 2014, our consolidated revenue was RMB51,764.7 million, RMB51,016.9 million**,** RMB23,970.6 million and RMB24,795.9 million, respectively, and our profit was RMB4,943.9 million, RMB7,852.8 million, RMB3,026.5 million and RMB2,724.1 million, respectively.

Messrs. Guo Guangchang, Liang Xinjun, Wang Qunbin and Fan Wei are founders of our Company. As of June 30, 2014, they owned a 58%, 22%, 10% and 10% equity interest in Fosun International Holdings, respectively, which in turn held a 79.6% 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 June 30, 2014:

Business segment	Principal Portfolio Companies	Equity Interest [(1)]	Principals Products and Services
Insurance	Yong'an P&C Insurance	19.93%	Property and casualty insurance
	Pramerica Fosun Life Insurance	50%	Life insurance and health insurance
	Peak Reinsurance	85.1%	Reinsurance
	Fosun Insurance Portugal	80%[(2)]	Life and non-life insurance
Industrial operations........	Fosun Pharma	39.83%[(3)]	Pharmaceutical manufacturing, pharmaceutical distribution and retail, healthcare services and diagnosis products and medical devices
	Forte	99.08%	Development and sale of residential and non-residential property and related business
	Nanjing Nangang	60%	Production and sale of medium and heavy steel plates, steel bars, wire rods, steel strips and section steel
	Hainan Mining	60%	Iron ore mining and ancillary processing
Investment	Yuyuan	29.91%	Gold jewelry retail and wholesale, food and beverage business, and non-residential property leasing
	Jianlong Group	25.7%	Production and sale of medium wide hot and cold strips, hot rolling coils, and reinforcing bars and wire
	Shanjiaowulin	20%	Coking coal mining and ancillary processing
	Focus Media	17.41%	Media advertising platforms
	Club Med	9.35%	Leisure and hospitality

Business segment	Principal Portfolio Companies	Equity Interest (1)	Principals Products and Services
	Folli Follie[(4)]	9.96%	Fashion retail shop
	Minsheng Bank[(5)]	2.41%	Commercial bank
	Bona Film	7.5%	Movie production, distribution and movie theatre
	Other investments	N/A	Investments in pre-IPO, post-IPO and other projects
Asset management	Fosun Capital Management	100%	RMB private equity fund management
	Star Capital Management	61.22%	RMB real estate fund management
	Fosun Chuanghong Management	100%	RMB private equity fund management
	Carlyle-Fosun Management	50%	QFLP fund management
	Pramerica-Fosun China Opportunity Fund Management	100%	U.S. dollar fund management Opportunity Fund Management
	Idera	98%	real estate capital management company

Notes:

(1) Includes our direct or indirect and effective equity interests in these portfolio companies as of June 30, 2014.

(2) We held 80% equity interest in each of Fidelidade-Campanhia de Seguros, S.A. ("Fidelidade"), Multicare-Seguros de Saúde, S.A. ("Multicare") and Cares – Companhia de Seguros, S.A. ("Cares").

(3) 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 and operating and financial policies.

(4) In addition, Pramerica-Fosun China Opportunity Fund held 3.89%.

(5) In addition, Pramerica-Fosun China Opportunity Fund held 0.51% of the total number of H shares of Minsheng Bank.

Insurance

Our insurance segment mainly includes (i) Yong'an P&C Insurance, which is a property and casualty insurance company headquartered in Xi'an with nationwide presence; (ii) Pramerica Fosun Life Insurance, which commenced operations in October 2012 and focuses on providing life insurance, health insurance, casualty insurance and all other kinds of personal insurance products approved by the CIRC and related services; (iii) Peak Reinsurance, which obtained its certificate of authorization in respect of reinsurance business from the OCI in Hong Kong in December 2012 and focuses on providing reinsurance services and investing its investment assets; and (iv) Fosun Insurance Portugal, which we recently acquired and forms the largest insurance group in Portugal, with the largest market shares in both life and non-life insurance and across most major individual products as of June 30, 2014.

Industrial Operations

Our industrial operations consist of four portfolio companies, namely Fosun Pharma, Forte, Nanjing Nangang and Hainan Mining, which are engaged in pharmaceuticals and healthcare, property, steel and mining businesses, respectively:

- Our pharmaceuticals and healthcare business comprises the business of Fosun Pharma and its subsidiaries. Fosun Pharma is a publicly traded, leading pharmaceuticals and healthcare company in China with its A shares listed on the Shanghai Stock Exchange (600196.SH) and H shares listed on the Hong Kong Stock Exchange (02196.HK). Sinopharm is a leading provider of supply chain services for pharmaceutical and healthcare products and is our associate;

- Our property business comprises the business of Forte and its subsidiaries. Forte is a large property developer in China. In addition, we also invest in real estate projects through our "investment" segment and manage real estate funds in our "asset management" segment. See "—Investment" and "—Asset Management";

- Our steel business comprises the business of Nanjing Nangang and its subsidiaries, of which a major subsidiary, Nanjing Iron & Steel, is an integrated steel company in East China and a publicly traded company with its A share listed on the Shanghai Stock Exchange (600282.SH); and

- Our mining business comprises the business of Hainan Mining and its subsidiaries. Hainan Mining is a company specializing in mining and sales of iron ore and is seeking an A share listing on the Shanghai Stock Exchange. In June 2014, the Company published the updated draft of the prospectus (application draft) for the proposed initial public offering of shares on the Shanghai Stock Exchange on the website of China Securities Regulation Commission.

Fosun Pharma

Our pharmaceuticals and healthcare business comprises the business of Fosun Pharma and its subsidiaries. Fosun Pharma is a leading healthcare company in China listed on the Shanghai Stock Exchange (600196.SH) and the Hong Kong Stock Exchange (02196.HK). Fosun Pharma's business operations strategically cover multiple important segments in the healthcare value chain. Fosun Pharma is a leading domestic pharmaceutical company in PRC by revenue from the pharmaceutical manufacturing segment in 2013. Fosun Pharma's business segments include pharmaceutical manufacturing, pharmaceutical distribution and retail, healthcare services, and diagnostic products and medical devices. 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 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. 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 Hongfei Jia.

Forte

Our property business comprises the business of Forte and its subsidiaries. Currently, property development projects held by the Forte Entities are located in major cities and provinces across China, including Beijing, Tianjin, Nanjing, Chongqing, Chengdu, Xi'an, Wuhan, Datong, Wuxi, Hangzhou, Taiyuan, Changsha, Changchun, Ningbo and Hainan. Forte Entities comprise Forte, its subsidiaries, joint ventures and associates in which Forte and its subsidiaries hold non-controlling interests.

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.

In the six months ended June 30, 2014, under our property business, our attributable GFA under development amounted to 3,470,719 sq.m., attributable GFA of newly commenced projects amounted to 483.272 sq.m., and attributable GFA of completed projects amounted to 238,168 sq.m. As of June 30, 2014, we have attributable GFA of approximately 222,500 sq.m. as project reserve.

Nanjing Nangang

Our steel business comprises the business of Nanjing Nangang and its subsidiaries, of which, a major subsidiary, Nanjing Iron & Steel, is 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 making, steel making and steel rolling. Its principal products include medium and heavy steel plates, steel bars, wire rods, steel strips and section steel. During the first half of 2014, the output of steel products of Nanjing Iron & Steel amounted to approximately 3.4 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 and Huang Yixin and Qian Shunjiang.

Hainan Mining

Our mining business comprises the business of Hainan Mining and its subsidiaries. Hainan Mining owns a large open-pit, high-grade iron ore mine in China. Its core businesses include 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. Our senior management in Hainan Mining consists of Messrs. Chen Guoping, Liu Mingdong and Feng Yilin.

Investment

We adhere to our investment model of "combining China's growth momentum with global resources" and seek to invest in industries in China, Europe, the United States and any other regions which may benefit from China's growth momentum. Our investment business comprises five categories:

- Investments in strategic associates. Our key investment projects in this category include Yuyuan, Jianlong Group and Shanjiaowulin;
- PE Investments. Our key investment projects in this category include Zhaojin Mining, Focus Media St. John, Caruso and Kleinwort Benson Group;
- Secondary market investments. Our key investment projects in this category include Club Med, Folli Follie, Minsheng Bank, Industrial Bank, CITS, Perfect World, Changyuan Group, Sanyuan Foods, Ping An Insurance and Datang Power;
- LP investments;
- Other investments. Our key investment projects in this category include investments in various property projects and other related companies, such as our investments in the BFC, the Dalian Donggang project, the Atlantis project, Clear Water Bay Land Company Limited,

Resource Property, Starcastle Senior Living Corporation, Cainiao, Lloyds Chambers of London, One Chase Manhattan Plaza of New York, Chuangfu Finance Leasing, Studio 8 and other venture capital investments.

Asset Management

Since 2011, we have expanded our asset management business significantly, and our investment capacity achieved notable improvement benefiting from our systematic development. Our asset management business mainly serves domestic and international institutional and high net worth individual investors. Under assets management business, the Group engages in raising & managing funds from third parties and collects management fee and shares investment gains. We act as a general partner of the funds that we manage. At present, we mainly manage (i) U.S. dollar funds, namely, the Pramerica-Fosun China Opportunity Fund and the China Momentum Fund, L.P., (ii) Qualified Foreign Limited Partner Fund, namely the Carlyle-Fosun Fund, (iii) RMB private equity funds, (iv) RMB real estate funds and (v) Japanese Yen real estate funds. As of June 30, 2014, we managed U.S. dollar, Japanese Yen and RMB funds with a total committed amount of RMB33,946.5 million, of which our committed self-capital contribution amounted to RMB4,584.2 million.

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, 2012 and 2013 and the six months ended June 30, 2013 and 2014, the project value of our investments, as measured by their fair market value, was RMB30,083 million, RMB38,330 million, RMB28,260 million and RMB47,537 million, respectively.

Our business segments currently cover (i) insurance, (ii) industrial operations, which comprise pharmaceuticals and healthcare, property, steel and mining businesses, (iii) investment, and (iv) asset management. As part of our investment business, we have 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, 2011, eight of our PE Investments have been successfully listed, one has been acquired by a listed company and two are in process of being acquired by listed companies.

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 opportunistically 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 companies, 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. As of June 30, 2014, we held a total of 429,918,171 shares of Yuyuan, representing a 29.91% equity interest in Yuyuan. Based on the closing price of Yuyuan's shares as of June 30, 2014, the market value of our 29.91% equity interest in Yuyuan was RMB3,164.2 million. In addition, in 2012 and 2013, we received dividends from Yuyuan in the amount of RMB17.4 million and RMB63.9 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 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, 2014, the market value of Fosun Pharma's 29.98% equity interest in Sinopharm was approximately RMB12,799.1 million. In addition, in 2012 and 2013, Fosun Pharma received dividends from Sinopharm Investment in the aggregate amount of RMB146.3 million and RMB245 million, respectively.

In recent years we have also invested in Focus Media, Club Med, Folli Follie, Bona Film, Minsheng Bank and other companies 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

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, in 2012, Fosun Pharma successfully completed an H share offering, raising net proceeds of RMB3,156.8 million. In May 2014, we completed a rights issue of 500,884,371 rights shares at a subscription price of HK$9.76 per right shares on the basis of 39 right shares for every 500 shares, raising net proceeds of HK$4,863.6 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, China Development Bank, Bank of Communications, Standard Chartered Bank (Hong Kong) Limited, 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, committed to 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 the world.

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 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 economic 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 this company's significant sales growth in China in the first 12 months since our investment in this company.

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 and minimizing risk exposure. We have adopted comprehensive investment management and decision-making procedures which cover the whole cycle of selecting, evaluating, structuring, diligence, 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 investment groups, 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. Committee members will have one-on-one meeting(s) 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.

Experienced and visionary leadership team

We are led by our four founders — 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 Nangang, Forte and Fosun Pharma have more than 25 years of experience in the relevant industries. In addition, we actively consult international talents such as Mr. John Snow, the former U.S. 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 Nangang and Hainan Mining, to grow into leaders in their respective industries through organic growth as well as mergers and acquisitions. After excluding intersegment sales, we generated total revenue of RMB51,421.6 million, RMB50,202.8 million, RMB23,717.6 million and RMB22,056.3 million from our industrial operations (which includes businesses undertaken by Fosun Pharma, Forte, Nanjing Nangang and Hainan Mining) for the years ended December 31, 2012 and 2013 and the six months ended June 30, 2013 and 2014, respectively. Where opportunity arises, we plan to add more assets which are in line with our future strategy to our industrial operations business portfolio.

Leverage our China expertise to capture investment opportunities that benefit from China's growth 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 investment opportunities in (i) overseas-listed China-based companies with investment value; (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 U.S. dollar funds, QFLP fund, RMB private equity funds, Japanese Yen and RMB real estate funds, with a total commitment amount of RMB33,946.5 million as of June 30, 2014. We strive to develop our asset management business to further expand our investment capacity to capture investment opportunities that benefit from China's growth momentum.

Our insurance business currently includes Yong'an P&C Insurance, Pramerica Fosun Life Insurance, Peak Reinsurance and Fosun Insurance Portugal, and we believe it will develop into a 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 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, including through investments and acquisitions.

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 the operations of our portfolio companies 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 develop and retain talents.

Insurance Business

Overview

Our insurance business mainly comprises the businesses of (i) Yong'an P&C Insurance, in which we currently hold a 19.93% effective equity interest; (ii) Pramerica Fosun Life Insurance, which commenced its operations in October 2012 and is jointly owned by us and Prudential Financial, Inc., (iii) Peak Reinsurance, which is 85.1% owned by us and 14.9% owned by International Finance Corporation which obtained its certificate of authorization in respect of reinsurance business from the OCI in Hong Kong in December 2012; and (iv) Fosun Insurance Portugal, which is 80% owned by us and 20% owned by Caixa Seguros e Saúde, SGPS, S.A. ("CSS"), the insurance arm of Portuguese state-owned bank, Caixa Geral de Depósitos ("CGD").

We have planned our insurance business platform by making strategic investments in three major business lines in the insurance industry, namely property and casualty insurance, life insurance and reinsurance, and the businesses of our insurance portfolio companies are focused in these areas. Yong'an P&C Insurance focuses on providing property and casualty insurance services. Pramerica Fosun Life Insurance and Peak Reinsurance, each established in 2012, focus on providing life and health insurance services and reinsurance services respectively.

Recent Developments

Acquisition of Equity Interest in Ironshore Inc.

In August 2014, we entered into an equity purchase agreement with Ironshore Inc. pursuant to which we agree to acquire 20% of the total outstanding ordinary shares of Ironshore, at the price of US$16.50 per share, for a total consideration of US$463.8 million, subject to certain contractual adjustments. Ironshore Inc. is specialized in providing broker-sourced specialty commercial property and casualty coverages for varying risks on a global basis through its multiple international platforms. We believe that this acquisition will further expand the our insurance business and strengthen our capability to access long-term high-quality capital. The parties will explore areas of cooperation and collaboration that may provide mutual benefits by leveraging respective areas of management expertise, geographic reach, industry relationships and operating capabilities, thereby enhancing the global strength of both parties.

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 Prudential Financial, Inc.'s first joint venture investment 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, can 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 understanding of the PRC macro-economic environment and the 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. Mr. Sun Jianjun, the General Manager of Pramerica Fosun Life Insurance, has over 20 years of experience gained in the insurance industry, and held senior management position in Taikang Life Insurance prior to joining Pramerica Fosun Life Insurance. 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 and Peak Reinsurance each has a strong technical team with years of relevant experience in domestically and internationally well-known insurance companies.

Strategy

Our goal is to grow our insurance business into an integrated business segment and an investment platform with long-term low-cost capital. To achieve this goal, we have adopted the following strategies:

Continually strengthen our insurance business operations. We commenced our offering of life insurance, health insurance, and reinsurance services in the second half of 2012 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-Pacific-focused reinsurance business. Our reinsurance business targets customers in the Asia-Pacific region. 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 property and casualty insurance companies in China in terms of Original Premium Income in 2013, according to the CIRC.[2]

Yong'an P&C Insurance was established in 1996 and currently has 22 branches 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 it considers having relatively low risk exposure, such as fixed-income products, fixed-term bank deposits and trust products.

Pramerica Fosun Life Insurance

Pramerica Fosun Life Insurance 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.

Pramerica Fosun Life Insurance is headquartered in Shanghai. It focuses on providing life insurance, health insurance, casualty insurance and all other kinds of personal insurance products approved by the CIRC and related services to individual and group customers in China.

Peak Reinsurance

Peak Reinsurance obtained its certificate of authorization in respect of reinsurance business from the OCI in Hong Kong at the end of 2012 with an issued capital of US$550 million. We currently hold a 85.1% equity interest in Peak Reinsurance, while International Finance Corporation holds the remaining 14.9% equity interest. Peak Reinsurance provides reinsurance solutions to clients in Asia Pacific. In addition, Peak Reinsurance engages in investment of its investment assets, with a view to realizing investment revenue while maintaining its financial soundness.

Fosun Insurance Portugal

Fosun Insurance Portugal comprises Fidelidade, Multicare and Cares. Together, the Fosun Insurance Portugal forms the largest insurance group in Portugal, with the largest market shares in both life and non-life insurance and across most major individual products. Fosun Insurance Portugal benefits from a diversified distribution platform, with exclusive access to more than 800 of CGD's branches, and a

---

2 According to the CIRC, the Original 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 Companies (關於印發<保險合同相關會計處理規定>的通知)

portfolio of highly recognizable brands. We completed the acquisition of 80% equity interest in Fosun Insurance Portugal on May 15, 2014. Prior to the acquisition, the Fosun Insurance Portugal was wholly-owned by CSS, the insurance arm of Portuguese state-owned bank CGD.

Risk Management Structure

The organization in the risk management structure of each of Yong'an P&C Insurance, Pramerica Fosun Life Insurance, Peak Reinsurance and Fosun Insurance Portugal includes the board of directors, 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 include but are not limited to:

- determine risk management policies;
- conduct periodic review of risk management policies; and
- establish basic mechanism for our internal control and compliance management.

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

As of December 31, 2013, Yong'an P&C Insurance is ranked 11th among all the property and casualty insurance companies in China in terms of Original Premium Income in 2013, according to the CIRC[3]. Yong'an P&C Insurance occupies an important position in the PRC property and casualty

3 According to CIRC, the Original 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).

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 December 31, 2013, there were 42 domestic life and health insurance companies and 28 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.

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-Pacific are our major competitors.

In the first half of 2014, Fosun Insurance Portugal maintained its leading position in the domestic market, with total direct insurance premiums of Euro 1,909 million. This is in line with a significant growth in the life business, total life direct insurance premium of Euro 1,397 million, representing an increase of 18% over the same period of last year and a Portuguese market share of 27%. In non-life business, premiums reached Euro 512 million, representing a decrease of 3.3% over the same period of last year, representing a market share of 25.9% in the Portuguese market.

Legal Proceedings

Yong'an P&C Insurance, Pramerica Fosun Life Insurance, Peak Reinsurance and Fosun Insurance Portugal 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 related to our insurance business, pending or threatened, that would 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, Chinese insurance companies wrote RMB1.72 trillion worth of premiums in 2013, a 11.2% increase compared with 2012's results. In the first six months of 2014, the total premium written was already RMB1.15 trillion.

Broken down by sector, in 2013, the country's property and casualty insurance sector recorded a 16.53% annual increase in premium income to RMB621.23 billion, while the life insurance industry posted a 8.40% rise in premium income to RMB1,101.00 billion. This occurred while the total assets held by insurers in China rose to a record RMB8.29 trillion, compared with RMB7.35 trillion in 2012, with the number of insurers failing to meet solvency ratio requirements declining from four to two. Claims payments made by insurers meanwhile amounted to RMB621.91 billion in 2013.

Over the course of 2012, CIRC has specifically strengthened the rules governing sales by life insurance companies. We believe 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 we believe such rule liberalization will provide new opportunities at a time of low interest rates and often volatile financial markets.

Portuguese Insurance Market

Portugal's life insurance market experienced significant growth from 2000 to 2010, during which the aggregate amount of premiums in the market increased from €3,792 million in 2000 to €12,173 million in 2010. The increase reflects the evolution of life financial products, such as saving and retirement products. The amount of life insurance premiums decreased to €6,922 million in 2012 as a result of the global economic downturn and increased competition from other forms of savings, such as bank deposits.

The non-life insurance market's growth in Portugal has been more stable, as it correlates more with macroeconomic conditions. The aggregate non-life premiums increased from €3,137 million in 2007 to €4,167 million in 2010, reflecting the growth of property insurance and motor insurance. Since 2008, amidst the economic downturn and increase in interest rates, the amount of non-life insurance premiums gradually decreased to €3,858 million as of the end of 2013.

Industrial Operations

Pharmaceuticals and Healthcare Business (Fosun Pharma)

Overview of our Pharmaceuticals and Healthcare Business (Fosun Pharma)

Our pharmaceuticals and healthcare business comprises the business of Fosun Pharma and its subsidiaries and Sinopharm, our associate. 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 (02196.HK). Fosun Pharma is a leading pharmaceutical company in PRC in terms of revenue from the pharmaceutical manufacturing segment in 2013. Fosun Pharma's business segments include pharmaceutical manufacturing, pharmaceutical distribution and retail, healthcare services, and diagnostic products and medical devices. 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 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. 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 Hongfei Jia.

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 are one of the leading pharmaceutical companies in China in terms of revenue from pharmaceutical manufacturing segment in 2013. Our leading pharmaceutical business focuses on metabolism and alimentary tract, cardiovascular system, blood system, 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 a leading 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 believe we have one of the largest research and development platforms among domestic pharmaceutical companies in China with a strong team of 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 business, we will develop our other businesses, 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 December 31, 2013 and the six months ended June 30, 2014, external segment revenue of Fosun Pharma's pharmaceutical manufacturing business was RMB6,524 million and

RMB3,360 million, representing 66% and 61% of the total revenue of Fosun Pharma, respectively.

- 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 jointly 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.

- 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.

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 conducted 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 products 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 Industrial Operations Business — 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.''

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 Pharma 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, 2014, 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

Fosun Pharma maintains a diversified portfolio of trademarks under its umbrella brand name "Fosun Pharma." Fosun Pharma's portfolio of trademarks includes a number of trademarks recognized as Well-known Trademarks, including 复星(Fosun), 萬邦(Wanbang) and 萬蘇平(Wan Su Ping).

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, 2012 and 2013 and the six months ended June 30, 2014, Fosun Pharma maintained product liability insurance for all products manufactured or sold by its subsidiaries Guilin Pharma, Huaiyin Medical Instruments Company Limited and Chongqing Carelife Pharmaceutical 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's product liability insurance policy becomes more product-oriented, and it now covers the vast majority of its major products. 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, 2012 and 2013 and the six months ended June 30, 2014, 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 Industrial Operations Business — 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 Industrial Operations Business — 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 (Fosun Pharma) — 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. 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 Industrial Operations Business — 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 RMB503 billion in 2001 to RMB2,784 billion in 2012, with a CAGR of 16.8%. Per capita healthcare expenditure also grew from RMB393.80 to RMB2,056.57 over the same period, with a CAGR of 16.21%.

Based on McKinsey's 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 government's active support.

- The general public in China has become more health-conscious and is able to afford more healthcare products and services due to the increasing level of disposable income.

- 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.

- With a sustained commitment to research and development and innovation, Fosun Pharma has dedicated to the production of bio-pharmaceutical medicine, which we believe enjoys a promising prospect. 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 (Forte)

Overview of Our Property Business (Forte)

Our property business comprises the business of Forte and its subsidiaries. Forte is a large property developer in China. In 2013, Forte ranked No. 38 among the Top 50 for its sales of properties in China according to a list jointly issued by China Real Estate Information Corporation (中國房地產信息集團

) and China Real Estate Appraisal. Currently, the Forte Entities have property developments in major cities and provinces across China, including Beijing, Tianjin, Nanjing, Chongqing, Chengdu, Xi'an, Wuhan, Datong, Wuxi, Hangzhou, Taiyuan, Changsha, Changchun, Ningbo and Hainan. As of June 30, 2014, the Forte Entities had a total attributable GFA under development amounted to 3,470,719 sq.m., and a total attributable GFA of approximately 10,319,297 sq.m. as project reserve.

During the first half of 2014, the Forte Entities realized property sales area and sales revenue of 514,311 sq.m. and RMB7,866.8 million, respectively. Attributable sales area and sales revenue amounted to 327,389 sq.m. and RMB4,631.5 million, representing a decrease of 29.40% and 24.28%, respectively, compared with the same period of 2013.

During the first half of 2014, the area and amount booked by the Forte Entities was 270,254sq.m. and RMB3,014.6 million, respectively. Attributable area and amount booked amounted to 213,605 sq.m. and RMB2,410.3 million, representing a decrease of approximately 29.94% and 32.37%, respectively, compared with the same period of 2013.

As of June 30, 2014, the area and amount sold but not booked was 1,571,558 sq.m. and RMB21,736.7 million, respectively. Attributable area and amount sold but not booked amounted to 1,104,898 sq.m. and RMB14,314.0 million, representing an increase of approximately 6.13 % and 6.87%, respectively, compared with June 30, 2013.

In addition to our property business which comprises the businesses of Forte and its subsidiaries, we also manage certain real estate funds under our asset management segment, and invest in various property projects and other related companies under our investment segment. See "— Investment Business" and "— Asset Management" below.

Competitive Strengths

We believe we have the following competitive strengths:

Established presence in prominent and diverse urban centers. The Forte Entities have a successful property business in many major cities across China, including Beijing, Tianjin, Nanjing, Chongqing, Chengdu, Xi'an, Wuhan, Datong, Wuxi, Hangzhou, Taiyuan, Changsha, Changchun, Ningbo and Hainan. 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 and 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 18 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 target, 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 talents. 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, 2014, we had project reserves with an aggregate attributable GFA of approximately 10,319,297 sq.m. and attributable GFA under development of 3,470,719 sq.m.

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, consistent with what we believe to be customary industry practice, we 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 General Operations — Risks Relating to Our Property Business — 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 not aware of any legal proceedings related to our property business, pending or threatened, that could have a material adverse effect on our business, financial conditions or results of operations.

China's Property Industry

Overview

With the exception of 2008, demand for properties in China has increased in recent years amid 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 1,306 sq.m. in 2013, representing a CAGR of 11.3%. 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 RMB8,601 billion in 2013, representing a CAGR of 23.7%. The following table sets forth selected property market indicators relating to China for the years indicated:

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2006-2013 CAGR
Investment in property development (RMB billion)	1,316	1,591	1,942	2,529	3,120	3,624	4,826	6,180	7,180	8,601	23.7%
Total sales of commodity properties (RMB billion)	1,260	1,758	2,083	2,989	2,507	4,436	5,272	5,859	6,446	8,143	21.5%
GFA of commodity properties completed (million sq.m.)	526	534	558	606	665	727	787	926	994	1,014	8.9%
GFA of commodity properties sold (million sq.m.)	454	555	619	774	660	948	1,048	1,094	1,113	1,306	11.3%
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	5,791	6,237	9.2%

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 RMB5,103 billion in 2012 from approximately RMB1,805 billion in 2006, and the total operating profit increased to approximately RMB600 billion in 2012 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	2012	2006-2012 CAGR
Total Revenue................	1,331	1,477	1,805	2,340	2,670	3,461	4,300	4,449	5,103	18.9%
Revenue from sale of properties.....................	1,175	1,332	1,662	2,160	2,439	3,251	4,059	4,170	4,746	19.1%
Revenue from lease of properties.....................	31	29	32	39	52	54	74	90	115	23.8%
Operating profit	86	111	167	244	343	473	611	580	600	23.8%

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. From 2001 to 2013, the PRC's nominal GDP increased at a CAGR of approximately 14.7%. The global financial crisis in late 2008 as well as the subsequent liquidity squeeze and credit crunch caused a worldwide economic slowdown, with the PRC's GDP growth rate slowing in 2008 and 2009. In response, the PRC Government introduced a number of economic stimulus measures, alongside similar measures from major developed countries, effectively boosting short-term economic growth in 2010. Since 2010, global economic growth slowed again on fears that the sovereign debt crisis of certain eurozone countries would deepen. In March 2012, the PRC Government cut its nominal GDP growth target to 7.5% for 2012, giving rise to further concerns about the sustainability of PRC economic growth. In January 2013, the National Bureau of Statistics of China announced the GDP expanded 7.9% in the fourth quarter from a year earlier, lifting China's whole year GDP growth rate to 7.8%, slightly higher than the government target of 7.5%. Despite the decline, China still registered a double-digit CAGR of 14.8% since 2006 to 2013.

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.

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 731 million in 2013. At the end of 2013, the urbanization rate in the PRC reached approximately 53.7%. 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 2013, the aggregate balance of outstanding mortgage loans for residential properties in the PRC amounted to RMB9,500 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**	**2012**	**2013**	**2006-2013 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	8,100	9,500	22.8%

Source: People's Bank of China

Steel Business (Nanjing Nangang)

Overview of Our Steel Business (Nanjing Nangang)

Our steel business comprises the business of Nanjing Nangang and its subsidiaries, of which a major subsidiary is 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 making, steel making 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.

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 concentrates with low tramp elements. We acquired 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.

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. In the past, it has successfully advanced iron making and steel making, hot rolling, automatic control and information management facilities and technologies. Nanjing Iron & Steel produces high-grade steel products including pipeline steel plates, shipbuilding steel plates, petrolatum tank steel plate, and steel for automobiles. 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 currently being 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, steel 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 2013, 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 Industrial Operations Business — 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.

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. As of the end of 2013, 17 of its products, including the petrolatum tank steel plate, won China's National Metallurgical Products Physical Quality Golden Cup Award.

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 RMB12.08 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 RMB1 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 business 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 an Environmental, Health, Safety and Quality Supervision 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. There are no legal proceedings, pending or threatened, that will have a material adverse effect on our business, financial condition or results of operations.

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 779million tons in 2013, representing a CAGR of 14.6 %, and China's apparent use of crude steel products increased from 171 million tons in 2001 to 688million tons in 2012, representing a CAGR of 13.5%. China is the largest producer and consumer of steel products in the world. Statistics show that China's crude steel production in 2012 accounted for 46.3% of the crude steel production worldwide; meanwhile, China's apparent steel use in 2013 accounted for 49.2% 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 2012 and began to recover in 2013. According to the World Steel Association, the global apparent steel use increased by 1.2% in 2012, the slowest rate since 2009 when demand declined by over 6%. In 2013, world steel demand grew higher than forecasts due to a stronger than expected performance in developed countries in the second half of the year, particularly, the United States.

The World Steel Association expects continued recovery in global steel demand in 2014 and 2015. The global apparent steel use is expected to grow by 3.1% in 2014 and is expected to grow further by 3.3% in 2015.

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, as measured by apparent steel use, to increase by 3.0% to 721.2 million tons in 2014, reflecting the impact of PRC Government's stimulus measures focused on infrastructure. We expect to continue to benefit from the housing and commercial needs created by urbanization trends and infrastructure trends in the future.

Mining Business (Hainan Mining)

Overview of our Mining Business (Hainan Mining)

Our mining business comprises the business of Hainan Mining and its subsidiaries, through which we own a large open pit iron ore mine and conduct activities such as iron ore mining and trading.

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 one of the largest producers 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, 2011, the iron ore reserve volume of Hainan Mining's Shilu Mine (石碌礦場) was approximately 257 million tons and the average grade of the iron ore was 46.6%. This iron reserve is estimated to have a volume of around 275 million tons as of December 31, 2013. This mine also owns a deposit of varied mineral resources such as copper and cobalt. In 2013, Hainan Mining produced approximately 4.08 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 one of the worldwide renowned and domestically leading large-scale 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.

Recent Developments

Separate Listing of Hainan Mining on the Shanghai Stock Exchange

In December 2014, Hainan Mining was listed on the Shanghai Stock Exchange with stock name「海南礦業」(for identification only, "Hainan Mining") and stock code 601969. Hainan Mining has issued 186,670,000 shares at a price of RMB10.34 per share. Following the completion of the A Share IPO, our equity interest (through Fosun Group and Industrial Investment) in Hainan Mining has been diluted from 60% to 54%. Hainan Mining remains as our subsidiary.

Competitive Strengths

Abundant and high-quality resources. Our mining business owns large-scale and high-quality iron ore resources accompanied by other resources such as coking coal. 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 business's competitiveness.

Industrial advantages derived from our Group structure. Our mining business is an integrated part of our businesses, benefiting from synergies and benefits generally unavailable to standalone mining enterprises. Our mining business benefits from enhanced corporate governance practices, cost benchmarking and investment management systems. In addition, we believe our group supports and facilitates our mining business'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. 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 business. 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 business:

	Main Products	**Output for 2012 (million tons)**	**Output for 2013 (million tons)**	**Reserve Volume for 2012**	**Reserve Volume for 2013**
Hainan Mining ...	iron lumps, fines and concentrate	3.88	4.08	252 million tons of iron ore	275million tons of iron ore[(1)]

(1) estimate based on the standards of Solid Mineral Geology Exploration of China.

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.

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 maintains insurance coverage in respect of its principal production facilities. Consistent with what we believe to be customary industry practice, Hainan Mining does 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 business 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 business 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 business 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 is involved in legal proceedings from time to time in the normal course of business. There are no legal proceedings, pending or threatened, that will 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 Steel Association, in 2013, world crude steel production was 1,582 million tons. This was an increase of 2.4% compared to

2012 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 (Nanjing Nangang) — 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 2013.

	Reserves (million tons)		
Country	**Crude ore**	**Iron content**	**Indicative Fe grade (%)**
Australia	35,000	17,000	49%
Brazil	31,000	16,000	52%
Canada	6,300	2,300	37%
China	23,000	7,200	31%
India	8,100	5,200	64%
Iran	2,500	1,400	56%
Kazakhstan	2,500	900	36%
Russia	25,000	14,000	56%
South Africa	1,000	650	65%
Sweden	3,500	2,200	63%
Ukraine	6,500	2,300	35%
United States	6,900	2,100	30%
Venezuela	4,000	2,400	60%
Other countries	14,000	7,100	51%
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**	**2012**	**2013E**	**2006-2013 CAGR**
China crude iron ore production (million tons)	601	707	824	880	1,070	1,330	1,310	1,320	11.9%

Source: U.S. Geological Survey

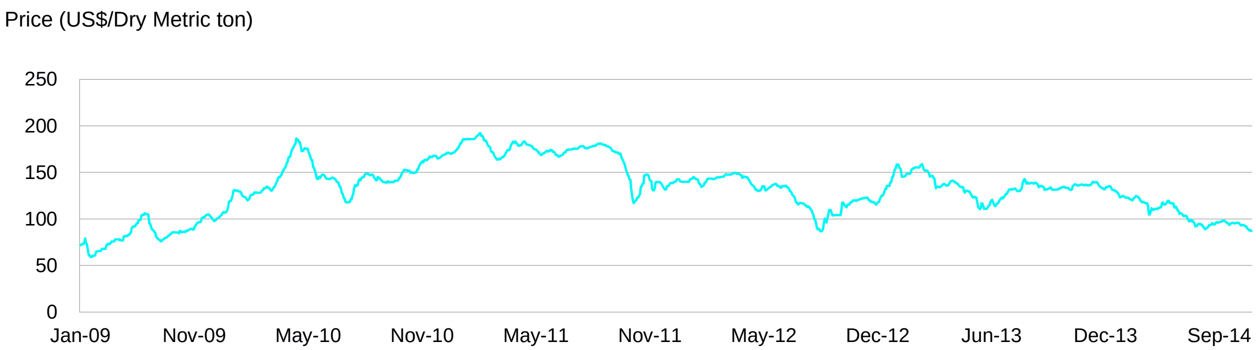
Overview of Pricing Mechanisms

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 significant volatility since mid-2012, dropping sharply in the third quarter before rebounding in late 2012 and early 2013. Since then, iron ore prices had been on a downward trend.

The following chart sets forth the movement of spot prices for China's imported iron ore fines from 2009 to September 2014:

China Imported Iron Ore Fines Spot Prices (62% Fe, CFR Tianjin Port)



Source: Bloomberg

Investment Business

Overview of our Investment Business

We have a selected diversified investment portfolio. Our investment business comprises five categories: investments in strategic associates, PE Investments, secondary market investments, LP Investments and other investments. Our key investment projects include our investments in Yuyuan, Jianlong Group, Shanjiaowulin, Zhaojin Mining, Focus Media, Club Med, Folli Follie, Minsheng Bank, Bona Film and a number of property projects and other related companies including the Bund Finance Center ("BFC") project, Dalian Project, Resource Property, Starcastle Senior Living, the Atlantis project, Clear Water Bay Land Company Limited, Lloyds Chambers of London and One Chase Manhattan Plaza of New York. 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 areas, namely, consumption upgrade, financial services, resource and energy and manufacturing upgrade. We believe that such businesses will benefit from China's rapid economic growth. Where suitable opportunities arise, we seek to facilitate the public listing of our unlisted investee companies, and to capitalize on opportunities in the secondary markets and clearly defined market segments of the property sector. 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. Our holding period is flexible, and we typically determine our holding period based on the nature of our 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 investment 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. Meanwhile, we also try to exit our investments through acquisitions by listed companies. For example, as of June 30, 2014, 13 of our PE Investments have successfully gone public, one has been successfully acquired by a listed company, and two are in process of being acquired by listed companies.

We have extensive network in China with access to companies in various industries. We have more than 20 years of experience in various industries. We may leverage our industrial foundation and extensive resources and network.

We have an experienced management team. 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 believe 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 investment 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.

Adapt our investments to meet the challenging market environment. Along with the monetary easing policies implemented by major economies in the world, we expect the inflation rate to increase in the long run. We intend to increase our investments in industries that benefit from inflation, high-growth industries that are capable of beating inflation and industries that are less susceptible to inflation, and industries and enterprises that can benefit from the development of the Internet.

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 investment segment mainly include:

Yuyuan

We had an equity interest of 29.91% in Yuyuan as of June 30, 2014. 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, 2014, Yuyuan operated 1,786 gold and jewelry stores nationwide. As of June 30, 2014, Yuyuan also held an equity interest of 25.7% in Zhaojin Mining.

Jianlong Group

We had an equity interest of 25.7% in Jianlong Group as of June 30, 2014. Jianlong Group is a large steel producer in North and Northeast China, with its major production facilities 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 rolling coils, and reinforcing 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 North and Northeast China.

Shanjiaowulin

We had an equity interest of 20% in Shanjiaowulin as of June 30, 2014. Shanjiaowulin is a joint venture between us and Xishan Coal Electricity Group Co., Ltd. (西山煤電(集團)股份有限公司). Shanjiaowulin specializes in the mining and processing of coking coal and is located in the Sanquan Industry and Development District of Fenyang City, Shanxi Province.

Zhaojin Mining

Through Yuyuan, we indirectly held an equity interest of 11.25% in Zhaojin Mining as of June 30, 2014. Zhaojing Mining is a leading PRC gold producer. We are one of the founding investors in 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 Hong Kong Stock Exchange since 2006.

Focus Media

We owned an equity interest of 16.75% in Focus Media as of December 31, 2012 through our beneficial ownership of American Depositary Shares, each representing five ordinary shares of Focus Media (“ADSs”). Such ADSs were previously listed on the NASDAQ. As a result of the merger of Focus Media pursuant to a privatization project, which closed in May 2013, the ADSs are no longer listed on the NASDAQ. We participated in Focus Media’s privatization project and have ceased to have any direct interest in Focus Media as of the date of this Prospectus. As of June 30, 2014, we had a 17.41% indirect interest in Focus Media through our shareholding in Giovanna Group Holdings Limited which indirectly wholly owns Focus Media. 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.

St. John

St. John, a renowned U.S. luxury womenswear brand, was the first investment project made by the Group in the United States in 2013. As of June 30, 2014, we indirectly held 6.7% interests in St. John while Pramerica-Fosun China Opportunity Fund, a fund we manage, held 27.2% interests.

Established in 1962, St. John is a famous U.S. high-end womenswear brand renowned for its elegant design, excellent cutting and superior value. St. John has over 40 directly-owned stores and nearly 200 outlets in department stores in the United States as well as over 160 outlets in overseas markets, such as Asia, Europe and the Middle East. The United States accounts for approximately 85% of St. John's overall sales while the international markets account for the remaining 15%. St. John also has its own apparel manufacturing facilities in the United States and Mexico.

We help promote St. John's brand philosophy and brand value among our high-end customers through our consumer networks and media resources. In the PRC market, we have also helped set up a Chinese team for St. John and we will continue to provide assistance to St. John in respect of store opening and brand promotions in the future.

Caruso

Caruso, an Italian luxury menswear manufacturer, was an overseas investment by us in September 2013 and also one of our important investments in the European luxury goods industry. We indirectly hold 5.95% equity interest in Caruso while Pramerica-Fosun China Opportunity Fund, a fund we manage, holds 29.05% of its equity interest.

As a leading luxury menswear manufacturer in Italy, Caruso has over 600 employees with an annual production of over 100,000 pieces of premium clothes, 10% of which are tailor-made suits for private clients. Caruso's self-owned branded products are sold worldwide through over 300 points of sale in multi-brand boutiques and department stores. Apart from sale of self-owned branded products, Caruso also provides quality OEM apparel services for various major international luxury brands. Caruso is the only company in the Italian fashion and luxury goods industry which has obtained ISO9001 certification. Caruso plans to open its flagship store in China at the BFC.

Kleinwort Benson Group

Kleinwort Benson Group was an overseas investment made by us in March 2014. We and Pramerica-Fosun China Opportunity Fund, a fund we manage, contributed in aggregate of €98.5 million in the investment and jointly hold 19.2% in KBG upon the completion of settlement. Through our shareholding in Klein Benson Group, we and Pramerica-Fosun China Opportunity Fund hold effective equity interests of 17.5% and 19.2% in a German private bank, BHF-BANK, and an UK private bank, Kleinwort Benson, respectively, both under Kleinwort Benson Group.

Founded in 1854, BHF-BANK is one of the largest independent private banks in Germany and its headquarters are located in Frankfurt, Germany. It provides private banking and asset management services to its clients. In addition, it has 12 affiliates in Abu Dhabi, Geneva, Luxembourg and Zurich with 1,072 employees. The major clients of BHF-BANK are high net worth and ultra high net worth individuals in Germany, especially active German family-run enterprises. The bank holds approximately €38.5 billion funds entrusted by its clients and can make investments around the world.

Founded in 1961, Kleinwort Benson is an independently owned private bank providing advisory, wealth management and administration services to private clients and institutions from its offices in the UK, Channel Islands and Isle of Man. As a firm with a heritage established in merchant banking, Kleinwort Benson has been helping clients create, conserve and grow their wealth for over 200 years.

Our participation in the acquisition is an example of our globalization strategy and the implementation of our investment strategy of "combining China's growth momentum with global resources" which allows our participation in offering personalized financial products and services and thereby strengthening our integrated financial capabilities and for better responding to other business opportunities in Europe.

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 70 resort hotels in about 40 countries worldwide. As of June 30, 2014, we held a 9.35% 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. The development strategy of Club Med in China has achieved significant progress with stronger ties between the two cooperating parties and increasing synergies from both parties' resources. In 2014, the third Club Med resort in China opened in Zhuhai, Guangdong Province.

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 June 30, 2014, we held a 2.41% equity interest in the total issued shares of Minsheng Bank (among which, our Group is deemed under Part XV of the SFO to be interested in 200 million H shares, as a result of acquiring cash settled derivatives of Minsheng Bank). Minsheng Bank has over two hundred banking outlets throughout China and relationships with more than seven hundred banks overseas.

Industrial Bank

Industrial Bank, a company listed on the Shanghai Stock Exchange, is one of our important investments in the financial services industry. According to its first quarterly report in 2014, the operating revenue of Industrial Bank in the first quarter of 2014 amounted to RMB28,602 million, representing an increase of 13.97% over the first quarter of 2013. The net profit attributable to the owners of the parent amounted to RMB13,363 million, representing an increase of 21.74% over the first quarter of 2013. The annualized weighted average return on equity for the first quarter of 2014 was 25.80%, representing a growth of 0.76 percentage point over the first quarter of 2013. The non-performing loan ratio as at the end of the first quarter of 2014 was 0.84%, representing a growth of 0.08 percentage point over the end of 2013. As of June 30, 2014, we held 0.57% equity interest in Industrial Bank.

CITS

In July 2013, we subscribed for 19,250,000 shares in CITS in the private placing of CITS. The total subscription amount was RMB512 million. As of June 30, 2014, we held 1.97% equity interest and became the third largest shareholder of CITS.

CITS recorded revenue of RMB4,403 million for the first quarter of 2014, representing an increase of 11.8% over the same period of the previous year, and its net profit attributable to owners of the parent amounted to RMB533 million in the first quarter in 2014, representing a growth of 7.4% over the same period of the previous year.

China International Travel Service Limited, head office under CITS, is the largest travel agency in China. According to the National Tourism Administration, CITS ranked first in China for both outbound and inbound travel markets.

Perfect World

We have invested in Perfect World since 2012. Perfect World recorded net operating revenue of USD292.9 million in the first half of 2014, representing an increase of 38.03% over the same period of the previous year, with a net profit attributable to the shareholders of the listed company of USD58.5 million, representing an increase of 71.42% over the same period in 2013. As of June 30, 2014, we held 10.8% equity interest in Perfect World.

Datang Power

Datang Power is a leading state-owned power producers in Mainland China engaged in the development and operation of power plants, the sale of electricity and thermal power and the repair and maintenance of power equipment and power-related technical services. Datang Power realized sales revenue of RMB17,350.0 million for the first quarter of 2014, representing a decrease of 4.97% over the same period of last year, and the net profit for the first quarter of 2014 amounted to RMB943 million, representing an increase of 0.49% over the same period of last year. Datang Power recently announced its proposed restructuring of its coal chemical business to strategically refocus on its principal business of power generation. As of June 30, 2014, we held 198,284,000 H shares in Datang Power and Peak Reinsurance held 62,750,000 H shares in Datang Power, totaling an aggregate shareholding of 261,034,000 H shares, representing 7.87% of Datang Power's total H share capital and 1.96% of its total share capital.

Sanyuan Foods

In February 2014, our subsidiary Shanghai Pingrun Investment Management Co., Ltd. ("Pingrun Investment") and Fosun Chuanghong Equity Investment Fund Partnership (L.P.) ("Fosun Chuanghong"), a fund managed by us, entered into a share subscription agreement with Sanyuan Foods regarding a private placement by Sanyuan Foods of its A shares. Sanyuan Foods has offered 306,278,713 of its ordinary A shares to Pingrun Investment and Fosun Chuanghong at a subscription price of RMB6.53 per A share. Pingrun Investment subscribed for 249,617,151 A Shares at a consideration of RMB1.63 billion and Fosun Chuanghong subscribed for 56,661,562 A Shares at a consideration of RMB0.37 billion. Upon completion of the subscriptions, Pingrun Investment and Fosun Chuanghong will hold approximately 16.67% and 3.78%, respectively, of the enlarged number of issued shares of Sanyuan Foods.

Sanyuan Foods is a renowned dairy product brand in China famous for the quality and safety of its products and enjoys significant market advantage in Beijing and the peripheral areas. We are optimistic about the prospects of dairy consumer goods in China.

Studio 8

In June 2014, we entered into a unit purchase agreement with Studio 8, a Delaware limited liability company in the United States founded by Mr. Jeff Rabinov. Prior to founding Studio 8, Mr. Jeff Robinov served as an executive at Warner Bros. Pictures Group for 17 years, most recently as President of Warner Bros Motion Pictures Group. After completing the transaction, we will exercise significant influence over the distribution arrangements of movies produced by Studio 8 in China, Hong Kong Macau and Taiwan.

Investments in Various Property Projects and Other Related Companies

BFC Project. Haizhimen is our jointly controlled entity. It is a project company which indirectly holds the BFC project. BFC project is a high-end complex project 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% interest in Haizhimen, which indirectly holds the BFC project. We were involved in legal proceedings at Shanghai No. 1 Intermediate People's Court in relation to the acquisition of the remaining 50% equity interest in Haizhimen. In April 2013, Shanghai No. 1 Intermediate People's Court delivered a judgment in our favor. As of the date hereof, the counterparties have filed an appeal against us and these legal proceedings are subject to final verdict by the appeal court. See "— Legal Proceedings" below for more details about these legal proceedings.

Dalian Project. Dalian Project, which is a five-phase development and is expected to be completed by the end of 2015, is a mix of residential and commercial property located at Donggang Commercial Area of Dalian. The total GFA of this project is 763,003 sq.m. on a site area of 141,600 sq.m.

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.

Starcastle Senior Living. Starcastle Senior Living is a joint venture jointly established by us and Fortress Investment Group LLC aiming to develop a property market for senior citizens in China. As of August, 31, 2014, we held a 50% equity interest in Starcastle Senior Living. Starcastle Senior Living has completed the construction of its first high-end healthcare project that is tailor-made for senior citizens in China, and this project commenced operations in early 2013.

Atlantis. The Atlantis project is located in Haitang Bay, Sanya, Hainan, PRC, and is a large-scale high-end theme resort hotel project with a water park and aquarium as its signature. It is jointly developed by the Group and Kerzner Group. The investment of the project amounts to nearly RMB10 billion and it is designated as one of the key construction projects of Hainan Province. The project commenced construction in 2013 and will be completed by the end of 2016. As of June 30 2014, the first phase of this project had obtained the Fixed Assets Investment Project Certified Report and Construction Land Planning Permit and RMB1,205.4 was invested.

Hong Kong Clear Water Bay Land. We have entered into a share sale agreement with Young Lion Acquisition Co. Limited via our indirectly owned subsidiary, Sunhill Global Limited, for the acquisition of all the issued shares capital of Clear Water Bay Land Company Limited. The only asset of Clear Water Bay Land Company Limited comprises three pieces of land in Saikung District, Hong Kong, namely The Remaining Portion of Lot No. 220 in Demarcation District No. 229, Lot No. 219 in Demarcation District No. 229 and Lot No. 224 in Demarcation District No. 229.

One Chase Manhattan Plaza of New York. In December 2013, we completed the acquisition of One Chase Manhattan Plaza of New York, freehold for titles purposes at a purchase price of USD725 million. One Chase Manhattan Plaza, located in the Financial District of Lower Manhattan of New York, is a 60-storey Grade A office building landmark with a leasable area of 2,215,000 sq.ft. As of 30 June 2014, the half-yearly rental revenue of the project amounted to USD48.7 million.

Lloyds Chambers of London. In October 2013, the Group purchased Lloyds Chambers of London with its partner at a purchase price of GBP64.5 million. The project located at 1 Portsoken Street E1 in the financial district of London and is approximately 300 meters to the historic scenic attraction Tower Bridge. The building is located on a site of 0.68 acre and is comprised of a nine-storey office building and a one-storey underground structure with a total floor area of 193,450 sq.ft. For the six months ended 30 June 2014, the building recorded record rental revenue of GBP3.55 million and a profit of GBP1.6 million.

Recent Developments

Conversion of Equity Stake in Kleinwort Benson Group into Publicly Traded Shares of RHJ International S.A.

In September 2014, we converted our equity stake in Kleinwort Benson Group into publicly traded shares of its parent company, RHJ International S.A. (Euronext: RHJI). After the transaction, we hold approximately 19.49% of the shares of RHJ International S.A.

Voluntary Tender Offer to Club Med

In September 2014, we, Fidelidade and certain independent third parties entered into an investment agreement pursuant to which the parties have agreed to acquire Club Med through a voluntary tender offer for all the shares of Club Med and bonds issued by Club Med convertible and/or exchangeable into new or existing shares of Club Med. The offer price is €22 per share for the outstanding shares and €23.23 per unit of bonds.

The tender offer was made at a time when Club Med was entering into a new phase of its development, which required a stabilized shareholding in order to minimize short-term constraints. We intend to involve the managers of Club Med in implementing a strategy tailored for the difficult environment of the European tourism market, particularly in France.

In November 2014, Global Resorts SAS increased the price of its competing offer according to a press release of Club Med.

Autorité des marchés financiers has further released a notice which extended the duration of the tender offer and set December 1, 2014 as the deadline for Gaillon Invest II (a subsidiary of the Company) and Fidelidade to submit an improved offer. On December 1, 2014, Gaillon Invest II and Fidelidade decided to improve the terms of the offer by increasing the offer price to €23.50 per share for the outstanding shares and €24.82 per unit of bonds. An amendment to the investment agreement was executed to reflect the increase in offer price and the additional amount of cash to be contributed by our Group will be approximately €51.9 million.

Takeover Bid for All Issued Shares of Roc Oil Company Limited

In August 2014, we and ROC entered into a bid implementation agreement to implement a proposed transaction, which involves us, or one of our subsidiaries, making a conditional cash takeover offer for all the ROC shares issued. In September 2014, one of our wholly-owned subsidiaries, Transcendent Resources Limited, announced a takeover offer for all of the ROC shares issued. The offer price is AUD0.69 per ROC share. The offer period opened on September 15 and ended on November 14, 2014, with holders of 92.6% of ROC shares accepting the offer. The total consideration payable by Transcendent Resources Limited for the takeover is approximately AUD439,322,171.. As Transcendent Resources Limited has acquired at least 90% of all ROC shares on issue, it is entitled to compulsorily acquire all ROC shares on issue in accordance with the Australian Corporations Act. Transcendent Resources Limited intends to proceed with compulsory acquisition in accordance with the Australian Corporations Act and to delist ROC from the Australian Securities Exchange.

ROC, a company listed on the Australian Securities Exchange, is the holding company for an upstream oil and gas group of companies that principally carry on oil and gas exploration, development and production activities in the Asia-Pacific region. The reason for the proposed transaction is to enable us to enter the upstream oil and gas industry and acquire oil and gas assets.

Investment in Zhongshan Public Utilities

In August 2014, Fosun Group, our wholly-owned subsidiary, acquired 13% of the total outstanding ordinary shares of Zhongshan Public Utilities at the price of RMB10.52 per share for a total consideration approximately of RMB1.06 billion. Zhongshan Public Utilities, being an industry-leading professional environmental protection enterprise, has extensive investment and operation experience and specialized skill in environmental protection water related assets. This acquisition is expected to further expand the Group's environmental protection water business. We hope to accelerate our development in the environmental protection industry while assisting in the expansion and strengthening of Zhongshan Public Utilities. This transaction is still pending for approval by the State-owned Assets Supervision and Administration Commission of the State Council.

Investment in CNFC Overseas Fishery Co., Ltd.

In August 2014, Fosun Industrial Investment, an indirectly wholly-owned subsidiary of the Company, and several investment funds we manage entered into a share subscription contract with CNFC Fishery to subscribe for approximately 105 million shares at the price of RMB6.46 per share. After the completion of the share issuance, approximately 14.23% of the shares of CNFC Fishery will be held by Fosun Industrial Investment and several investment funds managed by us. The oceanic aquatic products produced by CNFC Fishery are high-end healthy food products and the investment in CNFC Fishery is consistent with the Group's investment strategy.

Investment in Bona Film Group Limited

We acquired, through our 80% indirectly owned subsidiary Fidelidade, approximately 13.3% equity interest in Bona Film Group Limited, a leading film distributor and vertically integrated film company in China in July 2014. The acquisition of Bona Film is a strategic foothold for us in the global movie and entertainment industry.

Other Investee Companies

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 area, 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 PE 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 some of our PE Investment projects that have successfully gone public during the year ended December 31, 2012.

Listed Company	Stock code	Investment amount	Accumulated dividends	Market cap attributable to us as of 31/12/12	Appreciation of investment funds(1)
		(RMB million)			
Leyard Optoelectronic Co. Ltd.	300296.SZ	33.6	0.4	89.7	168%
Xi'an Longi Silicon Materials Co., Ltd.	601012.SH	138.0	0.0	146.9	6%
Jiangsu Sunrain Solar Energy Co., Ltd.............	603366.SH	63.0	3.0	82.3	37%
Yongda Automobiles Services Holdings Limited	03669.HK	50.0	0.0	51.8	2%

Note:

(1) Equals the result of the aggregate of (i) Market capitalization attributable to us as of December 31, 2012 and (ii) Accumulated dividends minus (iii) the investment amount, and then divided by the investment amount.

Legal Proceedings

We are involved in legal proceedings from time to time in the normal course of business under our investment business. Except for the legal proceedings related to Haizhimen which is described below, we are not aware of any material legal proceedings related to our investment business, pending or threatened, that would have a material adverse effect on our business, financial condition or results of operations.

In May 2012, we filed a claim against three parties including 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% indirect shareholder to acquire the same interest. In April 2013, the Shanghai No. 1 Intermediate People's Court as the court of first instance delivered a judgment in our favor. The judgment upheld our claims, and ordered for the invalidation of the said acquisition by SOHO China Limited. As of the date hereof, SOHO China Limited and other two relevant parties have filed an appeal against us, and these legal proceedings are subject to final verdict by the appeal court.

Asset Management

Overview

Our asset management is our new business segment which mainly serves domestic and international institutional and high net worth individual investors. We currently manage five categories of funds, which are (i) the Pramerica-Fosun China Opportunity Fund and the China Momentum Fund, L.P., which are U.S. dollar funds, (ii) the Carlyle-Fosun Fund, a qualified foreign limited liability partnership, or QFLP fund, (iii) RMB private equity funds, (iv) RMB real estate funds and (v) Japanese Yen real estate funds. 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 resources. Our limited partners mainly comprise pension funds, sovereign wealth funds, insurance companies and other institutional investors. The PE and QFLP funds under our management mainly target domestic and international enterprises engaged in consumption upgrade, financial services, resource and energy and manufacturing upgrade which could benefit from China's growth momentum. We charge our investors 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, 2014, we managed U.S. dollar, Japanese yen and RMB funds with a total committed amount of RMB33,946.5 million. We committed to contribute RMB401.1 million as general partner and RMB4,183.1 million as limited partner (RMB382.8 million to be contributed by Forte), of which we had contributed RMB3,023.4 million (RMB382.8 million was contributed by Forte to the real estate funds of Forte).

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 has a relatively short operating history, 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 strong 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 a good understanding of China's economy, industries, politics, culture and regulatory changes, supported by investment and operation professionals.

We partner with well-known international players with an established track record in the investment and asset management industry. 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, a U.S.-based global alternative asset manager, was ranked the second largest private equity firm in the world based upon capital raised over the last five years, according to Private Equity International published in May 2013.

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 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 so as to maximize our investment returns.

Description of Funds Profile

The funds we manage include U.S. dollar funds, QFLP fund, RMB private equity funds, RMB real estate funds and Japanese yen real estate funds.

U.S. Dollar Funds

Our U.S. dollar funds consists of Pramerica-Fosun China Opportunity Fund and China Momentum Fund, L.P., which had a commitment amount of US$1,125.2 million as of June 30, 2014.

Pramerica-Fosun China Opportunity Fund, L.P. is the largest third party asset management commitment of Prudential Financial, Inc. in its 135 year history, and the largest overseas limited partner commitment that we have obtained. According to our agreement, Prudential Financial, Inc. shall commit US$500 million 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, 2014, Prudential

Financial, Inc. had committed US$500 million and we had committed US$100 million to the fund. As of June 30, 2014, this fund had invested in eight projects.

China Momentum Fund, L.P. is the second U.S. dollar-denominated private equity fund sponsored and managed by us. As of June 30, 2014, it had held the first closing and its aggregate commitment was US$525.2 million, in which we had committed US$100 million. The existing limited partners of China Momentum Fund, L.P. include top international institutional investors and sovereign funds, among others. As of June 30, 2014, this fund had invested in three projects.

QFLP Fund

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 one of the first pilot enterprises of foreign equity investment in Shanghai established pursuant to Registration of Foreign-invested Partnership Enterprise Regulations issued by the PRC central government. We and The Carlyle Group act as general partners of the fund. As of June 30, 2014, this fund had invested in one project.

RMB Private Equity Funds

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, 2014, this fund had invested in one project.

- Shanghai Fosun Yinping Fund, formed in April 2010 with a total commitment amount of RMB162 million. As of June 30, 2014, this fund had invested in one project.

- Fosun Capital Fund, formed in March 2011 with a total commitment amount of RMB1,525 million. As of June 30, 2014, this fund had invested in 21 projects.

- Fosun Weishi Fund, formed in June 2013 with a total commitment amount of RMB2,410 million. As of June 30, 2014, this fund had invested in three projects.

Fosun Chuanghong Management is the general partner of Fosun Chuanghong Fund, formed in December 2011 with a total commitment amount of RMB1,495.0 million. As of June 30, 2014, Fosun Chuanghong Fund had invested in six projects.

RMB Real Estate Funds

Star Capital Fund is a real estate fund that consists of Star Capital Fund I, with a commitment amount of RMB3,608 million, Star Capital Fund II, with a commitment amount of RMB1,815.9 million, and Star Capital Fund III, with a commitment amount of RMB2,123.1 million. As of June 30, 2014, Star Capital Fund had invested in seven projects.

Xinghong Fund is a real estate fund with a commitment amount of RMB400.0 million. As of June 30, 2014, Xinghong Fund has invested in one project.

The real estate series funds of Forte target residential and commercial property development projects, leveraging our management team's understanding of China's real estate market. As of June 30, 2014, the Forte Real Estate RMB Fund Series consisted of 12 funds with a total commitment amount of RMB3,931.0 million and had invested in 25 projects.

Japanese Yen Real Estate Funds

In May 2014, we completed our acquisition of 98% equity interests in IDERA Capital Management Ltd. ("IDERA"), a Japanese real estate capital management company, for a consideration of JPY6.81 billion. The investment is an important step in our pursuit of the "insurance plus investment" strategy in building our global investment capability. IDERA is a leading Japanese independent real estate capital management and fund platform, and as of June 30, 2014, its assets under management was over JPY145 billion. IDERA will become our real estate investment platform in the Japanese market and will continue to provide outstanding real estate fund and asset management services for investors in Europe, the United States and Japan.

IDERA recorded an audited operating revenue of JPY2,144.7 million, net profit of JPY717.4 million and net asset book value of JPY7,279.3 million for its fiscal year ended 31 March 2014) accordingly to the Japanese accounting standards.

Description of Investment Portfolio

We actively seek investment opportunities in a variety of areas, mainly consumption upgrade, financial services, resource and energy and manufacturing upgrade that stand to benefit from China's growth momentum. We target investment opportunities in (i) overseas listed China-based companies with investment value; (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 presenting potential to become a leader in the relevant industry. We promote the listing of our investee companies and seek to exit at the appropriate time with a view to maximizing 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 became listed on the Shenzhen Stock Exchange in April 2011. We sold 27,000,000 shares of Zhejiang Aishida Electric Co. Ltd. at an 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 any material legal proceedings related to our asset management business pending or threatened, that would 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 2013, the net asset value of China's securities investment funds was RMB3 trillion and insurance assets amounted to RMB8.3 trillion according to the CSRC. We believe 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 introduced a series of measures to support the private equity industry. A domestic PE industry is emerging.

According to the China VC/PE Market Review Report for 2013 issued by the Zero2IPO Research (清科研究中心), with respect to the VC sector, in 2013, a total of 199 VC funds raised total new funds of approximately US$6.9 billion, with 1,148 investment deals completed with a total investment amount of approximately US$6.6 billion, and 230 exits; with respect to the PE sector, in 2013, a total of 349 PE funds raised total new funds of approximately US$34.5 billion, with 660 investment deals closed with a total investment amount of approximately US$24.5 billion, and 228 exits.

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.

REGULATION

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, October 27, 2005 and December 28, 2013.

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

Guidelines of Reform on 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（關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 Investment, 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特殊目的公司投融資及返程投資外匯管理有關問題的通知）was issued by SAFE and effective on July 4, 2014. Under the Circular: PRC domestic residents who plan to establish an overseas special purpose vehicle ("SPV") must conduct foreign exchange registration with the local foreign exchange authority prior to contributing their legitimate overseas or domestic assets or equity interest as capital contribution of an overseas SPV. PRC domestic residents who have contributed their domestic assets or equity interests must conduct foreign exchange registration with local foreign exchange authority which locates at the registration place of the domestic enterprise or the place of the assets or equity interests. PRC domestic residents who have contributed their overseas assets or equity interests must conduct foreign exchange registration with local foreign exchange authority which locates at the registration place of the domestic enterprise or at the place of domicile of PRC residents.

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, Grandall Law Firm (Shanghai), 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渡優惠政策的通知） (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 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 （國家稅務總國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.

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— 285 —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 RMB200 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）, which was promulgated on September 25, 2009 and became effective on November 1, 2009, 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, which was amended on January 23, 2014, 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 RMB5 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 and amended as of April 4, 2014, 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 authorization, 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) authorizing insurers to carry on insurance business in or from 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 and perfects its 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 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) organize 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 on the key legislative amendments to ICO for the establishment of the IIA. FSTB reported on the consultation conclusions and revised proposals to the Legislative Council Panel on Financial Affairs in July 2013, and further established a working group to ensure a smooth transition to the statutory licensing regime under the IIA in October 2013. On April 16, 2014, FSTB issued a legislative council brief on the Insurance Companies (Amendment) Bill 2014 to amend the ICO. Among other things, the key legislative proposals include the functions and governance structure of the IIA and its regulatory powers, licensing regime of insurance intermediaries, and levies and fees on market participants. For insurers, the fees structure proposed include:

- license fees of HK$300,000 and a variable license 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 authorization, notification in relation to changes of particulars of insurers; and
- a levy of 0.1% on insurance premiums (subject to caps) 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 utilized 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 Authorization

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 authorization

Peak Reinsurance is authorized under section 8 of the ICO to carry on reinsurance business of the following classes of general business in or from Hong Kong:

General Business Class	**Description**
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
10	Motor vehicle liability
12	Liability for ships
13	General liability
14	Credit
15	Suretyship
16	Miscellaneous financial loss
17	Legal expenses

Long-Term Business Class	
A	Life and annuity

The authorization of Peak Reinsurance is subject to the condition that it is authorized in respect of reinsurance business only and that Peak Reinsurance is not authorized to issue any direct policies of insurance in respect of any of the above classes of general and long-term business. Due to the aforesaid condition, Peak Reinsurance is not authorized to issue any insurance business relating Statutory Business.

2.3 Authorization under the ICO

Companies carrying on insurance business in or from Hong Kong must obtain authorization from the OCI. Authorization will be granted only to insurers meeting the requirements set out in the ICO, including section 8 of the ICO, which focuses on, amongst 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 authorization 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 authorization.

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 Reinsurance which carries on reinsurance of general business and long-term business, the minimum paid up capital requirement is HK$20 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 authorized 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 authorized 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 as specified under the ICO; 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 Authorized Insurers

The OCI has issued a guidance note on the corporate governance of authorized insurers, which aims to enhance the integrity and general wellbeing of the insurance industry by providing assistance to authorized 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 authorized 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 authorized 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 authorization 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 authorization 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 realize 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 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:

- describe 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 Reinsurance as 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 endeavors to ensure that their staff and insurance agents observe its provisions.

2.15 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 authorized. A person is also prohibited from holding itself out as an appointed insurance agent and an authorized 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 authorized.

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 organizations.

(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.

Regulatory Framework in Portugal

The legal framework applicable, in Portugal, to the access and exercise of the insurance activity is defined through Decree-Law 94-B/98, of 17 April, as amended ("DL 94-B/98"). Article 7 et seq. of DL 94-B/98 provide for requisites that insurance companies need to comply with in order to be able to carry out such activity. Pursuant to Article 13, an insurance company must be a limited company by shares and have a minimum share capital. The amount of the minimum share capital varies depending on the types of insurance to be pursued by the company.

The following requirements generally apply to insurance companies in Portugal: (a) aptitude to guarantee a sane and prudent management of the company; (b) adequacy and sufficiency of the human resources; (c) adequacy and sufficiency of financial resources considering the kinds of insurance to be pursed; (d) Portugal being the main central place of management of the insurance company; and (e) that whenever there are close relationships between the insurance company and other persons or companies, those may not impede the correct supervision of the entity. Non-compliance of the requisites prohibits such companies from providing insurance services.

In general, insurers must register with the ISP, which is the insurance regulator in Portugal. Failure to comply with the registration requirement is a criminal offence and may render the offending insurer liable to pecuniary administrative sanctions.

Under the terms of Decree-Law 251/97 ("DL 289/2001"), the ISP has the prerogative of issuing binding instructions to insurance companies. It is also endowed with legislative initiative for insurance matters and has the power to approve regulations and other normative acts that are mandatory for the entities that the ISP supervises.

The ISP's regulatory activity covers two main areas: prudential supervision and behavioral supervision.

Prudential supervision is to ensure that insurance and reinsurance companies comply with the rules regarding technical provisions and adequate solvency, thus guaranteeing that they maintain proper levels of own funds, and that they adopt the proceedings that are required so as to ensure a sane and prudent management of the company. Within this scope, and besides the rules regarding capital requirements, the ISP is also empowered to gather information on qualifying holders and their project towards the companies, as well as to gather the necessary and sufficient information to ascertain whether directors have carried out a sane and prudent management.

As for behavioral supervision, the ISP monitors insurance companies' compliance with the law, as well as the adoption by insurance companies of the best market practice regarding, among others, duties of information towards policyholders, insured persons and beneficiaries, claim-handling proceedings, the adequacy of the products sold and the means of product distribution. The ISP is thus entitled to request all necessary information so as to determine whether management has fulfilled its duties of conduct, and also to issue mandatory regulations and opinions, which, in addition to the law, establish the duties aimed at ensuring the highest levels of transparency for the insurance industry in Portugal.

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 , first amended on February 28, 2001 and last amended on December 28, 2013.

- 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 August 4, 2002 and became effective on September 15, 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, and were amended on March 7, 2014 and became effective on June 1, 2014.

- 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 September 15, 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 August 5, 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 and were amended on March 7, 2014 and became effective on June 1, 2014, and the Measures for the Administration of Permits for Medical Devices Operation Enterprises（醫療器械經營企業許可證管理辦法）,which became effective on August 9, 2004, and enterprise engaged in wholesale or retail of medical devices must keep a record with the municipal level food and drug administration before commencing the distribution of Category II medical devices, and must obtain an operation permit before commencing the distribution of Category III medical devices. An operation permit is valid for five years and may be renewed at least six months prior to its expiration date upon a re-examination by the relevant authority.

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 October 31, 1993 and became effective on January 1, 1994 and was amended on October 25, 2013, 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 and were amended on March 7, 2014 and became effective on June 1, 2014. 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: low-risk equipment assured safe and effective under regular use; equipment with moderate risk that needs to be controlled for safe and effective use; and medical equipment with high risk that needs to take special measures and to be strictly controlled for safe and effective use. Part of medical equipment trading enterprises engaged in distribution of Category II medical devices and all medical equipment trading enterprises engaged in distribution of Category III medical devices are 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 January 31, 2007, which became effective from May 1, 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 February 21, 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 March 3, 2002, 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 September 23, 2004 and January 17, 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 July 7, 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 August 8, 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 March 31, 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 Housing and Urban-Rural Development*. The PRC Ministry of Housing and Urban-Rural Development is primarily responsible for guiding the planning and construction of rural and urban areas in China and the surveying of municipal utilities; guiding construction activity and regulating construction market of China; administrating the housing and real estate industry. The Ministry was established pursuant to the institutional reforms initiated by the State Council, which were adopted by the First Session of the Eleventh 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% 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.

According to the Urgent Notice on Further Tightening Management on Use of Land for Real Estate and Stabilizing the achievements of Macro-control on Real Estate Market (關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知) jointly promulgated by the Ministry of Construction and the MRL in July 2012, the deposit for bidding land use right shall not be less than 20% of the base prices. The real estate developers are required to execute the land use right grant contract within ten working days upon the successful bidding and make the down payment of at least 50% of the total land grant consideration within one month with the remaining balance to be paid within one year from the execution of the land use right grant contract. Local government authorities are required to strictly enforce the penalties on real estate developers that have delayed in the payment for land grant consideration or the construction due to their fault and the restrictions on them from acquiring new land.

According to the Measures on Disposal of Idle Land (閒置土地處置辦法) promulgated by the MLR in April 1999, as amended in May 2012 and effective in July 2012, an idle land fee may be imposed on the land that has not been developed within one year from the commencement date set out in the relevant land use right grant contract. Land use right may be forfeited, without compensation, if the land has not been developed within two years from the commencement date set out in the relevant land use right grant contract.

According to the Notice on Strictly Implementing the Land Use Standards and Vigorously Promoting the Saving and Intensification of Use of Land (關於嚴格執行土地使用標準大力促進節約集約用

地的通知) promulgated by the MLR in September 2012, the developers are restricted from obtaining approvals for the use of the parcels of land that: (i) fall under the Catalog for Prohibited Land Use Projects; (ii) do not comply with the conditions set out in the Catalog for Restricted Land Use Projects; (iii) do not meet the requirements with respect to the investment intensity, plot ratio, building coefficient, proportion of administrative, office and living service facilities and rate of green space set out in the Industrial Project Control Indicators; (iv) total area of the land or that of several function zones exceeds the land use indicators; (v) the land area and plot ratio do not comply with the land supply conditions. For the land which exceeds the land use indicators but has passed the evaluation and obtained approvals from the local government, all relevant documents including land supply plans, allocation decisions, land use right grant contracts, expert assessment opinions as well as official governmental approvals shall be filed with the relevant land authorities at the provincial level through land market dynamics monitoring system.

According to the Notice on Further Regulating the Real Estate Market (關於繼續做好房地產市場調控工作的通知) promulgated by the General Office of the State Council on February 2013, the current tax policy on the sales of the personal second-hand house is tending to more strict.

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 May 19, 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% 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（閒置土地處置辦法）,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 Real Estate（關於加強房地產用地供應和監管有關問題的通知）. 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 May 13, 2013, SAFE issued the Notice of the State Administration of Foreign Exchange on Issuing the Provisions on the Foreign Exchange Administration of Domestic Direct Investment of Foreign Investors and the Supporting Documents （國家外匯管理局關於印發《外國投資者境內直接投資外匯管理規定》及配套文件的通知）. This notice provides that registration system shall be implemented for domestic direct investment of foreign investors

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 December 13, 1993 and became effective on January 1, 1994 and its implementing rules which were promulgated by the Ministry of Finance on January 27, 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 December 28, 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 February 1, 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 May 12, 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 June 1, 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 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.

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 tons) 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貸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 coastal 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)(2013 amendment) （產業結構調整指導目錄）(2011 年本) (2013 修正)(the "Adjustment Catalogue") published on March 27, 2011, which was amended on February 16, 2013 and became effective on May 1, 2013, 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— 326 —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 million tons of outdated iron production capacity during period of "the eleventh five year plan", and 55 million 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.

Investment 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 fulfills 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; being approved by shareholders' resolutions and directors' resolutions; having relevant qualified professional personnel; 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 December 29, 1998 by the Sixth Session of the Ninth Standing Committee of the NPC. The Law was revised on August 28, 2004, October 27, 2005 and June 29, 2013.

- 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— 334 —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 consists of 10 directors, three 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............	47	Chairman and Executive Director
Mr. Liang Xinjun	46	Vice Chairman, Chief Executive Officer and Executive Director
Mr. Wang Qunbin	45	President and Executive Director
Mr. Ding Guoqi	45	Senior Vice President, Chief Financial Officer and Executive Director
Mr. Qin Xuetang	51	Senior Vice President and Executive Director
Mr. Wu Ping	50	Senior Vice President and Executive Director
Mr. Fan Wei...........................	45	Non-Executive Director
Mr. Zhang Shengman	57	Independent Non-Executive Director
Mr. Zhang Huaqiao	51	Independent Non-Executive Director
Mr. David T. Zhang	52	Independent Non-Executive Director

Senior Management

Name	Age	Position
Mr. Chen Qiyu	42	Vice President of our Company, Chairman and Executive Director of Fosun Pharma
Mr. Pan Donghui	45	Vice President of our Company
Mr. Yao Fang	45	Vice Chairman, President (Chief Executive Officer) and Executive Director of Fosun Pharma
Mr. Hongfei Jia	47	Senior Vice President and Chief Financial Officer of Fosun Pharma
Mr. Chen Zhihua	48	Vice Chairman and President of Forte
Mr. Yang Siming....................	61	Chairman and Chief Executive Officer of Nanjing Nangang, Chairman of Nanjing Steel United and Nanjing Iron & Steel
Mr. Huang Yixin.....................	49	General Manager of Nanjing Nangang and Nanjing Steel United, Director of Nanjing Iron & Steel
Mr. Qian Shunjiang	50	Vice General Manager and Chief Accountant of Nanjing Nangang and Nanjing Steel United
Mr. Chen Guoping.................	57	Chairman and Party Deputy Secretary of Hainan Mining
Mr. Liu Mingdong	47	Director, General Manager and Party Deputy Secretary of Hainan Mining
Mr. Feng Yilin	56	Vice General Manager and Chief Financial Officer of Hainan Mining
Ms. Sze Mei Ming..................	37	Secretary of our Company

Executive Directors

Guo Guangchang, aged 47, is an Executive Director and Chairman of the Company. Mr. Guo was one of the founders of the Group and has been chairman of Fosun Group since its establishment in

November 1994. Mr. Guo is also chairman of Fidelidade, Multicare and Cares, vice chairman of Nanjing Nangang, a director of Forte, Peak Reinsurance and Club Med and a non-executive director of Fosun Pharma and Minsheng Bank. Mr. Guo was a non-executive director of Sinopharm. Mr. Guo is also a member of the 12th National Committee of the Chinese People's Political Consultative Conference, a member of the 11th standing committee of All-China Federation of Industry & Commerce, a member of the 11th standing committee of All-China Youth Federation, honorary chairman of The Zhejiang Chamber of Commerce in Shanghai, vice council chairman of China Foundation for Glory Society and vice council chairman of Youth Business China. Mr. Guo was a deputy to the 10th and 11th National People's Congress of the PRC and a member of the 9th National Committee of the Chinese People's Political Consultative Conference, and was appointed policy consultant to the Shanghai municipal government from 2001 to 2002. Mr. Guo was awarded among others, "Top Ten Leaders in Future Economy of China", "Top Ten New Private Entrepreneurs in 2003", "CCTV People of Financial Year 2004", the nationwide "Outstanding Entrepreneur in Private Sector on Staff Caring", "Industry & Commerce Category Winner" of "Ernst & Young Entrepreneur of the Year", "Award of Outstanding Contribution to Guangcai Program" issued by China Society for Promotion of the Guangcai Program, the Awardee for Directors of the Year Awards 2010 (Non Hang Seng Index Constituents) issued by The Hong Kong Institute of Directors, "Outstanding Zhejiang Entrepreneur Award" at "The First World Zhejiang Entrepreneurs Convention", "Top 25 Most Influential Enterprise Leaders" at "China Entrepreneur Summit" for seven consecutive years and "25 Chinese to Watch" issued by Financial Times. 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 46, is an Executive Director, Vice Chairman and Chief Executive Officer of the Company. Mr. Liang was one of the founders of the Group. Mr. Liang has been vice chairman of Fosun Group since its establishment in November 1994. Mr. Liang is also a non-executive director and vice chairman of Zhaojin Mining. Mr. Liang was a director of Yuyuan 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 12th Shanghai Committee of the 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, chairman of the Taizhou Chamber of Commerce in Shanghai, executive chairman of the Shanghai Fudan University Alumni Association, executive vice council chairman of Cheung Kong Graduate School of Business Alumni Association, a member of China Industrial and Commerce Council and management committee of Asia-Pacific Economic Cooperation (APEC) and vice chairman of the 11th committee of Shanghai Youth Federation. Mr. Liang was awarded, among others, "Management Innovation Award for Young Entrepreneur in China", "Top Ten Outstanding Youth of Shanghai", "Chinese Business Leader of the Year" at the 7th Horasis Global China Business Meeting in Spain in 2011, "Bauhinia Cup Outstanding Entrepreneur Award" of The Hong Kong Polytechnic University in February 2012, "Top Ten PE Capitalists in China" in 2012 by Zero2IPO Group and "Top Ten Financial Industry Leaders in Shanghai" issued by Shanghai Finance Services Office in 2012, "Outstanding Zhejiang Entrepreneurs Award" by the 2nd World Zhejiang Entrepreneurs Convention, the Awardee for "Directors of the Year Awards 2013 (Non Hang Seng Index Constituents)" issued by The Hong Kong Institute of Directors, "2013 Chinese Business Leaders" issued by Grand Ceremony for Chinese Business Leaders Annual Award 2013. 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 45, is an Executive Director and President of the Company. Mr. Wang was one of the founders of the Group. Mr. Wang has been a director of Fosun Group since its establishment in November 1994. Mr. Wang is also a director of Nanjing Nangang, Fidelidade, Multicare, Cares, ROC Oil Company Limited (listed on the Australian Securities Exchange with stock code: ROC) and Henan Lingrui Pharmaceutical Co., Ltd. (listed on the Shanghai Stock Exchange with stock code: 600285), chairman of Forte and Peak Reinsurance, a non-executive director of Sinopharm and Fosun Pharma. Mr. Wang was a director of Shanghai Friendship Group Incorporated Company (listed on the Shanghai Stock Exchange with stock code: 600827). 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, chairman of The Huzhou Chamber of Commerce in Shanghai and vice chairman of China Chamber of International Commerce. Mr. Wang was named one of

“The Best-Performing CEOs in the World” by Harvard Business Review, “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”, “The Fourth Session Technology Innovation Prize of China Outstanding Youth” and “Outstanding Technical Experts Allowance by State Council” Mr. Wang received a bachelor’s degree in genetic engineering from Fudan University in 1991.

Ding Guoqi, aged 45, is an Executive Director, Senior Vice President and Chief Financial Officer of the Company. Mr. Ding is also a director and chief financial officer of Fosun Group, and a director of Nanjing Nangang, Forte, Fidelidade, Multicare, Cares and Shanghai Ganglian E-Commerce Holdings Co., Ltd. (listed on the Shenzhen Stock Exchange with stock code: 300226). 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 51, is an Executive Director and Senior Vice President of the Company. Mr. Qin is also a director of Fosun Group and a supervisor of Forte. Mr. Qin was a director of Nanjing Nangang and the secretary of the board of directors of Fosun Pharma. Before joining in Fosun Group in 1995, Mr. Qin was a lecturer at the law department of Fudan University. Mr. Qin received a bachelor’s degree in laws in 1985 from the Southwest University of Political Science and Law and was admitted to practice law in the PRC in 1990.

Wu Ping, aged 50, is an Executive Director and Senior Vice President of the Company. Mr. Wu joined the Group in 1995, and is also a director of Fosun Group, Shanghai Friendship Group Incorporated Company (listed on the Shanghai Stock Exchange with stock code: 600827), Shanghai Friendship Fosun (Holding) Co., Ltd. and Yuyuan. Mr. Wu was a non-executive director of Zhaojin Mining. Mr. Wu is a committee member of Huangpu District Shanghai of National Committee of the Chinese People’s Political Consultative Conference. Mr. Wu was named one of “The Best-Performing CEOs in the World” by Harvard Business Review. Mr. Wu received a bachelor’s degree in enterprise management from Shanghai Second Polytechnic University in 1990.

Non-Executive Director

Fan Wei, aged 45, is a Non-Executive Director of the Company. On May 22, 2013, Mr. Fan resigned as Executive Director and Co-President of the Company and was appointed as Non- Executive Director of the Company. Mr. Fan was one of the founders of the Group. Mr. Fan has been a director of Fosun Group since its establishment in November 1994. Mr. Fan was a director of Forte since 1998 and resigned on June 17, 2013. Mr. Fan is vice council chairman of the Institute of Real Estate Shanghai Academy of Social Sciences, and was chairman of the Housing Industry Association of Shanghai Federation of Industry and Commerce and vice chairman of the Shanghai Real Estate Trade Association. Mr. Fan was awarded the “Top 100 Property Entrepreneur in China in 2005” and “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.

Independent Non-Executive Directors

Zhang Shengman, aged 57, 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. 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 an 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.

Zhang Huaqiao, aged 51, has been an Independent Non-Executive Director of the Company since March 2012. Mr. Zhang is also non-executive director and chairman of China Smartpay Group Holdings Limited (stock code: 08325, previously known as Oriental City Group Holdings Limited), a non-executive director of Boer Power Holdings Ltd. (stock code: 01685), and an independent non-executive director of Zhong An Real Estate Limited (stock code: 00672), China Huirong Financial Holdings Limited (stock code: 01290), Logan Property Holdings Company Limited (stock code: 03380) and Luye Pharma Group Ltd. (stock code: 02186), and Wanda Commercial Properties (Group) Co., Limited (stock code: 00169) all of which are listed on the Hong Kong Stock Exchange, a director of Nanjing Central Emporium (Group) Stocks Co., Ltd. (listed on the Shanghai Stock Exchange with stock code:600280) and independent non-executive director of Yancoal Australia Ltd (listed on the Australian Securities Exchange with stock code: YAL). 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 , an independent non-executive director of Fuguiniao Co., Ltd. (listed on the Hong Kong Stock Exchange with stock code: 01819) from May 2013 to June 2014 and Ernest Borel Holdings Limited (listed on the Hong Kong Stock Exchange with stock code: 01856) from June 2014 to November 2014. 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 52, has been an Independent Non-Executive Director of the Company since June 2012. Mr. Zhang is also 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 specializes in securities offerings and M&A transactions. He has extensive experience representing Chinese issuers and leading investment banks in U.S. 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. degree from Tulane University Law School in 1991.

Senior Management of the Company, Fosun Pharma, Forte, Nanjing Nangang and Hainan Mining

The Company

Chen Qiyu, aged 42, is Vice President of the Company, an executive director and chairman of Fosun Pharma. Mr. Chen is also a non- executive director and vice chairman of Sinopharm and a director of Zhejiang D.A. Diagnostic Company Limited (a company listed on the Growth Enterprise Board of the Shenzhen Stock Exchange with stock code: 300244). Mr. Chen was a non-executive director of Forte. Mr. Chen joined Fosun Pharma in April 1994 and was appointed a director in May 2005. Prior to joining the Group, Mr. Chen worked in Shanghai RAAS Blood Product Corporation, now known as Shanghai RAAS Blood Product Company Limited (listed on the Growth Enterprise Board of the Shenzhen Stock Exchange with stock code: 002252). Mr. Chen is vice president of China Pharmaceutical Industry Research and Development Association, vice council chairman of China Medicinal Biotechnology Association, vice president of China Pharmaceutical Industry Association, chairman of the Shanghai Biopharmaceutical

Industry Association and council member of the Shanghai Society of Genetics. 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.

Pan Donghui, aged 45, is Vice President of the Company, President of Fosun TMT & Entertainment Group and Chief Representative of Hong Kong Office of the Company. Mr. Pan joined Fosun Group in 1994. For the past twenty years, he served as project manager, general manager of Investor Relations Department. Mr. Pan has helped the Group achieve exponential growth and high turnarounds by managing investment in telecom, media and technology, venture capital and hedge fund, directing investor relations affairs, and leading several large real estate development projects as well as pharmaceutical projects. Mr. Pan has rich experience in effective execution and value creation in respect of LBO and IPOs. Mr. Pan received a bachelor's degree in 1991 from Shanghai Jiao Tong University and graduated from University of Southern California with a master's degree in business administration in 2009.

Fosun Pharma

Chen Qiyu, aged 42, is an executive director and chairman of Fosun Pharma. Details of Mr. Chen's biography are set out in the biographical details of senior management of the Company.

Yao Fang, aged 45, is an executive director, vice chairman and president (chief executive officer) of Fosun Pharma. Mr. Yao is also a chief supervisor of Sinopharm and a non-executive director of BioSino Bio-Technology and Science Incorporation (listed on the Hong Kong Stock Exchange with stock code: 08247). Mr. Yao joined Fosun Pharma in April 2010 and was appointed a director in June 2010. Prior to joining Fosun Pharma, from 1993 to 2009, Mr. Yao served successively as assistant general manager of the International Business Department of Shanghai Wanguo Securities Company Limited, now known as Shenyin & Wanguo Securities Company Limited , general manager of Shanghai Industrial Assets Management Company Limited, general manager of Shanghai Industrial Management (Shanghai) Company Limited, managing director of Shanghai Industrial Pharmaceutical Investment Company Limited, chairman of Shanghai Overseas Company, a non-executive director of Lianhua Supermarket Holdings Co., Ltd. (listed on the Hong Kong Stock Exchange with stock code: 00980), and an executive director of Shanghai Industrial Holdings Limited (listed on the Hong Kong Stock Exchange with stock code: 00363). Mr. Yao is a vice chairman of the Shanghai Pharmaceutical Industry Association since 2010. Mr. Yao received a bachelor's degree in economics from Fudan University in 1989 and a master's degree in business administration from The Chinese University of Hong Kong in 1993.

Hongfei Jia, aged 47, is senior vice president and chief financial officer of Fosun Pharma. Prior to joining Fosun Pharma in June 2013, Mr. Jia worked in Gillette from September 1989 to December 1993; worked in audit department of NCH Corporation in the United States from October 1994 to October 1996; was a financial budgeting & planning manager of Tianjin Smith Kline & French Laboratories Ltd. and then a financial manager of Glaxo Wellcome (China) Co., Ltd. from November 1996 to May 1999; financial manager of SAMTACK COMPUTER INC. from November 1999 to October 2002; financial director of Achieve Global Consulting from January 2003 to November 2003; deputy general manager and finance director of Simon Electric (China) Co. Ltd. from December 2003 to June 2007; chief financial officer of Jingrui Properties (Group) Co. Ltd. from September 2007 to May 2010; and group director of finance of Goodbaby International Holdings Limited (listed on the Hong Kong Stock Exchange with stock code: 01086) from July 2011 to October 2012. Mr. Jia received a bachelor's degree in management science from Fudan University in July 1989 and a master's degree in business administration from the University of Dallas of the United States in December 2005.

Forte

Wang Qunbin, aged 45, is chairman of Forte. Details of Mr. Wang's biography are set out in the biographical details of executive directors of the Company.

Chen Zhihua, aged 48, is vice chairman and president of Forte. Mr. Chen joined Forte in December 2011 as 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 an assistant to the president. Mr. Chen received a bachelor's degree in engineering from Tongji University in 1988.

Nanjing Nangang

Yang Siming, aged 61, is chairman and chief executive officer of Nanjing Nangang. Mr. Yang is also chairman of Nanjing Steel United, Nanjing Iron & Steel Group Co., Ltd. and Nanjing Iron & Steel. Since June 1991, Mr. Yang held several positions in Nanjing Iron & Steel Group Co., Ltd., as vice general manager, director, general manager and party deputy secretary, director and general manager of Nanjing Steel United, etc. 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 Nanjing University in June 2007.

Huang Yixin, aged 49, is the general manager of Nanjing Nangang. Mr. Huang is also a general manager of Nanjing Steel United and director of Nanjing Iron & Steel. Since December 1994, Mr. Huang held several positions, including manager of new product R&D department of Nanjing Iron & Steel Group Co., Ltd., vice manager of technology and quality department, director of new product R&D and promotion centre, assistant to general manager and vice general manager of Nanjing Steel United, vice general manager and vice executive general manager of Nanjing Iron & Steel. Mr. Huang graduated from University of Science and Technology Beijing in 1988 and received a master's degree in business administration from Nanjing University in 2009.

Qian Shunjiang, aged 50, is vice general manager and chief accountant of Nanjing Nangang. Mr. Qian is also vice general manager and chief accountant of Nanjing Steel United and a director of Nanjing Iron & Steel. Mr. Qian was accounting manager of SC Johnson Co., Ltd. from September 1989 to January 1996, manager of finance department of Orient Overseas Container Line (China) Co., Ltd. from February 1996 to January 1998, financial manager and chief financial officer of Johnson & Johnson (China) Investment Co., Ltd. and Johnson & Johnson Vision Care Department from February 1998 to April 2004, group deputy chief accountant and manager of the financial department of China Worldbest Group Co., Ltd. from May 2004 to October 2006, vice president and chief financial officer of Lianlian Pay Inc. from November 2006 to January 2009. Mr. Qian joined the Group in 2009 and had held the position of vice general manager and chief financial officer of Fosun Pharma. Mr. Qian graduated from Shanghai University of Finance and Economics in 1986 and received a master's degree in business administration from the same university in 1995.

Hainan Mining

Chen Guoping, aged 57, is the chairman and party deputy secretary of Hainan Mining. Mr. Chen is also senior assistant to the president of Fosun Group. Mr. Chen was a non-executive director of Zhaojin Mining. Mr. Chen joined Fosun Group in September 2003 and held various positions such as chief technology officer, vice general manager of the iron and steel division, general manager of the mineral resources division of Fosun Group. 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 project manager and technology marketing manager of Shanghai Krupp Stainless Co., Ltd. from July 1998 to September 2003. Mr. Chen is a deputy to the 4th and 5th People's Congress of Hainan Province and a member of 5th Standing Committee of the People's Congress of Hainan Province. Mr. Chen received a bachelor's degree in engineering from Shanghai University of Technology in 1988 and qualified as a senior engineer in 1997.

Liu Mingdong, aged 47, is a 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, vice general manager in Hainan Iron & Steel Company from

August 2000 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 56, is the vice general manager and chief financial officer of Hainan Mining. Mr. Feng joined Fosun Group in May 2003 and worked as an investment director of Fosun Group and then the supervisor of Hainan Mining, and was appointed the vice general manager and chief financial officer of Hainan Mining in May 2008. Before joining 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 Medical Appliance Co., Ltd. from January 1999 to April 2003. Mr. Feng obtained a bachelor's degree in industrial accounting from Shanghai University of Finance and Economics in September 1986 and qualified as an accountant in April 1997.

Company Secretary

Sze Mei Ming, aged 37, was appointed Company Secretary of the Company in March 2009. Ms. Sze joined the 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 a fellow 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 three Independent Non-Executive Directors, namely, Mr. Zhang Shengman (Chairman), Mr. Zhang Huaqiao and Mr. David T. Zhang. The main duties of the Audit Committee include reviewing the financial statements and reports and consider any significant or unusual items raised by our Company's staff; responsible for the accounting and financial reporting function or external auditors before submission to the Board; reviewing the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors and reviewing the adequacy and effectiveness of our Company's financial reporting system, internal control system (including the adequacy of resources, qualification and experience of staff of our Company's accounting and financial reporting function, their training programs and budget) and risk management system and associated procedures.

Remuneration Committee

Our Remuneration Committee comprises three members, namely, Mr. Liang Xinjun, Mr. Zhang Shengman and Mr. David T. Zhang and the majority of them are Independent Non-Executive Directors.

The primary duties of our Remuneration Committee include making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, as well as on the remuneration policy and structure for all Directors and 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 associates will participate in deciding his 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 three members, namely Mr. Zhang Huaqiao (Chairman), Mr. Wang Qunbin and Mr. Zhang Shengman and the majority of them are Independent Non-Executive Directors.

The main duties 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 re-appointment of directors and succession planning for Directors.

Corporate Governance and Internal Controls

We are committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. As a company listed on the Hong Kong Stock Exchange, we applied the principles of and fully complied with all code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the listing rules of the Hong Kong Stock Exchange ("CG Code"), except Mr. Guo Guangchang, the Executive Director and Chairman of our Company, had not attended the annual general meeting of our Company held on May 28, 2014 as required under code provision E.1.2 of the CG Code due to important business engagement. Our Company regularly reviews its corporate governance practices to ensure compliance with the CG Code. 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, performance-related bonuses, allowances and benefits-in-kind, including our contribution to the pension plan on their behalf. For each of the years ended December 31, 2012 and 2013 and the six months ended June 30, 2014, the aggregate remuneration paid to our Directors was approximately RMB47.1 million, RMB39.4 million and RMB33.7 million, respectively.

PRINCIPAL SHAREHOLDERS

The following table sets forth, to the best of our knowledge, certain share ownership information as of June 30, 2014 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	5,510,793,609	79.6%
Fosun International Holdings[(1)]	5,510,793,609 [(2)]	79.6%

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 (including any transactions with the Issuer) 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. We believe that such policy ensures that we do not abuse our control or influence over our subsidiaries (including the Issuer), associates and other related parties. The following table sets forth certain related party transactions for the two years ended December 31, 2012 and 2013:

Name of related parties	Nature of transactions	2012	2013
		(RMB in thousands)	
Sales of goods			
Sinopharm Group Co. Ltd.	Sales of pharmaceutical products	385,567	570,052
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd.(3) .	Sales of utility	67,553	53,786
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd.(3) .	Sales of scrap material	59,333	59,769
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd.(2)	Sales of pharmaceutical products	19,222	22,750
Shanghai Lianhua Fosun Pharmacy Chain Operation Co., Ltd.(2)	Sales of pharmaceutical products	18,821	18,201
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd.(2)...........	Sales of pharmaceutical products	6,492	8,055
Suzhou Laishi Transfusion Equipment Co., Ltd.(2)....................................	Sales of pharmaceutical products	9,291	6,642
Shanghai Yaofang Co., Ltd.(2)	Sales of pharmaceutical products	7,580	4,565
Shanghai Huifeng Forme Pharmacy Co., Ltd.(3)...................................	Sales of pharmaceutical products	4,962	3,517
Shanghai Liyi Pharmacy Co., Ltd.(2)	Sales of pharmaceutical products	2,158	1,868
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development Ltd.(3) ..	Sales of pharmaceutical products	—	1,832
Guilin Auspicious Pharmaceutical Industrial Ltd.(2)............................	Sales of pharmaceutical products	1,273	549
Hunan Time Sun Pharmaceutical Co., Ltd.(2)	Sales of pharmaceutical products	—	427
Zhejiang Crystal-Optech Co., Ltd. (2)	Sales of pharmaceutical products	—	—
Total sales of goods		582,252	752,013

Name of related parties	Nature of transactions	2012	2013
		(RMB in thousands)	
Purchases of goods			
Sinopharm Group Co. Ltd.	Purchases of pharmaceutical products	165,865	136,262
Suzhou Laishi Transfusion Equipment Co., Ltd.(2)....................................	Purchases of pharmaceutical products	21,697	15,282
Tongjitang Chinese Medicines Company(5)..................................	Purchases of pharmaceutical products	12,097	13,272
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd.(2)...........	Purchases of pharmaceutical products	12,950	8,302
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd.(2)	Purchases of pharmaceutical products	8,749	5,537
Shanghai Yaofang Co., Ltd.(2)	Purchases of pharmaceutical products	4,752	3,011
SD Biosensor, INC.(2)	Purchases of pharmaceutical products	—	669
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd.(3) .	Purchases of iron ore products	—	285
Fosium Innovations (Shanghai) Co., Ltd.(3)	Purchases of pharmaceutical	—	215
Hainan Haigang Group Co., Ltd.(4) ..	Purchases of low grade ore products	732,451	—
Hainan Haigang Group Co., Ltd.(4) ..	Purchases of iron ore products	22,789	—
Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd.(2)	Purchases of coking coal products	5,978	—
Total purchases of goods		987,328	182,835

Name of related parties	Nature of transactions	2012	2013
Transfer of biological assets			
Hainan Haigang Group Co., Ltd.(4) ..	Transfer of biological assets	12,875	—

Name of related parties	Nature of transactions	2012	2013
		(RMB in thousands)	
Service income			
Shanghai Xingyao Real Estate Development Co., Ltd.(3)	Consulting services provided to the related company	—	42,000
Harbin Xinghao Real Estate Development Co., Ltd.(6)	Consulting services provided to the related company	29,400	21,000
Yantai Xingyi Properties Co., Ltd.(3)	Consulting services provided to the related company	—	20,452
Harbin Xingheng Real Estate Development Co., Ltd.(6)	Consulting services provided to the related company	—	20,000
Harbin Xinghan Real Estate Development Co., Ltd.(6)	Consulting services provided to the related company	—	18,000
Fuyang Furun Property Co., Ltd.(3)..	Consulting services provided to the related company	—	7,148
Shanghai Yinping Investment Management Co., Ltd.(2)	Consulting services provided to the related company	—	2,133
Wuhu XingYan Properties Co., Ltd.(3)	Consulting services provided to the related company	—	1,218
Shanghai Fuxin Real Estate Development Co., Ltd.(2)	Consulting services provided to the related company	—	385
Total service income....................		29,400	132,336

Name of related parties	Nature of transactions	2012	2013
		(RMB in thousands)	
Interest income			
Haizhimen[3]	Interest income	451,572	274,276
Shanxi Jianqin Real Estate Development Co., Ltd.[3]	Interest income	56,305	58,984
Harbin Xinghao Real Estate Development Co., Ltd.[6]	Interest income	5,775	7,303
Wuhu Xingshuo Investment Co., Ltd.[3]	Interest income	—	3,501
Yantai Xingyi Properties Co., Ltd.[3]	Interest income	—	2,200
Nanjing Dahua Investment Development Co., Ltd.[2]	Interest income	3,471	4,248
Fuyang Furun Property Co., Ltd.[3]	Interest income	—	1,472
Shanghai Yuyuan Tourist Mart Co., Ltd.[2]	Interest income	367	—
Total interest income		517,490	351,984
Rental Income			
Nanjing Xinwu Shipping Co., Ltd.[2]	Operating lease in respect of office buildings leased to the related company	—	1,806
Fuyang Furun Property Co., Ltd.[3]	Operating lease in respect of office buildings leased to the related company	—	739
Fosium Innovations (Shanghai) Co., Ltd.[3]	Operating lease in respect of office buildings leased to the related company	—	517
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development Ltd.[3]	Operating lease in respect of office buildings leased to the related company	—	98
Guilin Auspicious Pharmaceutical Industrial Co., Ltd.[2]	Operating lease in respect of office buildings leased to the related company	—	52
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd.[2]	Operating lease in respect of office buildings leased to the related company	—	40
Total rental income		—	3,252
Interest expense			
Shanghai Yuyuan Mart Real Estate Development Co., Ltd.[2]	Interest expense	20,017	—

Name of related parties	Nature of transactions	2012	2013
		(RMB in thousands)	
Interest paid for deposits from related parties			
Shanghai Xingjue Investment Management Co., Ltd.[6]	Interest paid for deposits	860	4,713
Shanghai Yuyuan Tourist Mart Co., Ltd.[4]	Interest paid for deposits	1,095	1,612
Shanghai Zendai Bund Int'l Finance Center Real Estate Co., Ltd.[3]	Interest paid for deposits	—	268
Chongqing Langfu Properties Co., Ltd.[2]	Interest paid for deposits	—	128
Shanxi Jianqin Real Estate Development Co., Ltd.[3]	Interest paid for deposits	—	96
Yantai Xingyi Properties Co., Ltd.[3]	Interest paid for deposits	—	52
Fuyang Furun Property Co., Ltd.[3]..	Interest paid for deposits	—	1
Total interest paid for deposits from related parties		1,955	6,870
Other expenses			
Nanjing Xinwu Shipping Co., Ltd.[2].	Transportation fees	99,083	93,918
Hainan Haigang Group Co., Ltd.[4]..	Operating lease in respect of land leased from the related company	16,789	16,520
Shanghai Foreal Property Management Co., Ltd.[2]	Property management services provided by the related company	15,091	10,253
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd.[2]	Operating lease in respect of office buildings leased from the related company	2,662	3,705
Shanghai Yinping Investment Management Co., Ltd.[2]	Operating lease in respect of office buildings leased from the related company	—	—
Total other expenses		133,625	124,396
Underlying notional interest of loans from related companies			
Wuxi Forte Real Estate Development Co., Ltd.[3]....................................	Notional interest	5,856	6,227
Tianjin Binhai Auto Parts Industry Base Co., Ltd.[2]	Notional interest	—	—
Total notional interest..................		5,856	6,227

Name of related parties	Nature of transactions	2012	2013
		(RMB in thousands)	
Loans from related companies			
Shanghai Yuyuan Mart Real Estate Development Co., Ltd.[2]	Loan provided by the related company	618,000	—
Wuxi Forte Real Estate Development Co., Ltd.[3]....................................	Loan provided by the related company	65,000	100,000
Nanjing Iron & Steel (Group) Co., Ltd[4]	Loan provided by the related company	50,000	—
Chengde Jingfukang Pharmaceutical Co., Ltd. [2]	Loan provided by the related company	—	—
Total loans from related companies		733,000	100,000
Deposits from related companies			
Shanghai Xingjue Investment Management Co., Ltd.[6]	Deposits from the related company	789,726	615,085
Shanghai Zendai Bund International Finance Center Real Estate Co., Ltd.[3]..	Deposits from the related company	—	363,568
Shanghai Yuyuan Tourist Mart Co., Ltd.[2]..	Deposits from the related company	149,488	147,107
Chongqing Langfu Properties Co., Ltd.[2]..	Deposits from the related company	—	28,918
Shanxi Jianqin Real Estate Development Co., Ltd.[3]	Deposits from the related company	—	20,076
Yantai Xingyi Properties Co. Ltd.[3] .	Deposits from the related company	—	3,562
Fuyang Furun Property Co., Ltd.[3]..	Deposits from the related company	—	1,680
Sichuan Huanglong Forte Real Estate Development Co., Ltd.[3]	Deposits from the related company	—	387
Total deposits from related companies		939,214	1,180,383
Guarantees of bank loans			
Sichuan Forte Huanglong Property Development Co., Ltd.[3]	Guarantees granted for bank loans of the related company	150,000	300,000
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd.[3] .	Guarantees granted for bank loans of the related company	140,000	90,000

Name of related parties	Nature of transactions	2012	2013
		(RMB in thousands)	
Fuyang Furun Property Co., Ltd.(2)..	Guarantees granted for bank loans of the related company	—	100,000
Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd.(2)	Guarantees granted for bank loans of the related company	150,000	50,000
Nanjing Xinwu Shipping Co., Ltd.(2).	Guarantees granted for bank loans of the related company	60,000	30,000
Beijing Hehua Property Development Co., Ltd.(2)....................................	Guarantees granted for bank loans of the related company	518,000	—
Tianjin Jianlong Iron & Steel Industrial Co., Ltd.(2)....................................	Guarantees granted for bank loans of the related company	300,000	—
Nanjing Iron & Steel (Group) Co., Ltd.(4)	Bank loans guaranteed by the related company	1,110,640	1,289,111
Fosun Holdings Limited(1)................	Bank loans guaranteed by the related company	1,382,810	1,280,349
Total loans guaranteed.................		3,811,450	3,139,460
Loans to related companies			
Shanxi Jianqin Real Estate Development Co., Ltd.(3)	Entrusted loan provided to the related company	—	700,000
Fuyang Furun Property Co., Ltd.(3)..	Entrusted loan provided to the related company	—	100,000
Yantai Xingyi Properties Co., Ltd.(3)	Entrusted loan provided to the related company	—	80,000
Wuhu Xingshuo Investment Co., Ltd.(3)	Entrusted loan provided to the related company	—	75,000
Haizhimen(2)	Shareholder loan provided to the related company	254,931	—
Harbin Xinghao Real Estate Development Co., Ltd.(6)	Entrusted loan provided to the related company	160,000	—
Shanghai Yuyuan Tourist Mart Co., Ltd.(2)	Loan provided to the related company	150,000	—
Sinopharm Industrial Investment Co., Ltd.(2)	Entrusted loan provided to the related company	—	—
Chengdu Meijili Business Services Co., Ltd.(3)....................................	Shareholder loan provided to the related company	—	—
Total loans to related companies		564,931	955,000

The following table sets forth certain related party transactions for the six months ended June 30, 2013 and 2014:

	For the six months ended June 30,	
	2013	**2014**
	(Unaudited)	**(Unaudited)**
	(RMB in thousands)	
Associates:		
Sales of pharmaceutical products	294,031	362,232
Purchase of pharmaceutical products	85,183	77,996
Purchase of coking coal products	—	—
Service income	578	—
Service fee	4,457	1,997
Transportation fee	54,623	67,546
Rental fee	—	17
Interest income	2,878	2,217
Interest expense	741	1,194
Loan provided by the related company	—	—
Deposits from related companies	146,235	318,443
Bank loan guarantees provided	1,038,000	23,000
	1,626,726	854,642
Non-controlling shareholders of the subsidiaries of the Group:		
Rental fee	7,971	8,938
Interest income	—	3,971
Bank loan guarantees received	1,044,257	724,210
	1,052,228	737,119
Other related parties:		
Sales of pharmaceutical products	2,137	1,392
Sales of other products	47,803	98,698
Purchase of other products	279	147
Interest income	182,291	157,677
Interest expense	3,217	1,466
Service income	39,587	42,689
Rental income	—	53
Notional interest	1,557	4.911
Loan to related parties	155,000	—
Deposits from related companies	509,237	159,694
Bank loan guarantees received	1,328,421	738,336
Bank loan guarantees provided	380,000	518,000
	2,649,529	1,723,063

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, 2014, our total interest bearing bank and other borrowings amounted to RMB84,914.5 million and we had a total of approximately RMB103,919.8 million unutilized banking facilities. Set forth below is a summary of our major interest bearing 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, 2014, our Company had total available loan facilities of RMB49,044.6 million (US$7,905.8 million), of which our Company had drawn down RMB8,266.3 million (US$1,332.5 million).

The interest rates under these term loan facilities are typically specified as a fixed margin percentage of not more than 3% 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 liabilities 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 EBITDA, (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, 2014 and up to the date of this Prospectus, our Company has not entered into any additional material loan agreements.

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 two months to fifteen 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, 2014, the outstanding loans and other borrowings for our consolidated subsidiaries were as follows:

Borrowers	Total	Amount outstanding as of June 30, 2014 Short-term	Long-Term
		(RMB in millions)	
Fosun Group	11,360.8	7,879.1	3,481.7
Fosun Pharma	6,803.0	1,656.1	5,146.9
Forte	21,393.8	8,581.2	12,812.6
Nanjing Nangang	17,861.9	11,085.4	6,776.5
Hainan Mining	437.0	437.0	0.0
Other consolidated subsidiaries	19,376.2	7,770.9	11,605.3
Total	77,232.7	37,409.7	39,823.0

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, 2014, of the RMB77,232.7 million, RMB23,084.9 million was secured by properties or other assets and RMB54,147.8 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, 2014, Fosun Group, on a non-consolidated basis, had total outstanding debt obligations of RMB11,360.8 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 5.4% to 6.9% per annum, and have a term between eight 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 favor 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, 2014, Fosun Pharma together with its subsidiaries, on a consolidated basis, had total outstanding debt obligations of RMB6,803.0 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 1.7% to 8.4% 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, 2014, Forte together with its subsidiaries, on a consolidated basis, had total outstanding debt obligations of RMB21,393.8 million under its term loans, including 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 2.1% to 11% per annum, and mature between twelve months and 10 years.

Guarantees and Security

Term loans incurred by Forte and its subsidiaries in the amount of RMB11,259.7 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 RMB20,923.7 million as of June 30, 2014.

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 eighteen months. As of June 30, 2014, Forte had approximately RMB2,501.0 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, 2014, Nanjing Nangang together with its subsidiaries, on a consolidated basis, had total outstanding debt obligations of RMB17,861.9 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 0.899% to 7.35% per annum, and mature between two months and ten years.

Guarantees and Security

Term loans incurred by Nanjing Nangang and its subsidiaries in the amount of RMB2,354.0 million were secured by their assets, including property, plant and equipment, inventories and time deposits. These assets had an aggregate net book value of RMB3,485.1 million as of June 30, 2014.

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, 2014, RMB2,470 million in principal amount of the enterprise 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, 2014 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, 2014, 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, 2014, 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, 2014, 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 arrear 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+ by Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.[4]

Fosun Group First Phase of Medium-Term Notes

On October 24, 2014, Fosun Group completed an offering of RMB2,000 million principal amount of three-year medium-term notes with an annual interest rate of 5.05%.

PRIVATE PLACEMENT NOTE

On June 19, 2013, Fosun Group issued three-year private placement notes with the par value of RMB2 billion and an effective interest rate of 6.02% per annum. The interest will be paid annually in arrear and the maturity date is June 19, 2016. As of June 30, 2014, RMB2 billion in principal amount of the notes was outstanding.

On March 19, 2014, Fosun Group issued one-year private placement notes with the par value of RMB1 billion and the effective interest rate is 6.82% per annum. The interest and the principle will be paid together on the maturity date, which is March 19, 2015.

On May 30, 2014, Fosun Group issued one-year private placement notes with the par value of RMB1 billion and the effective interest rate is 6.52% per annum. The interest and the principle will be paid together on the maturity date, which is May 30, 2015.

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 million principal amount of the 7.5% Senior Notes due 2016. As of June 30, 2014, we had a total of US$300 million 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

---

4 Shanghai Brilliance Credit Rating & Investors Service Co., Ltd is not an entity established in the European Union and has not made an application to be registered for the purposes of the EU Regulation on credit rating agencies (Regulation (EU) No. 1060/2009), as amended.

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"), shared on a *pari passu* basis by the holders of the 2013 Convertible Bonds, the holders of the 2013 Notes and the holders of the 2011 Notes.

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 arrear.

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 from 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.

2013 Notes

On January 23, 2013, we entered into an indenture (as amended and supplemented from time to time, the "2013 Indenture") pursuant to which we issued US$400 million principal amount of the 6.875% Senior Notes due 2020. As of June 30, 2014, we had a total of US$400 million principal amount of the 2013 Notes outstanding.

Guarantee

The obligations pursuant to the 2013 Notes are guaranteed by the Company, and Financial Holdings, Gold Holdings, Industrial Holdings, Property Holdings, Laxton Investments, Topper Link, FF Investment, Financial Vantage, Summit Glory Inc. and Summit Glory LLC and certain of our future subsidiaries (the "2013 Notes Subsidiary Guarantors"), other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2013 Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a 2013 Notes Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2013 Indenture.

The Company and each of the 2013 Notes Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium, and interest on, and all other amounts payable under, the 2013 Notes.

Collateral

In order to secure the obligations under the 2013 Notes, the Company and the 2013 Notes Subsidiary Guarantors under the 2013 Indenture pledged the capital stock of all such 2013 Notes Subsidiary Guarantors for the benefit of the holders of the 2013 Notes (the “2013 Collateral”), shared on a *pari passu* basis by the holders of the 2013 Convertible Bonds, the holders of the 2013 Notes and the holders of the 2011 Notes.

The 2013 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 2013 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2013 and other *pari passu* secured indebtedness permitted.

Interest

The 2013 Notes bear an interest rate of 6.875% per annum. Interest is payable semi-annually in arrear.

Covenants

Subject to certain conditions and exceptions, the 2013 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 2013 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2013 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 2013 Indenture. If an event of default occurs and is continuing, the trustee under the 2013 Indenture or the holders of at least 25% of the outstanding 2013 Notes may declare the principal of the 2013 Notes plus any accrued and unpaid interest and premium 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 2013 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 2013 Notes is January 30, 2020.

At any time on or after January 30, 2017, we may redeem the 2013 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 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, we may at our option redeem the 2013 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2013 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to January 30, 2017, we may redeem up to 35% of the aggregate principal amount of the 2013 Notes at a redemption price of 106.875% of the principal amount of the 2013 Notes plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company’s capital stock, subject to certain conditions.

We may acquire the 2013 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 2013 Indenture.

2014 Notes

On October 9, 2014, we issued €500,000,000 principal amount of 3.3% Senior Notes due 2022. See “Description of the Notes.”

CONVERTIBLE BONDS

2013 Convertible Bonds

On November 22, 2013 we issued the 2013 Convertible Bonds in an aggregate principal amount of HK$3,875 million. As of June 30, 2014, we had a total of HK$3,875 million principal amount of the 2013 Convertible Bonds outstanding.

Guarantee

The obligations pursuant to the 2013 Convertible Bonds are guaranteed by the Company, and Financial Holdings, Gold Holdings, Industrial Holdings, Property Holdings, Laxton Investments, Topper Link, FF Investment, Financial Vantage, Summit Glory Inc. and Summit Glory LLC and certain of our future subsidiaries (the "2013 Convertible Bonds Subsidiary Guarantors").

The Company and each of the 2013 Convertible Bonds Subsidiary Guarantors, jointly and severally, guarantees the due payment of all sums expressed to be payable under the 2013 Convertible Bonds and the trust deed such bonds (the "2013 Trust Deed").

Collateral

In order to secure the obligations under the 2013 Convertible Bonds, the Company and the 2013 Convertible Bonds Subsidiary Guarantors under the 2013 Trust Deed pledged the capital stock of all such 2013 Convertible Bonds Subsidiary Guarantors for the benefit of the holders of the 2013 Convertible Bonds, shared on a *pari passu* basis by the holders of the 2013 Convertible Bonds, the holders of the 2013 Notes and the holders of the 2011 Notes.

Interest

The 2013 Convertible Bonds bear interest from and including November 22, 2013 at the rate of 1.50% per annum, payable semi-annually in arrear on May 22 and November 22 in each year.

Maturity Date

The maturity date for the 2013 Convertible Bonds is November 22, 2018. We will redeem each of the 2013 Convertible Bonds not previously redeemed, converted or purchased and cancelled at 106.65% of the principal amount together with unpaid accrued interest thereon on the maturity date.

Early Redemption at the Option of the Company

Under the terms of the 2013 Convertible Bonds, we have the right to redeem, by giving the requisite notice, all but not some of the Bonds at the early redemption amount set out in the 2013 Trust Deed plus interest accrued and unpaid to such date if the closing price of our shares for 20 out of the 30 consecutive trading days immediately prior to the date upon which the requisite notice is given was at least 130% of the early redemption amount divided by the conversion ratio then in effect. We may also redeem all, but not part, of the 2013 Convertible Bonds, in the event of certain changes in taxation or if 10% or less of the aggregate principal amount of the 2013 Convertible Bonds are outstanding.

Early Redemption at the Option of Bondholders

Under the terms of the 2013 Convertible Bonds, we will, at the option of the holder of any of the 2013 Convertible Bonds, to redeem all or part of that holder's 2013 Convertible Bonds on November 22, 2016 at the early redemption amount set out in the 2013 Trust Deed plus accrued but unpaid interest. This option may be exercised by a bondholder at any time at least 30 days but not more than 60 days prior to November 22, 2016.

The 2013 Convertible Bonds also contain terms providing for the early redemption of the bonds, at the option of the holders, in the event of a change of control of Fosun International Limited or a delisting of Fosun International Limited shares from trading on the Hong Kong Stock Exchange or an alternative stock exchange.

Conversion Price

The initial conversion price for the 2013 Convertible Bonds is HK$10.00 per Fosun International Limited share. The 2013 Convertible Bonds include provisions for the adjustment of the conversion price in the event of capitalization of profits and reserves, capital distributions, rights issues, sub-division, consolidation and re-classification of shares, issuance of options, rights, warrants, further convertible or exchangeable bonds or shares at beyond a certain discount to current market price, and certain other dilutive events. The conversion price is also adjustable if a change of control of Fosun International Limited has occurred.

Conversion Period

The conversion period of the 2013 Convertible Bonds began on the 41st day after the closing date of the 2013 Convertible Bonds and will end at the close of business on the date falling 7 days prior to the maturity date of the 2013 Convertible Bonds or, if the 2013 Convertible Bonds are called for redemption before their maturity date, then up to the close of business on a date no later than 7 days prior to the date fixed for redemption.

Negative Pledge

The terms of the 2013 Convertible Bonds include a negative pledge clause which restricts us from creating or subsisting any security interest upon the whole or any part of its present or future undertaking, assets or revenues to secure certain debt securities, or to secure any guarantee or indemnity in respect of certain debt securities, without according to the 2013 Convertible Bonds (i) the same security as is created or subsisting to secure any such debt securities, guarantee or indemnity or (ii) such other security as either (a) the 2013 Convertible Bonds trustee may, but shall not be obliged to, in its absolute discretion deem not materially less beneficial to the interests of the bondholders or (b) shall be approved by an resolution pursuant to the 2013 Trust Deed of the bondholders.

Cross Acceleration

The 2013 Convertible Bonds may be accelerated if there occurs, *inter alia*, with respect to indebtedness of the Issuer, the Guarantor or any 2013 Convertible Bonds Subsidiary Guarantor having an outstanding principal amount which equals or exceeds HK$155 million or its equivalent in any other currency (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. Certain other events will also permit acceleration of repayment of principal and premium of the 2013 Convertible Bonds.

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes", the term "Issuer" refers only to Xingtao 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".

The additional notes issued pursuant to this Prospectus (the "Additional Notes") shall constitute a further issue of, and be consolidated and form a single series with, the €500,000,000 3.3% senior notes due 2022 issued on October 9, 2014 (the "Original Notes" and, together with the Additional Notes, the "Notes"). The terms for the Additional Notes are the same as those for the Original Notes in all respects except for the issue date and issue price.

The Notes are issued under an indenture (the "Indenture"), dated as of the Original Issue Date, among the Issuer, the Parent Guarantor as guarantor, and The Bank of New York Mellon, London Branch, as trustee (the "Trustee"). The Additional Notes offered hereby and the Original Notes will be treated as a single class of Notes for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. Holders of the Additional Notes offered hereby and the Original Notes will vote as one class under the Indenture. As of the Original Issue Date, the Notes are guaranteed by the Parent Guarantor and the Parent Guarantee is secured by the Collateral. From time to time, the Parent Guarantor may elect to cause any of its Subsidiaries to Guarantee the Notes or secure the Parent Guarantee.

The following is a summary of certain provisions of the Indenture, the Notes, the Parent Guarantee 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 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 are available at the corporate trust office of the Trustee at The Bank of New York Mellon, London Branch, One Canada Square, London E14 5AL, United Kingdom.

Brief Description of the Issuer

The Issuer:

- is a wholly-owned subsidiary incorporated solely for purposes of issuing the Notes; and
- has no operating activities other than acting as issuer of the Notes.

The Issuer does not have any operation activities or revenue. See "Risk Factors — Risks Relating to the Notes and the Parent Guarantee — The Issuer and the Parent Guarantor are dependent upon cash flow from other members of the group to meet their obligations on the Notes and the Parent Guarantee, 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 on a senior basis, subject to the limitations described below under the caption "— The Parent Guarantee" and in "Risk Factors — Risks Relating to the Notes and the Parent Guarantee";

- effectively subordinated to all secured obligations of the Issuer, to the extent of the assets serving as security therefor; and

- effectively subordinated to the other secured obligations (if any, other than the 2011 Notes, the 2013 Notes, the 2013 Convertible Bonds and any other Permitted Pari Passu Secured Indebtedness) of the Parent Guarantor), to the extent of the assets serving as security therefor.

The Notes will mature on October 9, 2022, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes bear interest at 3.3% 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 annually in arrear on October 9 of each year (each an "Interest Payment Date"), commencing October 9, 2015. Interest on the Notes will be paid to Holders of record at the close of business on September 24 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. If interest shall be calculated for a period of less than a full year, interest on the Notes will be calculated on the basis of the actual number of days elapsed divided by 365 or (in the case of a leap year) 366.

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) 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, including the Additional Notes to be issued as described in this Prospectus.

The Additional Notes will be issued only in fully registered form, without coupons, in denominations of €100,000 and integral multiples of €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 euro by the Issuer at the office or agency of the Issuer maintained for that purpose in London, United Kingdom (which is the specified office of the Paying Agent currently located at The Bank of New York Mellon, London Branch, One Canada Square, London E14 5AL, United Kingdom, 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, the 2013 Notes, the 2013 Convertible Bonds and any other Permitted Pari Passu Secured Indebtedness) of the Parent Guarantor, to the extent 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 Notes and the Parent Guarantee", the Parent Guarantee is 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, (ii) holders of the 2013 Notes, (iii) holders of the 2013 Convertible Bonds and (iv) 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 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 guarantees 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.

If the Parent 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, and, depending on the amount of such indebtedness, the Parent Guarantor's ability on its Parent Guarantee could be reduced to zero.

As of June 30, 2014, the Parent Guarantor had aggregate borrowings of RMB10,100.2 million (US$1,628.1 million).

Release of the Parent Guarantee

The Parent Guarantee may be released in certain circumstances, including:

- upon repayment in full of the Notes;

- upon a defeasance as described under "— Defeasance — Defeasance and Discharge"; and

- upon a satisfaction and discharge as described under "— Satisfaction and Discharge".

Security

The Parent Guarantor has, for the benefit of the Holders, pledged, or caused the initial Subsidiary Pledgors to pledge, as the case may be, the Capital Stock of the initial Pledged Subsidiaries in order to secure the obligations of the Parent Guarantor under the Parent Guarantee and the Indenture, in each case subject to Permitted Liens and the Intercreditor Agreement.

The initial Subsidiary Pledgors are Fosun Financial Holdings Limited, Fosun Industrial Holdings Limited and Summit Glory Inc. The initial Pledged Subsidiaries are Fosun Financial Holdings Limited, Fosun Industrial Holdings Limited, Fosun Gold Holdings Limited, Fosun Property Holdings Limited, Billion Infinity Investment Limited, Financial Vantage Limited, Topper Link Limited, Laxton Investments Limited, FF Investment Luxembourg 1 S.à r.l. and Summit Glory LLC.

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, the holders of the 2013 Notes, the holders of the 2013 Convertible Bonds and the holders of other 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.

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. 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. 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 Parent Guarantor's obligations under the Parent Guarantee, 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 Collateral — The value of the Collateral may not be sufficient to satisfy our obligations under the Notes and other permitted pari passu secured indebtedness".

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 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

The Issuer, the Parent Guarantor, the 2013 Notes Issuer, the 2013 Convertible Bonds Issuer and each Subsidiary 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 the Additional Notes), the Parent Guarantor, the 2013 Notes Issuer, the 2013 Convertible Bonds Issuer or any Subsidiary Pledgor and any Pari Passu Guarantee with respect to such indebtedness (such indebtedness of the Issuer, the Parent Guarantor, the 2013 Notes Issuer, the 2013 Convertible Bonds Issuer or any Subsidiary Pledgor and any such Pari Passu Guarantee, "Permitted Pari Passu Secured Indebtedness"); *provided* that (1) the holders of such indebtedness (or their representative, trustee or agent) (other than the Additional Notes) become party to the Intercreditor Agreement referred to below; and (2) the Issuer, the Parent Guarantor, the 2013 Notes Issuer, the 2013 Convertible Bonds Issuer and such Subsidiary 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 are 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, the holders of the 2013 Notes, the holders of the 2013 Convertible Bonds and the holders of other Permitted Pari Passu Secured Indebtedness).

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Parent Guarantor and its 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 January 30, 2013, (i) the Parent Guarantor, (ii) the 2013 Notes Issuer, (iii) the initial Subsidiary Pledgors, (iv) The Bank of New York Mellon, as collateral agent (the “Collateral Agent”) and (v) The Bank of New York Mellon, as trustee and security trustee with respect to the 2011 Notes and as trustee with respect to the 2013 Notes entered into an intercreditor agreement (as may be amended, supplemented or modified from time to time, the “Intercreditor Agreement”) to which the Trustee acceded on the Original Issue Date to extend the security interest over the Collateral for the benefit of the holders of the Original Notes, pursuant to which the parties thereto agree (1) that the Secured 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. On November 22, 2013, The Bank of New York Mellon, London Branch as trustee with respect to the 2013 Convertible Bonds acceded to the Intercreditor Agreement. A supplement to the Intercreditor Agreement will be entered into by the Trustee to extend the security interest over the Collateral for the benefit of the holders of the Additional Notes.

Prior to the first incurrence of any future Permitted Pari Passu Secured Indebtedness (other than the 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 Parent Guarantee 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, holds 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 provides that the Collateral Agent shall 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.

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, the trustee for the 2013 Notes, the trustee for the 2013 Convertible Bonds 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, the 2013 Notes, the 2013 Convertible Bonds or any other 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, the 2013 Notes, the 2013 Convertible Bonds and the agreement governing the Notes, the 2011 Notes, the 2013 Notes, the 2013 Convertible Bonds or any other 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, the 2013 Notes, the 2013 Convertible Bonds and the agreement governing the Notes, the 2011 Notes, the 2013 Notes, the 2013 Convertible Bonds or any other 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 2013 Notes for the benefit of the holders of the 2013 Notes, the trustee for the 2013 Convertible Bonds for the benefit of the holders of the 2013 Convertible Bonds, 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, the 2013 Notes, the 2013 Convertible Bonds or the agreement governing the Notes, the 2011 Notes, the 2013 Notes, the 2013 Convertible Bonds or any other 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 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 Issuer, the Parent Guarantor and the Subsidiary 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 covenant defeasance of the Notes as provided below under the caption "— Defeasance — Defeasance of Certain Covenants";
- upon a satisfaction and discharge of the Indenture as described under "— Satisfaction and Discharge";
- upon certain dispositions of the Collateral in accordance with the provision under the caption "— Consolidation, Merger and Sale of Assets";
- with respect to security granted by a Subsidiary Pledgor, upon the release of such Subsidiary Pledgor in accordance with the terms of the Indenture; or
- upon the release of any portion of the Collateral as security for all other Relevant Indebtedness of the Parent Guarantor or the Subsidiary Pledgors (other than the Notes and the Parent Guarantee).

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) 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 may be) 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.

Optional Redemption

On October 9 of each year beginning on October 9, 2016, the Issuer may redeem the Notes, in whole or in part, at a redemption price equal to 100% of principal amount of the Notes redeemed plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to October 9, 2016, the Issuer may at its option redeem the Notes, in whole or 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. Neither the Trustee nor the Paying Agent shall be responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to October 9, 2016, 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 100% 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 Notes for redemption will be selected 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 in compliance with the requirements of the clearing systems through which the Notes are held; or

(2) if the Notes are not listed on any national securities exchange or held through any clearing systems, on a pro rata basis by lot or such other method that most nearly approximates a pro rata selection as the Trustee in its sole discretion shall deem to be fair and appropriate unless otherwise required by law.

Any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent, including any related Equity Offering or a Change of Control. In addition, if such redemption is subject to the satisfaction of one or more conditions precedent, the related notice shall describe each such condition, and if applicable, shall state that, in the Issuer's discretion, the date of redemption may be delayed until such time as any or all such conditions shall be satisfied or waived (*provided* that in no event shall such date of redemption be delayed to a date later than 60 days after the date on which such notice was mailed), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the date of redemption, or by the date of redemption as so delayed.

A Note of €100,000 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 by the Issuer at the Option of the Holders

Holders will have the right, at their option, to require the Issuer to repurchase for cash all of their Notes, or any portion of the principal thereof that is equal to €100,000 or integral multiples of €1,000 in excess thereof on October 9 of each year (each, a "**Put Option Date**"), commencing on October 9, 2016. The Issuer will be required to repurchase any outstanding Notes for which a Holder delivers a written repurchase notice to the Paying Agent. This notice must be delivered during the period beginning at the open of business on the date 30 Business Days immediately preceding the Put Option Date and ending at the close of business on the 20th Business Day immediately preceding the Put Option Date. If a repurchase notice is given and withdrawn during such period, the Issuer will not be obligated to repurchase the related Notes.

The repurchase price the Issuer is required to pay will be equal to 100% of the principal amount of the Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the Put Option Date; *provided* that the Issuer will pay the full amount of such accrued and unpaid interest not to the Holder submitting the Notes for repurchase on the Put Option Date but instead to the Holder of record at the close of business on the corresponding record date for the payment of interest.

On or before the 30th Business Day prior to the Put Option Date, the Issuer will provide to the Trustee, the Paying Agent and to all Holders of the Notes at their addresses shown in the register of the registrar, and to beneficial owners as required by applicable law, a notice stating, among other things:

- the last date on which a Holder may exercise the repurchase right;
- the repurchase price;
- the name and address of the paying agent; and
- the procedures that Holders must follow to require the Issuer to repurchase their Notes.

Holders may withdraw any repurchase notice (in whole or in part) by a written notice of withdrawal delivered to the paying agent prior to the close of business on the third Business Day immediately preceding the Put Option Date. The notice of withdrawal must state:

- the principal amount of the withdrawn Notes;
- If certificated notes have been issued, the certificate numbers of the withdrawn Notes or, if not certificated, the notice must comply with appropriate procedures of the applicable clearing system; and
- the principal amount, if any, that remains subject to the repurchase notice.

Holders must either effect book-entry transfer or deliver the Notes, together with necessary endorsements, to the office of the paying agent after delivery of the repurchase notice to receive payment of the repurchase price. Holders will receive payment on the later of (i) the Put Option Date and (ii) the time of book-entry transfer or the delivery of the notes. If the paying agent holds money sufficient to pay the repurchase price of the Notes on the Put Option Date, then:

- the Notes will cease to be outstanding and interest will cease to accrue (whether or not book-entry transfer of the Notes is made or whether or not the Notes are delivered to the paying agent); and
- all other rights of the Holder will terminate (other than the right to receive the repurchase price).

The ability of the Issuer or the Parent Guarantor to satisfy the Issuer's repurchase obligations may be affected by the factors described in "Risk Factors — Risks Related to the Notes and the Parent Guarantor

— We may not be able to repurchase the Notes upon a Change of Control Triggering Event or on a Put Option Date and we may not be able to repurchase the 2011 Notes, the 2013 Notes and the 2013 Convertible Bonds upon a change of control triggering event as defined thereunder.” In addition, the Issuer’s ability to repurchase the Notes for cash on the Put Option Date may be limited by restrictions on the ability of the Parent Guarantor to obtain funds for such repurchase through dividends from its subsidiaries, the terms of the then existing borrowing arrangements or otherwise of the Parent Guarantor and its Subsidiaries. If the Issuer fails to repurchase the Notes when required, it will be in default under the Indenture.

In connection with any repurchase of Notes on the repurchase date, we will, if required:

- comply with the provisions of the tender offer rules under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) that may then be applicable; and

- file a Schedule TO or any other required schedule under the Exchange Act.

No Notes may be repurchased at the option of Holders on the Put Option Date if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such date (except in the case of an acceleration resulting from a default by the Issuer in the payment of the repurchase price with respect to such Notes).

Except as described above with respect to a Put Option Offer and as described below 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.

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 100% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Issuer and the Parent Guarantor have agreed in the Indenture that they 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 and the Parent Guarantor’s 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 and the Parent Guarantee — We may not be able to repurchase the Notes upon a Change of Control Triggering Event or on a Put Date and we may not be able to repurchase the 2011 Notes, the 2013 Notes and the 2013 Convertible Bonds upon a change of control triggering event as defined thereunder."

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 Put Option Offer and 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 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 or a Surviving Person 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 or a Surviving Person, 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, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such 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 or a Surviving Person, 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, duty, assessment or 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 amending, supplementing or replacing such Directive or any law implementing or complying with, or introduced in order to conform to, such Directives;

(d) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended ("**FATCA**"), any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(e) any combination of taxes, duties, assessments or governmental charges referred to in the preceding clauses (a), (b), (c) and (d); 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, 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, the Parent Guarantor 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, the Parent Guarantor 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 or the Parent Guarantor, on or after the Original Issue Date, or (ii) with respect to any Surviving Person, on or after the date such Surviving Person becomes a Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Issuer, the Parent Guarantor or a Surviving Person, 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 or a Surviving Person, 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 or a Surviving Person, 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, the Parent Guarantor 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 or a Surviving Person 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 or a Surviving Person, 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 or such Surviving Person, 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 Issuances of Guarantees by Subsidiaries

The Parent Guarantor will not permit any Subsidiary, directly or indirectly, to Guarantee any Relevant Indebtedness of the Issuer or the Parent Guarantor, unless (A) such Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated subsidiary guarantee of payment of the Notes by such Subsidiary and (B) such 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 Subsidiary as a result of any payment by such Subsidiary under its subsidiary guarantee until the Notes have been paid in full. To the extent that the Guarantee of the Relevant Indebtedness to be provided by a Subsidiary is for a specified limited amount (the "specified amount"), the subsidiary guarantee that such Subsidiary is required to provide under this covenant may be limited to such specified amount.

If the Relevant Indebtedness (1) ranks *pari passu* in right of payment with the Notes or any subsidiary guarantee (if any), then the Guarantee of such Relevant Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the subsidiary guarantee (if any), or (2) is subordinated in right of payment to the Notes or any subsidiary guarantee (if any), then the Guarantee of such Relevant Indebtedness shall be subordinated in right of payment to the subsidiary guarantee (if any), at least to the extent that the Relevant Indebtedness is subordinated to the Notes or the subsidiary guarantee (if any).

Limitation on Liens

The Parent Guarantor will not, and will not permit any of its Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien (other than the Permitted Liens) of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, to secure any Relevant Indebtedness of the Issuer, the Parent Guarantor, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness of the Issuer, the Parent Guarantor, unless the Notes or the Parent Guarantee are equally and ratably secured by such Lien.

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 and in the English language) 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 and in the English language) 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 and in the English language), 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 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.

In case of clause (2) above, the Trustee shall be entitled to rely on the Officers' Certificate without further investigation.

Events of Default

The following events are 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 any required repurchase, 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", 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 caption "— Repurchase of Notes upon a Change of Control Triggering Event";

(4) the Parent Guarantor or any 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 for or in respect of moneys borrowed of the Parent Guarantor or any Subsidiary (other than Entrusted Loans) having an outstanding principal amount of US$20.0 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 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$20.0 million (or the Dollar Equivalent thereof) (in excess of amounts which the Parent Guarantor's or such 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 Significant 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 Significant Subsidiary or for any substantial part of the property and assets of the Parent Guarantor or any Significant 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 Significant Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Parent Guarantor or any Significant 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 Significant

Subsidiary or for all or substantially all of the property and assets of the Parent Guarantor or any Significant Subsidiary or (c) effects any general assignment for the benefit of creditors;

(9) the Parent Guarantor denies or disaffirms its obligations under the Parent Guarantee or, except as permitted by the Indenture, the Parent 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 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 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 (subject to being indemnified and/or secured to its satisfaction), 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 Significant Subsidiary (or a group of Subsidiaries that constitutes a Significant 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 Subsidiaries and the Parent Guarantor's and its 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 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 "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) the Parent Guarantor delivers to the Trustee (x) an Officers' Certificate 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;

(4) the Issuer shall execute and deliver a supplemental indenture to the Indenture confirming that the Parent Guarantee shall apply to the obligations of the Issuer or the Surviving Person in accordance with the Notes and the Indenture; and

(5) no Rating Decline shall have occurred.

(b) The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Parent 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 or the Parent 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.

Notwithstanding the foregoing, any payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes or the Parent Guarantee in connection with an exchange offer, the Parent Guarantor and any of its Subsidiaries may exclude (i) holders or beneficial owners of the Notes that are not "qualified institutional buyers" as defined in Rule 144A under the Securities Act of 1933, as amended (the "**Securities Act**"), or "non-U.S. Persons" as defined in Regulation S under the Securities Act, and (ii) holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such holders or beneficial owners would require the Parent Guarantor or any such Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Parent Guarantor in its sole discretion.

Defeasance

Defeasance and Discharge

The Indenture provides 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, cash in euro and/or cash equivalents consisting of non-callable euro-denominated government securities 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 Subsidiaries is a party or by which the Parent Guarantor or any of its Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes and the Parent Guarantee will terminate.

Defeasance of Certain Covenants

The Indenture further provides that the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3)(x) and (5) under the first paragraph, and clauses (3)(x) and (4) under the second paragraph under "— Consolidation, Merger and Sale of Assets" and all the covenants described herein under "— Certain Covenants", clause (3) under "Events of Default" with respect to clause (3)(x) and (5) under the first paragraph, and clauses (3)(x) and (4) 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 cash in euro, cash equivalents consisting of non-callable euro-denominated government securities 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.

In the case of the defeasance of such covenants, the Security Documents will terminate.

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 cash in euro and/or cash equivalents consisting of non-callable euro-denominated government securities 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.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all outstanding Notes, when:

(1) either:

(a) all Notes that have been authenticated and issued (except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust by the Issuer and thereafter repaid to the Issuer) have been delivered to the Paying Agent for cancellation; or

(b) all Notes that have not been delivered to the Paying Agent for cancellation have become due and payable pursuant to a notice of redemption or otherwise or will become due and payable within one year, and the Issuer or the Parent Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders, cash in euros, non-callable euro-denominated government securities, or a combination thereof, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the Notes not delivered to the Paying Agent for cancellation, for principal of, premium, if any, and interest, if any, on, the Notes to the date of maturity or redemption, as the case may be;

(2) in respect of clause 1(b), no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any similar deposit relating to other indebtedness and, in each case, the granting of Liens to secure such borrowings) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Issuer or the Parent Guarantor is a party or by which the Issuer or the Parent Guarantor is bound (other than with respect to the borrowing of funds to be applied concurrently to make the deposit required to effect such satisfaction and discharge and any similar concurrent deposit relating to other indebtedness, and in each case the granting of Liens to secure such borrowings);

(3) the Issuer or the Parent Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and

(4) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

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) release the Parent Guarantor from the Parent Guarantee 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 Pledgor or release any Subsidiary Pledgor and the corresponding Collateral as provided or permitted by the terms of the Indenture;

(7) add additional Collateral to secure the Parent Guarantee, including to accede to the Intercreditor Agreement;

(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) to conform the text of the Indenture, the Notes, the Parent Guarantee or the Security Documents to any provision of this Description of the Notes to the extent that such provision in this Description of the Notes was intended to be a verbatim recitation of a provision of Indenture, the Notes, the Parent Guarantee or the Security Documents, which intent may be evidenced by an officers' certificate to that effect;

(11) permit the Collateral Agent to hold the Collateral for the Holders and the holders of any Permitted Pari Passu Secured Indebtedness;

(12) 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

(13) 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 Holders of not less than 90% in aggregate principal amount of the outstanding Notes:

(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 from the Parent Guarantee, 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 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 an Offer to Purchase in the manner described under the captions "— Repurchase of Notes on Put Option Date" or "— Repurchase of Notes upon a Change of Control Triggering Event";

(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 or the Parent 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 or the Parent Guarantee in a manner which adversely affects the Holders.

Unclaimed Money

Claims against the Issuer or the Parent 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 or the Parent Guarantor in the Indenture, or in any of the Notes or the Parent Guarantee, 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 or the Parent Guarantor, 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 or the Parent Guarantee. Such waiver may not be effective to waive liabilities under the federal securities laws.

Judgment Currency

Any payment on account of an amount that is payable in euro (the "Required Currency"), which is made to or for the account of any Holder of the Notes or the Trustee in lawful currency of any other jurisdiction (the "Judgment Currency"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Issuer or the Parent Guarantor, shall constitute a discharge of the Issuer's or the Parent Guarantor's obligation, if any, under the Indenture and the Notes or the Parent Guarantee, as the case may be, only to the extent of the amount of the Required Currency with such Holder or the Trustee, as the case may be, could purchase in London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of the Required Currency that could be so purchased is less than the amount of the Required Currency originally due to such Holder or the Trustee, as the case may be, the Issuer and the Parent Guarantor shall indemnify and hold harmless the Holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture or the Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

Concerning the Trustee and the Agents

The Bank of New York Mellon, London Branch has been appointed as Trustee under the Indenture and as paying agent (the "Paying Agent"), The Bank of New York Mellon (Luxembourg) S.A. has been appointed as note registrar (the "Note Registrar") and transfer agent (the "Transfer Agent") and the Bank of New York Mellon acts as collateral agent (the "Collateral Agent", and together with the Paying Agent, the Note Registrar and the Transfer Agent, 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 or the Parent Guarantor, 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 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 indenture with respect to the 2013 Notes, the trust deed with respect to the 2013 Convertible Bonds, 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, the holders of the 2013 Notes, the holders of the 2013 Convertible Bonds and the holders (or their representatives) of other 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, the indenture with respect to the 2013 Notes, the trust deed with respect to the 2013 Convertible Bonds or any of the Security Documents or the Intercreditor Agreement for the benefit of the Holders, the holders of the 2011 Notes, the holders of the 2013 Notes, the holders of the 2013 Convertible Bonds or the holders (or their representatives) of other Permitted Pari Passu Secured Indebtedness (if any), unless such Holders, the holders of the 2011 Notes, the holders of the 2013 Notes, the holders of the 2013 Convertible Bonds and/or the holders (or their representatives) of other Permitted Pari Passu Secured Indebtedness (if any) have offered to the Trustee and/or the Collateral Agent indemnity and/or security 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 amending, supplementing or replacing such Directive, or any law implementing or complying with, or introduced in order to conform to, such Directives.

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 are represented by one or more global notes in registered form without interest coupons attached. On the Original Issue Date, an initial global note was deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream. Any Additional Notes (including the Additional Notes) will be represented by additional global notes in registered form without interest coupons attached (the "Additional Global Notes" and, together with the initial global note, the "Global Notes").

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 euro. 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 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 €100,000 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 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 mails (if intended for the Issuer or the Parent Guarantor) addressed to the Issuer or the Parent Guarantor at its registered office, (if intended for the Trustee) addressed to the Trustee 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

Each of the Issuer and the Parent Guarantor have irrevocably (1) submitted 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, the Indenture or any transaction contemplated thereby; and (2) designated and appointed the Parent Guarantor's New York office at One Chase Manhattan Plaza, 40th Floor, New York, NY 10005, USA for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Parent Guarantee and the Indenture provides that such instrument is governed by, and construed in accordance with, the laws of the State of New York. The relevant pledge documents pursuant to "— Security" are governed under the laws of the jurisdiction in which the relevant Subsidiary Pledgor 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.

"*2011 Notes*" means the 7.5% Senior Notes due 2016 of the Parent Guarantor.

"*2013 Convertible Bonds*" means the 1.5% Convertible Bonds due 2018 of the 2013 Convertible Bonds Issuer, guaranteed by the Parent Guarantor.

"*2013 Convertible Bonds Issuer*" means Logo Star Limited, a wholly-owned subsidiary incorporated solely for purposes of issuing the 2013 Convertible Bonds.

"*2013 Notes*" means the 6.875% Senior Notes due 2020 of the 2013 Notes Issuer, guaranteed by the Parent Guarantor as the parent guarantor.

"*2013 Notes Issuer*" means Sparkle Assets Limited, a wholly-owned subsidiary incorporated solely for purposes of issuing the 2013 Notes.

"*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 principal amount of such Note on such redemption date, plus (y) all required remaining scheduled interest payments due on such Note through October 9, 2016 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

"*Bund Rate*" means, with respect to any relevant date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(1) "Comparable German Bund Issue" means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to October 9, 2016, and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to October 9, 2016; *provided*, *however*, that, if the period from such redemption date to October 9, 2016 is less than one year, a fixed maturity of one year shall be used;

(2) "Comparable German Bund Price" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Parent obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) "Reference German Bund Dealer" means any dealer of German Bundesanleihe securities appointed by the Issuer in consultation with the Trustee; and

(4) "Reference German Bund Dealer Quotations" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany, time on the third business day in Frankfurt preceding the relevant date.

"*Business Day*" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in 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 and, in relation to a transaction involving euros, any day the TARGET2 System is open.

"*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 nomination for election or whose election to the board of directors was approved by the Permitted Holders or a vote of at least a majority 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.

"*Clearstream*" means Clearstream Banking, société anonyme, Luxembourg.

"*Collateral*" means all collateral securing, or purported to be securing, directly or indirectly, the Notes, the Parent Guarantee or any Subsidiary Guarantee (if any) pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Pledged Subsidiaries.

"*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.

"*continuing*" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"*Default*" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"*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 Subsidiary from a bank that are secured by a pledge of deposits made by another PRC 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.

"*euro*" or "€" means the lawful currency of the European Union.

"*Euroclear*" means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

"*Fitch*" means Fitch Inc., a subsidiary of Fimalac, S.A., and its successors.[5]

"*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.

"*Holder*" means the Person in whose name a Note is registered in the Note register.

"*Intercreditor Agreement*" has the meaning set forth under "— Security".

[5] Fitch Inc. is not an entity established in the European Union and has not made an application to be registered for the purposes of the EU Regulation on credit rating agencies (Regulation (EU) No. 1060/2009), as amended.

"*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.

"*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).

"*Moody's*" means Moody's Investors Service, Inc. and its successors.[6]

"*Net Cash Proceeds*" means, 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.

"*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

[6] Moody's Investors Service, Inc. is not an entity established in the European Union and has not made an application to be registered for the purposes of the EU Regulation on credit rating agencies (Regulation (EU) No. 1060/2009), as amended.

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 €100,000 or integral multiples of €1,000.

No later than 9.00 a.m. (London time) on the date which is one Business Day prior to the Offer to Purchase Payment Date, the Issuer or the Parent Guarantor 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 €100,000 or integral multiples of €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.

"*Officers' Certificate*" means a certificate signed by two Officers.

"*Opinion of Counsel*" means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

"*Original Issue Date*" means October 9, 2014, the date on which the Original Notes were issued under the Indenture.

"*Pari Passu Guarantee*" means a guarantee by the Issuer or the Parent Guarantor of indebtedness of the Issuer (including Additional Notes) or the Parent Guarantor; *provided* that such guarantee ranks *pari passu* with the Issuer's obligation under the Notes or the Parent Guarantor's obligations under the Parent Guarantee, as the case may be.

"*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 any required repurchase, acceleration, redemption or otherwise, (3) the failure by the Issuer or the Parent Guarantor to make or consummate an Offer to Purchase in the manner described under the caption "— Repurchase of Notes upon a Change of Control Triggering Event" or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

"*Permitted Holders*" means any or all of the following:

(1) Messrs. Guo Guangchang, Liang Xinjun, Wang Qunbin and Fan Wei;

(2) any estate and spouse or immediate family member of any Person specified in clause (1) or any legal representative of any of the foregoing;

(3) 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

(4) 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 Liens*" means Liens (including extensions and renewals thereof) arising from Relevant Indebtedness (or any refinancing thereof) incurred for the purpose of financing (or refinancing) all or any part of the acquisition or cost of design, development, construction, installation or improvement of any real or personal property, plant or equipment.

"*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.

"*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 Subsidiary*" means a Subsidiary organized under the laws of the PRC.

"*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).

"*Relevant Indebtedness*" means, on or after the first date after the Original Issue Date that a subsidiary guarantee is provided by a Subsidiary, (i) to the extent not redeemed or discharged in full, the 2011 Notes, the 2013 Notes and the 2013 Convertible Bonds; and (ii) any present or future indebtedness issued outside of the PRC that is in the form of, or represented or evidenced by any bonds, notes, debentures, debenture stocks, loan stock certificates or other securities, which are, or intended to be, quoted, listed or dealt in or traded on any stock exchange or over-the-counter market or other securities market and has a final maturity of one year or more from its date of incurrence or issuance.

"*S&P*" means Standard & Poor's Ratings Services and its affiliates.[7]

"*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, (c) the trustee on behalf of itself and the holders of the 2013 Notes, (d) the trustee on behalf of itself and the holders of the 2013 Convertible Bonds and (e) any holder(s) of other 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, the trustee for the 2013 Notes, the trustee for the 2013 Convertible Bonds and the holders (or their representatives, trustees or agents) of any other 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.

"*Significant Subsidiary*" means any Subsidiary, or group of Subsidiaries, that would, taken together, be a "significant subsidiary" as defined in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of the Indenture.

---

7 Standard & Poor's Ratings Services is not an entity established in the European Union and has not made an application to be registered for the purposes of the EU Regulation on credit rating agencies (Regulation (EU) No. 1060/2009), as amended.

"*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.

"*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*" means any subsidiary of the Parent Guarantor.

"*Subsidiary Pledgor*" means any initial Subsidiary Pledgor named herein and any other Subsidiary Pledgor which pledges Collateral to secure the obligations of the Issuer under the Notes and the Indenture and of the Parent Guarantor under the Parent Guarantee; *provided* that a Subsidiary 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.

"*TARGET2 System*" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET 2) System or any successor thereto.

"*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.

PLAN OF DISTRIBUTION

Morgan Stanley & Co. International plc is acting as the sole lead manager and bookrunner of the offering. Subject to the terms and conditions stated in the purchase agreement dated the date of this Prospectus, the Initial Purchaser named below has agreed to purchase, and we have agreed to sell to the Initial Purchaser, €500,000,000 aggregate principal amount of the Additional Notes.

The purchase agreement provides that the obligations of the Initial Purchaser to purchase the Additional Notes are subject to approval of legal matters by counsel and to other conditions. The Initial Purchaser must purchase all the Additional Notes if it purchases any of the Additional Notes. The Company or any of its subsidiaries or affiliates may from time to time purchase a portion of the Additional Notes.

The Initial Purchaser propose to resell the Additional Notes at the offering price set forth on the cover page of this Prospectus 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 Additional Notes are offered may be changed at any time without notice.

The Notes and the Parent Guarantee 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 Additional 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 Original Notes are listed on the ISE. Approval in-principle has been received for the listing of the Additional Notes on the ISE. However, we cannot assure you that the prices at which the Additional 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 Additional Notes will develop and continue after this offering. Similar to the Original Notes, it is intended that all or a substantial portion of the Additional Notes will be held by certain affiliates of the Company subsequent to this offering. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Additional Notes.

We expect to deliver the Additional Notes against payment for the Additional Notes on or about the date specified in the last paragraph of the cover page of this Prospectus, which will be the third business day following the date of the pricing of the Additional 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 Additional Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Additional Notes initially will settle in T+3, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the Additional Notes who wish to trade the Additional Notes on the date of pricing or the next succeeding business day should consult their own advisor.

The Initial Purchaser 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 Purchaser 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 the Initial Purchaser, 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 Additional Notes, the Initial Purchaser and/or its affiliate(s) may act as an investor for its own account and may take up Additional 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 Additional Notes. Accordingly, references herein to the Additional Notes being offered should be read as including any offering of the Additional Notes to the Initial Purchaser and/or its 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 Parent Guarantor have agreed to indemnify the Initial Purchaser against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchaser 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 us or the Initial Purchaser that would permit a public offering of the Notes, or the possession, circulation or distribution of this Prospectus 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 Prospectus 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 and the Parent Guarantee 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.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, an offer of the Notes which are the subject of the offering contemplated by this Prospectus may not be made to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of the Notes shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression (i) an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, (ii) "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and (iii) "2010 PD Amending Directive" means Directive 2010/73/EU.

Portugal

The Notes may only be offered in Portugal in compliance with the provisions of the Portuguese Securities Code (approved by the Decree-Law 486/99, of November 13) as currently in force, and other laws and regulations applicable to the offer and sale of the Notes in Portugal. This Prospectus has not been verified by the Portuguese Securities Markets Commission ("Comissão do Mercado de Valores Mobiliários") and the Notes are not registered therewith for public offer in Portugal. The recipients of this Prospectus and other offering materials in respect of the Notes are qualified investors, targeted exclusively on the basis of a private placement, all as defined in and in accordance with articles 30, 109 and 110 of the Portuguese Securities Code. Accordingly, the Notes must not be, and are not being, offered or advertised, and no offering or marketing materials relating to the Notes may be made available or distributed in any way that would constitute a public offer under the Portuguese Securities Code (whether at present or in the future).

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 Purchaser 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 Purchaser. All applicable provisions of the FSMA must be complied with respect to anything done or to be done by the Initial Purchaser in relation to any Notes in, from or otherwise involving the United Kingdom.

Ireland

The Initial Purchaser has represented, warranted and agreed that:

(a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3), including, without limitation, Regulations 7 and 152 thereof or any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998;

(b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Companies Acts 1963 - 2009 of Ireland (as amended), the Central Bank Acts 1942 - 2010 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989; and

(c) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank of Ireland.

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 (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571 of the 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 (Winding Up and Miscellaneous

Provisions) Ordinance (Cap. 32 of the 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 of the Laws of Hong Kong) and any rules made thereunder.

PRC

The Initial Purchaser has acknowledged that this Prospectus does not constitute a public offer of the Notes, whether by way of sale or subscription, in the PRC. The Initial Purchaser 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.

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 Additional Notes.

The Additional Notes are subject to restrictions on transfer as summarized below. By purchasing the Additional Notes, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchaser:

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 Purchaser nor any person representing us or the Initial Purchaser have made any representation to you with respect to us or the offering of the Notes, other than the information contained in this Prospectus. You represent that you are relying only on this Prospectus 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 Purchaser, the Trustee, the Transfer Agent 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.

TAXATION

The following summary of certain BVI and Hong Kong 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 Prospectus, 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.

British Virgin Islands

The Issuer and all dividends, interest, rents, royalties, compensation and other amounts paid by the Issuer to persons who are not resident in the BVI and any capital gains realized with respect to any shares, debt obligations, or other securities of the Issuer by persons who are not resident in the BVI are exempt from all provisions of the Income Tax Ordinance in the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the BVI with respect to any shares, debt obligation or other securities of the Issuer.

All instruments relating to transfers of property to or by the Issuer and all instruments relating to transactions in respect of the shares, debt obligations or other securities of the Issuer and all instruments relating to other transactions relating to the business of the Issuer are exempt from payment of stamp duty in the BVI. This assumes that the Issuer does not hold an interest in real estate in the BVI.

There are currently no withholding taxes or exchange control regulations in the BVI applicable to the Issuer or its members.

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.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “Inland Revenue Ordinance”), Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue, transfer or conversion 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.

RATINGS

The Additional Notes are not expected to be rated.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Grandall Law Firm (Shanghai) as to matters of PRC law, by Latham & Watkins as to matters of United States federal and New York law and Hong Kong law, and by Maples and Calderas as to matters of BVI law. Certain legal matters will be passed upon for the Initial Purchaser 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, 2012 and 2013, and the consolidated statements of profit or loss, 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, 2012 and 2013 included in this Prospectus 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, 2012 and 2013. The consolidated financial statements as of and for the six months ended June 30, 2014 included in this Prospectus have been reviewed by Ernst & Young. The interim condensed consolidated financial information as of and for the six months ended June 30, 2013 is included for comparison purposes in the interim condensed consolidated financial statements as of and for the six months ended June 30, 2014 as stated in our interim report for the six months ended June 30, 2014. 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.

GENERAL INFORMATION

English Language

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Consents

We have obtained all necessary consents, approvals and authorizations in Hong Kong in connection with the issue and performance of the Notes and the Parent Guarantee. The entering into of the Indenture and the issue of the Additional Notes and the Parent Guarantee have been authorized by written resolutions of the board of directors of the Issuer dated December 4, 2014, the board of directors of the Company dated August 26, 2014 and the executive committee of the Company dated December 4, 2014.

Litigation

Save as disclosed in the "Business" section of this Prospectus, neither the Issuer nor the Company is not, nor have been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the consolidated financial position or profitability of the Issuer or the Company.

No Material Adverse Change

There has been no significant change in the financial or trading position of the Issuer or the Company since June 30, 2014, and no material adverse change in the financial position or prospects, of the Issuer or Company since December 31, 2013, except as set out in the "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" sections of this Prospectus.

Solvency

There has been no event particular to the Issuer or the Company that is to a material extent relevant to the evaluation of the solvency of the Issuer or the Company.

Documents Available

For so long as any of the Notes are outstanding, electronic copies of the memorandum and articles of association of each of the Issuer and the Company may be obtained during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee.

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 corporate trust office of the Trustee. For so long as any of the Notes are outstanding, electronic 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 corporate trust office of the Trustee.

For so long as any of the Notes are outstanding, electronic copies of Guarantee may be obtained during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee.

Clearing System and Settlement

The Additional 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	XS1114393116	111439311

Only Notes evidenced by a global note have been accepted for clearance through Euroclear and Clearstream.

Listing

The Original Notes are listed on the Irish Stock Exchange and are admitted to be traded on its Main Securities Market. Application has been made to the Irish Stock Exchange for the Additional Notes to be admitted to the Official List and trading on its Main Securities Market. It is expected that admission of the Additional Notes to the Official List and trading on the Main Securities Market will be granted on or about December 15, 2014, subject only to the issue of the Additional Notes.

ISE Listing Agent

Maples and Calder is acting solely in its capacity as listing agent for the Issuer in relation to the Additional Notes and is not itself seeking admission of the Additional Notes to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market for the purposes of the Prospectus Directive.

The estimated total expenses in relation to the admission of the Additional Notes to trading on the Main Securities Market are €2,940.

Legal Information – Issuer

The Issuer is a business company with limited liability established on August 25, 2014 under the laws of the BVI (BVI Company Number: 1838403). Its principal executive offices are located at No. 2 East Fuxing Road, Shanghai, China, and its registered address is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The telephone number of the principal executive offices of the Issuer is +852 2509 3228. The Issuer is incorporated solely for purposes of issuing the Notes. The Issuer is a direct wholly-owned subsidiary of Industrial Holdings, and is an indirect wholly-owned subsidiary of the Company.

The following table sets forth the name, business address and principal occupation of each of the directors of the Issuer:

Name	Business Address	Principal Occupation
Qin Xuetang	No. 2 East Fuxing Road, Shanghai, China	Executive Director and Senior Vice President of the Company
Ding Guoqi	No. 2 East Fuxing Road, Shanghai, China	Executive Director, Senior Vice President and Chief Financial Officer of the Company

There are no potential conflicts of interest between the duties of the persons listed above to the Issuer and their private interests or duties.

Legal Information – Company

The Company is a company incorporated in Hong Kong with limited liability under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The Company was incorporated on December 24, 2004, and its certificate of incorporation number is 942079. The Company's principal executive offices are located at No. 2 East Fuxing Road, Shanghai, China. The Company's registered office is located at Room 808, ICBC Tower, 3 Garden Road, Central, Hong Kong. The telephone number of the Company's registered office is +2509 3228. The Company's shares have been listed on the Main Board of the Hong Kong Stock Exchange since July 16, 2007 under the stock code "00656."

The following table sets forth the name, business address and principal occupation of each of the directors of the Company:

Name	Business Address	Principal Occupation
Mr. Guo Guangchang..................	No. 2 East Fuxing Road, Shanghai, China	Executive Director and Chairman of the Company
Mr. Liang Xinjun	No. 2 East Fuxing Road, Shanghai, China	Executive Director, Vice Chairman and Chief Executive Officer of the Company
Mr. Wang Qunbin	No. 2 East Fuxing Road, Shanghai, China	Executive Director and President of the Company
Mr. Ding Guoqi	No. 2 East Fuxing Road, Shanghai, China	Executive Director, Senior Vice President and Chief Financial Officer of the Company
Mr. Qin Xuetang	No. 2 East Fuxing Road, Shanghai, China	Executive Director and Senior Vice President of the Company
Mr. Wu Ping	No. 2 East Fuxing Road, Shanghai, China	Executive Director and Senior Vice President of the Company
Mr. Fan Wei.................................	No. 2 East Fuxing Road, Shanghai, China	Non-executive Director of the Company and vice council chairman of the Institute of Real Estate Shanghai Academy of Social Sciences
Mr. Zhang Shengman	50/F Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong	Chairman of Asia Pacific of Citigroup
Mr. Zhang Huaqiao	Room 805, Diamond Business Building (North Tower), 23 Gongyi Road, Huadu District, Guangzhou, China	Chairman of China Smartpay Group Holdings Limited
Mr. David T. Zhang	26th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong	Partner of Kirkland & Ellis LLP

There are no potential conflicts of interest between the duties of the persons listed above to the Company and their private interests or duties.

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
Industrial Holdings	復星產業控股有限公司 (Fosun Industrial 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
Financial Holdings	復星金融控股有限公司 (Fosun Financial 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

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

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 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
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 19.93%
Pramerica Fosun Life Insurance	復星保德信人壽保險有限公司 (Pramerica Fosun Life Insurance Co., Ltd.), a joint venture of our 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 our Company
Fosun Insurance Portugal..	A group of companies which comprise Fidelidade-Campanhia de Seguros, S.A., Multicare-Seguros de Saúde, S.A. and Cares–Companhia de Seguros, S.A., in each of which we indirectly hold 80% equity interest

Other Portfolio Companies in Our Industrial Operations

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 Company Limited), an associate of Fosun Pharma
Chongqing Yaoyou..	重慶藥友製藥有限責任公司 (Chongqing Yao Pharmaceutical 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 Yixing Pharmacy Chain-Store Co., Ltd.), a subsidiary of Fosun Pharma
Guilin Pharma	桂林南藥股份有限公司 (Guilin South Pharma Co., Ltd.), a subsidiary of Fosun Pharma
Jiangsu Wanbang	江蘇萬邦生化醫藥股份有限公司 (Jiangsu Wanbang Biopharmaceutical Co., Ltd.), 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 Co., Ltd.), 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 (01099.HK) and a subsidiary of Sinopharm Investment
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
Handa Pharmaceuticals	Handa Pharmaceuticals, LLC, in which Fosun Pharma holds a 15.39% equity interest as at June 30, 2014
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 Pharmaceutical	邯鄲藥業股份有限公司 (Handan Pharmaceutical Co., Ltd.), a subsidiary of Fosun Pharma (previously known as 邯鄲摩羅丹藥業股份有限公司 (Handan Moluodan Pharmaceutical Co., Ltd.))
Chindex	Chindex International, Inc., a NASDAQ-listed company (NASDAQ: CHDX), in which Fosun Pharma holds a 17.30% equity interest as at June 30, 2014
Guangji Hospital	岳陽廣濟醫院有限公司 (Yueyang Guangji Hospital Co., Ltd.), 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 Co., Ltd.), 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
Zhongwu Hospital	宿遷市鐘吾醫院有限責任公司 (Suqian Zhongwu Hospital Co., Ltd.), a subsidiary of Fosun Pharma

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 Property 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
Forte Pearl	成都復地明珠置業有限公司 (Chengdu Forte Pearl Real Estate Co., Ltd.), a subsidiary of Forte
Wuxi Forte	無錫復地房地產開發有限公司 (Wuxi Forte Real Estate Development Co., Ltd.), a jointly controlled entity of Forte
Shaanxi Jianqin	陝西省建秦房地產開發有限公司 (Shaanxi Jianqin Real Estate Development Co., Ltd.), a jointly controlled entity of Forte
Forte Entities	A group of companies which comprise Forte, its subsidiaries, joint ventures and associates in which Forte and its subsidiaries hold non-controlling interests (excluding Shanghai Zendai Property Limited for calculation of operating data)

Steel Business

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

Nanjing Steel 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.), a wholly-owned subsidiary of Nanjing Iron & Steel Development

Portfolio Companies and Entities in the Investment Business

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
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
Huaxia Mining	北京華夏建龍礦業科技有限公司 (Beijing Huaxia Jianlong Mining Technology Co., Ltd.), a subsidiary of Jianlong Group
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
Focus Media...	分眾傳媒控股有限公司 (Focus Media Holding Limited), a leading digital media group in China and an indirect wholly-owned subsidiary of Giovanna Group Holdings Limited in which we held a 17.41% equity interest as of June 30, 2014
Club Med	Club Méditerranée S.A., a leisure and hospitality company listed on the Euronext Paris in which our Company held an equity interest of 9.35% as at June 30, 2014
Folli Follie	Folli Follie Group, a Greek-based 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	中國民生銀行股份有限公司 (China Minsheng Banking Corp., Ltd.), a national joint-stock commercial bank in which our Group holds an equity interest of 2.41% of its total issued share capital and Pramerica-Fosun China Opportunity Fund holds 0.51% of its total number of H shares
Bona Film	Bona Film Group Limited, a NASDAQ-listed company (NASDAQ: BONA), in which our Group holds an effective equity interest of 7.32% as at

	June 30, 2014
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 held a 50% equity interest
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
Fosun Group Finance	上海復星高科技集團財務有限公司 (Fosun Group Finance Corporation Limited), a subsidiary of Fosun Group
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
Summit Glory Inc..	Summit Glory Inc., a wholly-owned subsidiary of our Company
Summit Glory LLC..	Summit Glory LLC, a wholly-owned subsidiary of Summit Glory Inc.
FF Investment	FF Investment Luxembourg 1 S.à r.l., a wholly-owned subsidiary of our Company
Financial Vantage	Financial Vantage Limited, a wholly-owned subsidiary of our Company
Topper Link	Topper Link Limited, a wholly-owned subsidiary of our Company
Laxton Investments..	Laxton Investments Limited, a wholly-owned subsidiary of our Company

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) (Fosun-Carlyle (Shanghai) Equity Investment Fund L.P.) 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, Star Capital II and Star Capital III and private equity funds formed by Star Capital Management in March 2011, April 2012 and respectively managed by Star Capital Management
Fosun Weishi Fund	上海复星惟实一期股权投资基金合伙企业有限公司 (Shanghai Fosun Weishi Phase I Equity Investment Fund Partnership (L.P.)), a private equity fund managed by Shanghai Fosun Weishi Investment Management Co., Ltd.

Parent Companies and Other Related Parties

Fosun Holdings	復星控股有限公司 (Fosun Holdings Limited) which holds a 79.6% 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

Technical Terms

Insurance Business

Original 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

Industrial Operations

Pharmaceuticals and Healthcare Business

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 parasitic worms, 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
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 Security 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
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
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 charged coke and sintered ore to accelerate the reduction reaction rate to turn iron ore into hot metal
coke	solid fuel made in an oven from coking coal with 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
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 Iron-cobalt Mine Resources of Shilu Mine of Changjiang Li Autonomous County, Hainan Province (海南省昌江黎族自治縣石碌礦區鐵鈷銅礦資源儲量核實報告) prepared by the Resources & Environment Investigation Institute of Hainan Provincial Bureau of Geology filed in the first quarter of 2013

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

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

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

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Page reference included in the consolidated financial statements for each of the years ended December 31, 2013 and 2012 set forth above refer to pages in such consolidated financial statements as appeared in our annual reports for the years ended December 31, 2013 and 2012, respectively. Page reference included in the interim condensed consolidated financial statements for the six months ended June 30, 2014 set forth above refer to pages in such interim condensed consolidated financial statements as appeared in our interim report for the six months ended June 30, 2014.

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永会计师事务所
香港中环添美道1号
中信大厦22楼

Tel 电话: +852 2846 9888
Fax 传真: +852 2868 4432
ey.com

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 49 to 86, 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 2014 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

Hong Kong
26 August 2014

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
REVENUE		24,795,877	23,970,590
Cost of sales		(19,024,154)	(19,187,625)
Gross profit		5,771,723	4,782,965
Other income and gains	5	2,913,860	3,598,968
Selling and distribution costs		(1,402,764)	(1,271,363)
Administrative expenses		(2,950,425)	(1,735,029)
Other expenses		(1,113,694)	(750,744)
Finance costs	6	(1,760,225)	(1,318,340)
Share of profits and losses of:			
Joint ventures		1,159,680	(53,546)
Associates		865,025	594,966
PROFIT BEFORE TAX	7	3,483,180	3,847,877
Tax	8	(759,040)	(821,350)
PROFIT FOR THE PERIOD		2,724,140	3,026,527
Attributable to:			
Owners of the parent		1,833,873	1,691,550
Non-controlling interests		890,267	1,334,977
		2,724,140	3,026,527
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the Period (RMB)	9	0.28	0.26
Diluted			
– For profit for the Period (RMB)	9	0.28	0.26

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	**2,724,140**	3,026,527
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**757,422**	(247,545)
Reclassification adjustments for gains included in consolidated income statement		
– gain on disposal	**(845,788)**	(189,474)
Income tax effect	**(32,722)**	174,032
	(121,088)	(262,987)
Share of other comprehensive income of associates	**2,519**	931
Share of other comprehensive income/(loss) of joint ventures	**(2,642)**	4,979
Exchange differences on translation of foreign operations	**(22,881)**	21,313
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(144,092)**	(235,764)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	**—**	—
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(144,092)**	(235,764)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,580,048**	2,790,763
Attributable to:		
Owners of the parent	**1,713,990**	1,382,125
Non-controlling interests	**866,058**	1,408,638
	2,580,048	2,790,763

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	33,461,131	30,215,747
Investment properties		14,757,231	9,896,252
Prepaid land lease payments		2,019,114	1,993,975
Exploration and evaluation assets		16,136	5,189
Mining rights		770,689	794,636
Intangible assets		2,094,546	1,871,056
Goodwill		3,605,737	3,050,328
Investments in joint ventures		7,165,666	6,470,034
Investments in associates		21,837,657	20,369,716
Available-for-sale investments		18,919,629	10,050,291
Properties under development		12,343,364	10,528,713
Loan receivable		2,076,519	3,161,103
Prepayments, deposits and other receivables		949,940	853,654
Inventories		125,997	207,541
Deferred tax assets		4,335,786	2,645,312
Policyholder account assets in respect of unit-linked contracts		621,497	—
Insurance and reinsurance debtors		72,654	—
Reinsurers' share of insurance contract provisions		594,907	—
Term deposits		811,688	—
Total non-current assets		126,579,888	102,113,547
CURRENT ASSETS			
Cash and bank balances		33,033,308	16,387,191
Equity investments at fair value through profit or loss		14,186,071	13,465,979
Trade and notes receivables	11	4,977,613	4,684,199
Prepayments, deposits and other receivables		8,869,617	7,049,612
Inventories		6,529,773	6,313,952
Completed properties for sale		7,116,988	8,949,037
Properties under development		27,177,518	20,331,229
Loans receivable		412,600	100,000
Due from related companies		2,829,637	3,175,550
Available-for-sale investments		72,087,365	—
Policyholder account assets in respect of unit-linked contracts		6,710,696	—
Insurance and reinsurance debtors		1,854,990	341,333
Reinsurers' share of insurance contract provisions		938,382	—
		186,724,558	80,798,082
Non-current assets held for sale		9,793	212,293
Total current assets		186,734,351	81,010,375

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	42,491,548	31,539,941
Loans from related companies		199,745	196,477
Trade and notes payables	14	20,194,394	14,928,283
Accrued liabilities and other payables		25,205,707	19,445,737
Tax payable		2,855,286	2,834,905
Finance lease payables		46,193	46,587
Deposit from customers		1,150,542	1,636,739
Due to the holding company		688,622	3,144,864
Due to related companies		2,238,170	2,392,109
Derivative financial instruments		65,663	—
Unearned premium provisions		2,999,860	207,427
Provision for outstanding claims		7,390,135	318,667
Provision for unexpired risks		370,792	—
Financial liabilities for unit-linked contracts		2,164,631	—
Investment contract liabilities		8,599,670	—
Other life insurance contract liabilities		1,262,962	—
Insurance and reinsurance creditors		1,704,080	67,895
Total current liabilities		119,628,000	76,759,631
NET CURRENT ASSETS		67,106,351	4,250,744
TOTAL ASSETS LESS CURRENT LIABILITIES		193,686,239	106,364,291
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	42,422,995	35,028,323
Convertible bonds	13	2,418,267	2,319,675
Finance lease payables		22,265	43,085
Deferred income		227,481	526,864
Due to related companies		166,072	157,851
Other long term payables		3,523,551	3,220,349
Deferred tax liabilities		5,321,199	3,768,315
Provision for outstanding claims		8,522,596	—
Financial liabilities for unit-linked contracts		5,983,039	—
Investment contract liabilities		43,159,895	—
Other life insurance contract liabilities		14,546,357	—
Total non-current liabilities		126,313,717	45,064,462
Net assets		67,372,522	61,299,829

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the parent			
Issued capital		16,303,189	621,497
Reserves		27,686,906	38,249,408
Proposed final dividend	15	—	757,328
		43,990,095	39,628,233
Non-controlling interests		23,382,427	21,671,596
Total equity		67,372,522	61,299,829

Guo Guangchang
Director

Ding Guoqi
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the parent													
	Issued capital RMB'000	Share premium RMB'000	Other deficits RMB'000	Statutory surplus reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Capital redemption reserve RMB'000	Other reserve RMB'000	Convertible bonds RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000 (note 15)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014 (audited)	621,497	11,793,716	(443,540)	3,079,315	713,716	1,465	1,001,959	721,171	21,969,291	(587,685)	757,328	39,628,233	21,671,596	61,299,829
Total comprehensive (loss)/income for the Period	—	—	—	—	(83,676)	—	—	—	1,833,873	(36,207)	—	1,713,990	866,058	2,580,048
Acquisition of subsidiaries (note 16)	—	—	—	—	—	—	—	—	—	—	—	—	2,303,707	2,303,707
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	1,757,540	1,757,540
Rights issue of new shares**	3,886,511	—	—	—	—	—	—	—	—	—	—	3,886,511	—	3,886,511
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	(1,153,260)	(1,153,260)
Final dividend declared	—	—	—	—	—	—	—	—	—	—	(757,328)	(757,328)	—	(757,328)
Share of other reserve of associates	—	—	—	—	—	—	(49,597)	—	—	—	—	(49,597)	(132,664)	(182,261)
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	(761,625)	—	—	—	—	(761,625)	(1,312,209)	(2,073,834)
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	(300,537)	(300,537)
Deemed disposal of additional interests in a subsidiary	—	—	—	—	—	—	335,482	—	—	—	—	335,482	(335,482)	—
Fair value adjustment on the stock redemption – option granted to non-controlling shareholders of a subsidiary	—	—	—	—	—	—	(832)	—	—	—	—	(832)	(2,943)	(3,775)
Equity-settled share-based payments	—	—	—	—	—	—	5,733	—	—	—	—	5,733	10,149	15,882
Deemed acquisition of additional interests in subsidiaries	—	—	—	—	—	—	(10,472)	—	—	—	—	(10,472)	10,472	—
Transfer to issued capital***	11,795,181	(11,793,716)	—	—	—	(1,465)	—	—	—	—	—	—	—	—
At 30 June 2014 (unaudited)	16,303,189	—*	(443,540)*	3,079,315*	630,040*	—*	520,648*	721,171*	23,803,164*	(623,892)*	—	43,990,095	23,382,427	67,372,522

* These reserve accounts comprise the consolidated reserves of RMB27,686,906,000 (31 December 2013: RMB38,249,408,000) in the consolidated statement of financial position.

** In May 2014, the Company issued 500,884,371 rights shares at the subscription price of HKD9.76 per share.

*** Pursuant to the transitional provisions for the abolition of the nominal value of share capital included in the new Hong Kong Companies Ordinance which became effective on 3 March 2014, the balances of the share premium and capital redemption reserve as at 3 March 2014 have been transferred to issued capital.

	Attributable to owners of the parent												
	Issued capital RMB'000	Share premium RMB'000	Other deficits RMB'000	Statutory surplus reserve RMB'000	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 15)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013 (audited)	621,497	11,790,924	(443,540)	2,860,587	1,275,674	1,465	1,431,556	17,445,857	(671,900)	885,181	35,197,301	22,021,095	57,218,396
Total comprehensive (loss)/ income for the Period	—	—	—	—	(334,071)	—	—	1,691,550	24,646	—	1,382,125	1,408,638	2,790,763
Transaction cost related to issue of new shares of a subsidiary	—	—	—	—	—	—	(235)	—	—	—	(235)	(337)	(572)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(771,294)	(771,294)
Final dividend declared	—	—	—	—	—	—	—	—	—	(885,181)	(885,181)	—	(885,181)
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	(8,196)	—	—	—	(8,196)	(59,152)	(67,348)
Deemed acquisition of additional interests in a subsidiary	—	—	—	—	—	—	(1,056)	—	—	—	(1,056)	1,056	—
Disposal of partial interests in a subsidiary without losing control	—	—	—	—	—	—	—	—	—	—	—	5,672	5,672
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(8,822)	(8,822)
Liquidation of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(59,400)	(59,400)
Fair value adjustment on the loan from a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	9,729	—	—	—	9,729	33,049	42,778
Fair value adjustment on the stock redemption option granted to non-controlling shareholders of a subsidiary	—	—	—	—	—	—	(6,502)	—	—	—	(6,502)	(49,740)	(56,242)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	132,290	132,290
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	61,318	61,318
Equity-settled share-based payment	—	1,467	—	—	—	—	—	—	—	—	1,467	3,633	5,100
Equity contribution by the controlling shareholder to a non-wholly owned subsidiary	—	—	—	—	—	—	(10,278)	—	—	—	(10,278)	10,278	—
At 30 June 2013 (unaudited)	621,497	11,792,391*	(443,540)*	2,860,587*	941,603*	1,465*	1,415,018*	19,137,407*	(647,254)*	—	35,679,174	22,728,284	58,407,458

* These reserve accounts comprise the consolidated reserves of RMB35,057,677,000 (31 December 2012: RMB33,690,623,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations		**431,062**	1,694,894
Net cash outflow from operating activities of foreign insurance business		**(310,467)**	—
Interest paid		**(575,996)**	(476,759)
Tax paid		**(1,105,535)**	(1,176,797)
NET CASH FLOWS (USED IN)/GENERATED FROM OPERATING ACTIVITIES		**(1,560,936)**	41,338
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment, prepaid land lease payments, intangible assets, mining rights and exploration and evaluation assets		**(2,665,915)**	(3,416,640)
Purchase of available-for-sale investments and equity investments at fair value through profit or loss		**(3,804,744)**	(3,519,688)
Proceeds from disposal of available-for-sale investments and equity investments at fair value through profit or loss		**1,740,461**	3,874,013
Proceeds from disposal of items of property, plant and equipment, intangible assets and land use rights		**298,717**	259,609
Disposal of subsidiaries		**(1,041,539)**	119,893
Proceeds from disposal of associates		**243,185**	86,011
Proceeds from disposal of non-current assets held for sale		**134,105**	—
Acquisition of subsidiaries	16	**(8,405,607)**	(1,387,407)
Acquisition and establishment of associates and joint ventures		**(797,236)**	(2,083,009)
Dividends and interests received from available-for-sale investments, equity investments at fair value through profit or loss and associates		**615,139**	371,141
Shareholder loans received from/(provided to) joint ventures and associates		**804,800**	(288,601)
(Increase)/decrease in pledged bank balances and time deposits with original maturity of more than three months		**(2,699,866)**	543,497
Decrease in restricted cash in escrow account for an investment		**425,961**	—
Prepayments for proposed acquisitions		**(235,076)**	(694,246)
Interest received		**129,987**	199,001
Net cash inflow from investing activities of foreign insurance business		**2,868,298**	—
Liquidation of subsidiaries		**—**	(59,400)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(12,389,330)**	(5,995,826)

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution from non-controlling shareholders of subsidiaries	**1,757,540**	60,981
New bank and other borrowings	**37,269,171**	51,473,711
Repayment of bank and other borrowings	**(18,297,163)**	(43,242,989)
Proceeds from rights issue	**3,886,511**	—
Dividends paid to non-controlling shareholders of subsidiaries	**(1,153,260)**	(771,295)
Acquisition of additional interests in subsidiaries	**(1,943,834)**	(67,348)
Interest paid	**(1,792,851)**	(1,383,336)
Net cash outflow from financing activities of foreign insurance business	**(2,756,563)**	—
Others	**(21,214)**	(18,164)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**16,948,337**	6,051,560
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,998,071**	97,072
Cash and cash equivalents at beginning of the period	**12,501,071**	19,196,603
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**15,499,142**	19,293,675
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
CASH AND BANK BALANCES AT END OF THE PERIOD	**33,033,308**	21,650,813
Less: Pledged bank balances and term deposits with original maturity of more than three months	**(16,556,850)**	(1,505,804)
Required reserve deposits	**(262,835)**	(216,719)
Restricted presale proceeds of properties	**(714,481)**	(227,449)
Restricted cash in escrow account for an investment	**—**	(407,166)
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**15,499,142**	19,293,675

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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.

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 (collectively referred to as the industrial operations), asset management, operation and investment in insurance business and various other 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. 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 2014 and the related interim condensed consolidated income statements, interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months ended 30 June 2014 (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 2013.

2.2 New standards, interpretations and amendments 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 2013, 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 2014 noted below:

Several new standards and amendments apply for the first time in 2014. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard or amendment are described below:

Investment Entities (Amendments to HKFRS 10, HKFRS 12 and HKAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under HKFRS 10 *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under HKFRS 10.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 New standards, interpretations and amendments adopted by the Group *(Continued)*

Offsetting Financial Assets and Financial Liabilities – Amendments to HKAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to HKAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

HKFRIC 21 *Levies*

HKFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., HKAS 12 *Income Taxes*) and fines or other penalties for breaches of legislation.

The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements. These amendments have no impact on the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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) Pharmaceuticals and healthcare segment comprises the business of Shanghai Fosun Pharmaceutical (Group) Co., Ltd ("Fosun Pharma") and its subsidiaries. Fosun Pharma and its subsidiaries mainly engage in the research and development, manufacture, sale and trading of pharmaceutical and healthcare products;

(ii) Property segment comprises the business of Shanghai Forte Land Co., Ltd. ("Forte") and its subsidiaries. Forte and its subsidiaries mainly engage in the development and sale of properties in the Mainland China;

(iii) Steel segment comprises the business of Nanjing Nangang Iron & Steel United Co., Ltd. ("Nanjing Nangang") and its subsidiaries. Nanjing Nangang and its subsidiaries mainly engage in the manufacture, sale and trading of iron and steel products;

(iv) Mining segment comprises the business of Hainan Mining Co., Ltd. ("Hainan Mining") and its subsidiaries. Hainan Mining and its subsidiaries mainly engages in the mining and ore processing of various metals;

4. OPERATING SEGMENT INFORMATION *(Continued)*

Pharmaceuticals and healthcare segment, property segment, steel segment and mining segment listed above all belong to one industrial operation sector of the Group.

(v) Asset management segment engages in the asset management business through the platform such as corporation funds, partnership funds and trusts;

(vi) Insurance segment engages in the operation of and investment in the insurance business; and

(vii) Investment segment comprises, principally, the investments in strategic associates, private equity investments, secondary market investments, limited partner investments and other investments.

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.

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.

Six months ended 30 June 2014 (unaudited)

	Industrial Operations								
	Pharmaceuticals and healthcare RMB'000	Property RMB'000	Steel RMB'000	Mining RMB'000	Asset management RMB'000	Insurance RMB'000	Investment RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:									
Sales to external customers	5,502,224	2,638,997	13,065,596	849,449	59,143	2,182,313	498,155	—	24,795,877
Inter-segment sales	—	—	—	19,227	42,963	—	11,377	(73,567)	—
Other income and gains	492,081	579,953	120,141	22,139	6,899	320,502	288,286	(17,680)	1,812,321
Total	5,994,305	3,218,950	13,185,737	890,815	109,005	2,502,815	797,818	(91,247)	26,608,198
Segment results	962,871	820,588	467,688	399,399	42,414	(444,086)	264,269	35,742	2,548,885
Interest and dividend income	73,565	56,505	77,985	3,648	11,729	652,785	316,048	(90,726)	1,101,539
Unallocated expenses									(431,724)
Finance costs	(186,906)	(210,765)	(513,311)	(23,670)	—	—	(885,722)	60,149	(1,760,225)
Share of profits and losses of									
– Joint ventures	(9,616)	74,515	5,998	—	(329)	(26,750)	1,115,862	—	1,159,680
– Associates	498,253	85,561	1,877	—	—	60,425	218,909	—	865,025
Profit before tax	1,338,167	826,404	40,237	379,377	53,814	242,374	1,029,366	5,165	3,483,180
Tax	(201,408)	(309,718)	9,213	(91,865)	(3,858)	(91,475)	(43,306)	(26,623)	(759,040)
Profit for the Period	1,136,759	516,686	49,450	287,512	49,956	150,899	986,060	(21,458)	2,724,140

4. OPERATING SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2013 (unaudited)

	Industrial Operations								
	Pharmaceuticals and healthcare RMB'000	Property RMB'000	Steel RMB'000	Mining RMB'000	Asset management RMB'000	Insurance RMB'000	Investment RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:									
Sales to external customers	4,473,638	3,627,034	14,333,732	1,283,236	92,206	26,001	134,743	—	23,970,590
Inter-segment sales	—	2,145	—	95,032	79,998	—	17,830	(195,005)	—
Other income and gains	746,268	68,290	1,570,393	28,205	4,640	122,670	513,611	—	3,054,077
Total	5,219,906	3,697,469	15,904,125	1,406,473	176,844	148,671	666,184	(195,005)	27,024,667
Segment results	1,182,144	433,566	1,409,382	755,846	1,248	77,751	411,064	22,702	4,293,703
Interest and dividend income	63,359	66,456	128,058	4,085	14,088	—	464,273	(195,428)	544,891
Unallocated expenses									(213,797)
Finance costs	(180,942)	(205,416)	(486,182)	(22,674)	(12,840)	—	(502,181)	91,895	(1,318,340)
Share of profits and losses of									
– Joint ventures	(5,085)	17,576	3,548	—	(42,109)	(18,245)	(9,231)	—	(53,546)
– Associates	391,614	28,415	1,277	—	—	47,692	125,968	—	594,966
Profit/(loss) before tax	1,451,090	340,597	1,056,083	737,257	(39,613)	107,198	489,893	(80,831)	3,847,877
Tax	(248,939)	(266,295)	(45,845)	(196,326)	6,197	—	(91,937)	21,795	(821,350)
Profit/(loss) for the Period	1,202,151	74,302	1,010,238	540,931	(33,416)	107,198	397,956	(59,036)	3,026,527

Total segment assets and liabilities as at 30 June 2014 and 31 December 2013 are as follows:

Segment assets:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Pharmaceuticals and healthcare	30,991,067	29,418,303
Property	70,141,831	63,816,789
Steel	43,479,839	38,014,673
Mining	4,244,104	4,811,954
Asset management	3,614,797	3,139,708
Insurance	116,766,662	5,448,117
Investment	47,194,608	44,410,908
Eliminations*	(3,118,669)	(5,936,530)
Total consolidated assets	313,314,239	183,123,922

4. OPERATING SEGMENT INFORMATION *(Continued)*

Segment liabilities:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Pharmaceuticals and healthcare	13,491,966	11,810,676
Property	54,527,232	48,018,431
Steel	34,220,321	28,783,882
Mining	1,540,226	1,445,587
Asset management	56,671	38,336
Insurance	100,857,063	628,732
Investment	48,866,724	36,669,513
Eliminations*	(7,618,486)	(5,571,064)
Total consolidated liabilities	245,941,717	121,824,093

* Inter-segment loans and other balances are eliminated on consolidation.

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	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Interest income	**251,240**	250,809
Dividends and interests from available-for-sale investments	**701,898**	172,834
Dividends from equity investments at fair value through profit or loss	**148,401**	121,248
Rental income	**46,475**	20,287
Sale of scrap materials	**5,605**	2,947
Government grants	**107,287**	181,044
Others	**119,322**	70,832
	1,380,228	820,001
Gains		
Gain on disposal of subsidiaries*	**70,900**	—
Gain on disposal of associates	**33,877**	—
Gain on disposal of partial interests in an associate	**125,141**	—
Gain on deemed disposal of interests in an associate	**—**	586,960
Gain on disposal of available-for-sale investments	**709,604**	1,417,242
Gain on disposal of equity investments at fair value through profit or loss	**50,136**	374,686
Gain on fair value adjustment of investment properties	**501,742**	47,000
Gain on fair value adjustment of equity investments at fair value through profit or loss	**—**	350,066
Gain on disposal of non-current assets held for sale	**41,178**	—
Gain on bargain purchase	**1,054**	—
Exchange gains, net	**—**	3,013
	1,533,632	2,778,967
Other income and gains	**2,913,860**	3,598,968

* During the Period, Fosun Pharma disposed 99.53% equity interest of Chongqing Kangle Pharmaceutical Co., Ltd. and Forte lost control of Zhejiang Dongyang Woodcarving City Co., Ltd., through delegating the voting rights on shareholders meeting to another shareholder and the change of the composition of board of directors.

6. FINANCE COSTS

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Total interest expenses	**2,239,385**	1,734,322
Less: Interest capitalised	**(676,723)**	(483,348)
Interest expenses, net	**1,562,662**	1,250,974
Bank charges and other finance costs	**197,563**	67,366
Total finance costs	**1,760,225**	1,318,340

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of sales	**19,024,154**	19,187,625
Depreciation of items of property, plant and equipment	**893,413**	809,645
Amortisation of:		
Prepaid land lease payments	**23,724**	22,578
Mining rights	**25,385**	23,636
Intangible assets	**44,163**	31,116
Provisions for impairment of:		
Trade and other receivables	**36,502**	15,872
Inventories	**40,854**	78,906
Property, plant and equipment	**2,614**	391,417
Available-for-sale investments	**24,145**	—
Loss on fair value adjustment of equity investments at fair value through profit or loss	**53,774**	—
Loss on settlement of derivative financial instruments	**8,578**	—
Loss on disposal of items of property, plant and equipment	**4,153**	3,131
Exchange losses, net	**140,884**	—

8. TAX

The major components of tax expenses for the six months ended 30 June 2014 and 2013 are as follows:

	Notes	For the six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Current – Hong Kong and others	(1)	**204,124**	10,809
Current – Mainland China			
– Income tax in Mainland China for the Period	(2)	**529,036**	666,177
– LAT in Mainland China for the Period	(3)	**113,162**	82,730
Deferred		**(87,282)**	61,634
Tax expenses for the Period		**759,040**	821,350

Notes:

(1) Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period.

The provision of current income tax of Alma Lasers Ltd. ("Alma Lasers"), a subsidiary of Fosun Pharma incorporated in Israel, is based on a preferential rate of 16% (six months period ended 30 June 2013: 12.5%).

The provision of income tax of Fidelidade-Companhia de Seguros, S.A., Multicare-Seguros de Saúde, S.A. and Cares-Companhia de Seguros, S.A. (collectively referred to as "Portuguese Insurance Group"), subsidiaries incorporated in Portugal acquired by the Group during the Period, is based on a rate of 31.5%.

(2) The provision for Mainland China current income tax is based on a statutory rate of 25 % (six months ended 30 June 2013: 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 0% to 20%.

(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 RMB117,751,000 (six months ended 30 June 2013: RMB31,347,000). 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 RMB28,572,000 (six months ended 30 June 2013: RMB94,805,000) in respect of the sales of properties up to 30 June 2014 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 RMB33,161,000 (six months ended 30 June 2013: RMB43,422,000) 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 the basic earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 6,527,337,178 (six months ended 30 June 2013: 6,421,595,000 ordinary shares) in issue during the Period.

The calculation of the diluted earnings per share amounts is based on the profit for the Period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**1,833,873**	1,691,550
Interest on convertible bonds	**102,033**	—
Profit attributable to ordinary equity holders of the parent, as adjusted for the effect of convertible bonds	**1,935,906**	1,691,550

	Number of shares For the six months ended 30 June	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the Period used in the basic earnings per share calculation	**6,527,337,178**	6,421,595,000
Effect of dilution – weighted average number of convertible bonds	**387,500,000**	—
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**6,914,837,178**	6,421,595,000
Basic earnings per share (RMB)	**0.28**	0.26
Diluted earnings per share (RMB)	**0.28**	0.26

10. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment RMB'000
Carrying value at beginning of the Period (audited)	30,215,747
Additions	3,386,019
Acquisition of subsidiaries (note 16)	1,162,566
Disposals of subsidiaries	(88,680)
Disposals	(304,034)
Depreciation charge for the Period	(893,413)
Impairment for the Period	(2,614)
Exchange realignment	(14,460)
Carrying value at end of the Period (unaudited)	33,461,131

As at 30 June 2014, the Group's property, plant and equipment with a net carrying value of RMB1,216,938,000 (31 December 2013: RMB1,334,670,000), 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 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Trade receivables	2,983,052	2,839,919
Notes receivable	1,994,561	1,844,280
	4,977,613	4,684,199

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 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Outstanding balances with ages:		
Within 90 days	**1,901,512**	2,436,446
91 - 180 days	**741,934**	234,822
181 - 365 days	**246,177**	191,460
1 - 2 years	**135,060**	19,656
2 - 3 years	**10,975**	7,501
Over 3 years	**26,353**	26,169
	3,062,011	2,916,054
Less: Provision for impairment of trade receivables	**(78,959)**	(76,135)
	2,983,052	2,839,919

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

At 30 June 2014, the Group's trade and notes receivables with a carrying amount of approximately RMB1,460,301,000 (31 December 2013: RMB610,243,000) were pledged to secure bank loans, as set out in note 12 to the interim condensed consolidated financial statements.

At 30 June 2014, the Group's trade and notes receivables with a carrying amount of approximately RMB141,000,000 (31 December 2013: Nil) were pledged for securing the issuance of bank acceptance notes.

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Bank loans:	(1)		
Guaranteed		753,336	1,280,349
Secured		22,088,809	14,012,290
Unsecured		33,441,441	27,310,339
		56,283,586	42,602,978
Enterprise bonds and corporate bonds	(2)	10,931,400	10,920,027
Private placement note	(3)	3,982,872	1,985,025
Senior notes	(4)	4,029,738	3,989,607
Medium-term notes	(5)	2,586,274	2,582,433
Other borrowings, secured	(6)	996,112	543,876
Other borrowings, unsecured	(6)	6,104,561	3,944,318
Total		84,914,543	66,568,264
Portion classified as:			
Current		42,491,548	31,539,941
Non-current		42,422,995	35,028,323
Total		84,914,543	66,568,264

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 RMB208,809,000 (31 December 2013: RMB283,675,000), plant and machinery amounting to RMB505,351,000 (31 December 2013: RMB644,820,000), mining infrastructure amounting to RMB502,778,000 (31 December 2013: RMB406,175,000), investment properties situated in Mainland China amounting to RMB4,088,000,000 (31 December 2013: RMB4,757,000,000), prepaid land lease payments amounting to RMB157,374,000 (31 December 2013: RMB194,687,000), properties under development amounting to RMB12,299,014,000 (31 December 2013: RMB10,963,972,000), completed properties for sale amounting to RMB3,969,274,000 (31 December 2013: RMB5,514,314,000), time deposits with original maturity of more than three months amounting to RMB13,321,000 (31 December 2013: RMB3,387,000), trade and notes receivables amounting to RMB1,460,301,000 (31 December 2013: RMB610,243,000), equity investment at fair value through profit or loss amounting to RMB2,953,965,000 (31 December 2013: RMB1,353,888,000), an investment in a joint venture amounting to RMB540,070,000 (31 December 2013: RMB540,070,000), and investments in subsidiaries.

No inventories (31 December 2013: RMB435,928,000) was pledged to secure the interest bearing bank and other borrowings.

Bank balances amounting to RMB920,391,000 (31 December 2013: RMB30,291,000) were pledged to secure the interest-bearing bank and other borrowings.

The Group's interest-bearing bank and other borrowings amounting to RMB738,336,000 (31 December 2013: RMB1,280,349,000) were guaranteed by Fosun Holding Limited which is the ultimate holding company of the Group, the Group's interest-bearing bank and other borrowings amounting to RMB15,000,000 (31 December 2013: Nil) were guaranteed by a third party.

The bank loans bear interest at rates ranging from 0.90% to 10.00% (31 December 2013: 0.96% to 8.80%) per annum.

12. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes: *(continued)*

(2) Enterprise and corporate bonds

On 27 February 2009, Nanjing Nangang 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 (the "2009 Nangang Bond"). According to the offering memorandum of the 2009 Nangang Bond, the bond holders are entitled to redeem the bonds at a redemption price equal to the principal amount by the end of the fourth year since issuance, i.e., 27 February 2013. On 27 February 2013, after the completion of the redemption, the principal amount of RMB30,000,000 of the 2009 Nangang Bond was redeemed by the bond holders. The remaining principal amount of RMB2,470,000,000 will be repaid by Nanjing Nangang equally on 27 February 2015 and 27 February 2016 with no further redemption option for bond holders. The interest will be paid annually in arrears.

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, Shanghai Fosun High Technology (Group) Co., Ltd. ("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.

On 10 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 10 May 2018.

On 25 April 2012, 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) Private placement note

On 19 June 2013, Fosun Group issued three-year private placement notes with the par value of RMB2,000,000,000 and the effective interest rate is 6.02% per annum. The interest will be paid annually in arrears and the maturity date is 19 June 2016.

On 19 March 2014, Fosun Group issued one-year private placement notes with the par value of RMB1,000,000,000 and the effective interest rate is 6.82% per annum. The interest and the principle will be paid together on the maturity date, which is 19 March 2015.

On 30 May 2014, Fosun Group issued one-year private placement notes with the par value of RMB1,000,000,000 and the effective interest rate is 6.52% per annum. The interest and the principle will be paid together on the maturity date, which is 30 May 2015.

(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.

On 30 January 2013, Sparkle Assets Limited, an indirect subsidiary of the Company, issued seven-year senior notes with the par value of USD400,000,000 and the effective interest rate is 7.19% per annum. The interest will be paid semi-annually in arrears.

(5) 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 and the principal will be paid together on 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.

(6) The other borrowings represent borrowings from third parties, which bear interest at rates ranging from 2.55% to 11.00% (31 December 2013: 2.55% to 11.00%) per annum.

13. CONVERTIBLE BONDS

The Issuer, an indirect wholly owned subsidiary of the Company issued convertible bonds in the principal amount of HKD3,875,000,000 (equivelant to RMB3,068,225,000) on 22 November 2013 guaranteed by the Company and certain of its subsidiaries (the "Convertible Bonds"). The Convertible Bonds is convertible into fully-paid ordinary shares of par value HKD0.10 each of the Company. The Convertible Bonds bear interests at the rate of 1.5% per annum payable semi-annually in arrears on May 22 and November 22 in each year. The Convertible Bonds will mature on 22 November 2018 ("Maturity Date"). There was no movement in the number of the Convertible Bonds during the Period.

The principal terms of the Convertible Bonds are as follows:

(a) The Convertible Bonds are convertible at the option of the bond holders into ordinary shares of the Company during the period on or after the 41st day after the 22 November 2013 and seven days prior to the Maturity Date at an initial conversion price of HKD10 per share (subject to adjustments).

(b) The Issuer will at the option of the bond holder of any Convertible Bond, redeem all or some of that holder's Convertible Bonds on 22 November 2016 at their early redemption amount together with interest accrued and unpaid to, but excluding, such date.

(c) At any time after 22 November 2016, the Issuer may, by giving notice to the bond holders, elect to redeem the Convertible Bonds in whole but not in part, if the closing price of the Company's shares traded in Hong Kong Stock Exchange for any 20 out of the 30 consecutive trading days immediately prior to the date upon which notice of such redemption is given, was at least 130% of the applicable early redemption amount divided by the conversion ratio then in effect. Conversion ratio means the principal amount of each bond divided by the conversion price then in effect immediately prior to the date upon which the optional redemption notice is given.

(d) Any convertible bonds not previously redeemed, converted or purchased and cancelled will be redeemed by the Issuer on the Maturity Date at 106.65% of its principal amount together with unpaid accrued interest from and including the immediately preceding interest payment date.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bonds issued during the Period have been split into the liability and equity components as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Liabilities component at the beginning of the Period (audited)	**2,319,675**	—
Nominal value of convertible bonds issued during the Period/year	**—**	3,068,225
Equity component	**—**	(721,171)
Direct transaction costs	**—**	(30,682)
Liability component at the issuance date	**—**	2,316,372
Interest expense	**102,033**	21,864
Interest paid	**(23,068)**	—
Exchange realignment	**19,627**	(18,561)
Liability component	**2,418,267**	2,319,675

The effective interest rate of the liability component is 8.93% per annum.

14. TRADE AND NOTES PAYABLES

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Trade payables	**12,388,648**	11,309,513
Notes payable	**7,805,746**	3,618,770
	20,194,394	14,928,283

An aged analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Outstanding balances with ages:		
Within 90 days	**6,372,363**	6,460,949
91 - 180 days	**2,390,650**	1,952,566
181 - 365 days	**1,749,242**	1,712,907
1 - 2 years	**1,495,901**	748,380
2 - 3 years	**198,522**	213,014
Over 3 years	**181,970**	221,697
	12,388,648	11,309,513

15. DIVIDENDS

The directors did not recommend the payment of an interim dividend in respect of the Period (six months ended 30 June 2013: Nil).

The proposed final dividend of HKD0.15 per ordinary share for the year ended 31 December 2013 was declared payable and approved by the shareholders at the annual general meeting of the Company on 28 May 2014.

16. ACQUISITION OF SUBSIDIARIES

(i) Acquisition of subsidiaries accounted for as business combination

The major acquisition of subsidiaries accounted for as business combination is set out as follows:

In May 2014, Millennium Gain Limited, an indirect wholly-owned subsidiary of the Company, completed acquisition of shares representing 80% of the share capital and voting rights of Portuguese Insurance Group at a consideration of Euro1,037,719,000, equivalent to RMB8,824,032,000. The acquisition was undertaken to further develop the global insurance business of the Group.

In May 2014, Galaxy Wonder Limited, an indirect wholly-owned subsidiary of the Company, acquired a 100% equity interests in Marble Holding Co., Ltd at a consideration of JPY6,811,000,000, equivalent to RMB410,261,000. The major assets of Marble Holdings Co., Ltd is the investment of 98% equity interests in IDERA Capital Management Ltd. The acquisition was undertaken to further develop the asset management business in Japan.

In March 2014, Forte, through its wholly-owned subsidiary Shanghai Forte Investment Management Co., Ltd. ("Forte Investment") acquired the remaining 49% equity interests in Chengdu Honghui Land Co., Ltd ("Chengdu Honghui") at a consideration of RMB792,808,000. Before the acquisition, Forte Investment held 51% equity interests in Chengdu Honghui and accounted for as the joint venture. The major assets of Chengdu Honghui are properties under development and completed properties for sale located in Chengdu, PRC.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The provisional fair values of the identifiable assets and liabilities of all the acquired subsidiaries during the Period as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000 (Unaudited)
Property, plant and equipment (note 10)	1,162,566
Investments in associates	12,820
Investment properties	3,790,153
Available-for-sale investments	81,624,639
Equity investments at fair value through profit or loss	429,407
Intangible assets	249,094
Prepaid land lease payments	13,591
Deferred tax assets	1,367,146
Cash and bank balances	3,171,624
Trade and notes receivables	80,325
Due from related companies	43,037
Prepayments deposits and other receivables	407,824
Loan receivable	32,816
Inventories	31,202
Completed properties for sale	314,493
Properties under development	884,696
Term deposits	12,184,998
Policyholder account assets in respect of unit-linked contracts	7,619,313
Insurance and reinsurance debtors	1,390,549
Reinsurers' share of insurance contract provisions	1,699,332
Subtotal carried forward	116,509,625

16. ACQUISITION OF SUBSIDIARIES *(Continued)*

(i) Acquisition of subsidiaries accounted for as business combination *(Continued)*

The provisional fair values of the identifiable assets and liabilities of all the acquired subsidiaries during the Period as at the date of acquisition were as follows: *(Continued)*

	Fair value recognised on acquisition RMB'000 (Unaudited)
Subtotal brought forward	116,509,625
Interest-bearing bank and other borrowings	(629,361)
Trade and notes payables	(132,316)
Accrued liabilities and other payables	(4,935,554)
Tax payable	(212,444)
Due to related companies	(1,190)
Derivative financials instruments	(50,523)
Deferred tax liabilities	(1,476,250)
Provision for outstanding claims	(15,703,204)
Financial liabilities for unit-linked contracts	(8,653,797)
Investment contract liabilities	(52,317,559)
Unearned premium provisions	(2,710,035)
Provision for unexpired risks	(352,652)
Other life insurance contract liabilities	(16,093,934)
Insurance and reinsurance creditors	(1,385,821)
Total identifiable net assets at provisional fair values*	11,854,985
Non-controlling interests	(2,303,707)
Total net assets acquired	9,551,278
Gain on bargain purchase of a subsidiary	(1,054)
Goodwill on acquisition	553,071
	10,103,295
Satisfied by:	
Cash	9,685,965
Investment in an associate	12,460
Investment in a joint venture	404,870
Cash consideration unpaid	—
	10,103,295

16. ACQUISITION OF SUBSIDIARIES *(Continued)*

(i) Acquisition of subsidiaries accounted for as business combination *(Continued)*

The provisional fair values of the identifiable assets and liabilities of all the acquired subsidiaries during the Period as at the date of acquisition were as follows: *(Continued)*

* The reassessment of the fair value of the identifiable assets and liabilities of Portuguese Insurance Group is still undergoing and the information of the fair values of the identifiable assets and liabilities is provisional at the date of the approval of this interim condensed consolidated financial statements. The finalised information will be disclosed in the consolidated financial statements of the Group for the year ended 31 December 2014.

The fair value 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.

The Group incurred transaction costs of RMB29,654,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses in the consolidated income statement.

None of the goodwill recognised is expected to be deductible for income tax purposes.

(ii) Acquisition of subsidiaries not accounted for as business combination

During the Period, Sunhill Global Limited, an indirect subsidiary where the Company holds 60% equity interests, acquired 100% equity interests in Clear Water Bay Land Company Limited ("CWB") at a consideration of HKD1,697,603,000, equivalent to RMB1,346,284,000. The major assets of CWB are three pieces of land located in Hong Kong.

The above acquisition has been accounted for as acquisition of assets in the Group's interim condensed consolidated financial statements. The purchase cost of the Group is allocated to the assets and liabilities, respectively on the basis of their relative fair values at the date of purchase.

The allocation of the purchase cost on the basis of the relative fair values of the assets and liabilities acquired as at the date of the purchase are as follows:

	Allocation of Purchase cost RMB'000 (Unaudited)
Cash and bank balances	577
Trade and notes receivables	39
Prepayments deposits and other receivables	11
Properties under development	1,348,181
Trade and notes payables	(36)
Accrued liabilities and other payables	(2,488)
Total purchase costs	1,346,284
Satisfied by:	
Cash	1,346,284
Cash consideration unpaid	—
	1,346,284

16. ACQUISITION OF SUBSIDIARIES *(Continued)*

(iii) An analysis of the cash flows in respect of the acquisitions of subsidiaries is as follows:

	RMB'000 (Unaudited)
Cash consideration	(11,032,249)
Payment of unpaid cash consideration as at 31 December 2013	(546,320)
Prepayment of cash consideration as at 31 December 2013	761
Cash and bank balances acquired	3,172,201
Net outflow of cash and cash equivalents included in cash flows from investing activities	(8,405,607)
Transaction costs of the acquisitions included in cash flows from operating activities	(29,654)
	(8,435,261)

17. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Contracted, but not provided for:		
In respect of:		
Plant and equipment	**2,150,032**	1,430,424
Properties under development	**10,333,355**	4,749,842
Investments	**—**	186,382
	12,483,387	6,366,648
Authorised, but not contracted for:		
In respect of:		
Plant and equipment	**192,672**	232,540
Investments	**1,523,229**	693,986
	1,715,901	926,526

18. CONTINGENT LIABILITIES

The Group had the following contingent liabilities:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Guarantees given to bank loans of:		
Related parties	541,000	570,000
Third parties	50,000	123,400
	591,000	693,400
Qualified buyers' mortgage loans*	2,501,015	2,473,034
	3,092,015	3,166,434

* As at 30 June 2014, the Group provided guarantees of approximately RMB2,501,015,000 (31 December 2013: RMB2,473,034,000) 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.

19. 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	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Associates:		
Sales of pharmaceutical products	362,232	294,031
Purchase of pharmaceutical products	77,996	85,183
Service income	—	578
Rental income	17	—
Service fee	1,997	4,457
Transportation fee	67,546	54,623
Interest income	2,217	2,878
Interest expense	1,194	741
Deposits from related companies	318,443	146,235
Bank loan guarantees provided	23,000	1,038,000
Non-controlling shareholders of the subsidiaries of the Group:		
Rental fee	8,938	7,971
Interest income	3,971	—
Bank loan guarantees received	724,210	1,044,257

19. RELATED PARTY TRANSACTIONS *(Continued)*

(1) During the Period, the Group had the following material transactions with related parties in addition to the transactions disclosed in note 12: *(Continued)*

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other related parties:		
Sales of pharmaceutical products	**3,086**	2,137
Purchase of pharmaceutical products	**6**	—
Sales of other products	**98,698**	47,803
Purchase of other products	**147**	279
Interest income	**157,677**	182,291
Interest expense	**1,466**	3,217
Service income	**42,689**	39,587
Rental income	**429**	—
Notional interest	**4,911**	1,557
Loan to related parties	**—**	155,000
Deposits from related companies	**159,694**	509,237
Bank loan guarantees received	**738,336**	1,328,421
Bank loan guarantees provided	**518,000**	380,000

The bank loans were guaranteed by the related companies free of charge. The guarantees were given by the Group for bank loans of the related companies free of charge. In the opinion of the directors, except for guarantees received from and provided to related parties, all related party transactions as set out above were conducted on normal commercial terms.

(2) Compensation of key management personnel of the Company:

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	**33,526**	28,362
Pension scheme contributions	**166**	168
Total compensation paid to key management personnel	**33,692**	28,530

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)	**30 June 2014 RMB'000 (Unaudited)**	31 December 2013 RMB'000 (Audited)
Financial assets				
Available-for-sale investments	**82,400,894**	3,875,800	**82,400,894**	3,875,800
Loans receivable (non-current portion)	**2,076,519**	3,161,103	**2,076,519**	3,161,103
Equity investments at fair value through profit or loss	**14,186,071**	13,465,979	**14,186,071**	13,465,979
Policyholder account assets in respect of unit-linked contracts	**7,332,193**	—	**7,332,193**	—
	105,995,677	20,502,882	**105,995,677**	20,502,882
Financial liabilities				
Interest-bearing bank and other borrowings	**84,914,543**	66,568,264	**84,633,750**	67,190,011
Convertible bonds	**2,418,267**	2,319,675	**3,590,975**	3,051,095
Due to related companies (non-current portion)	**166,072**	157,851	**166,072**	157,851
Financial liabilities included in other long-term payables	**2,603,892**	3,027,991	**2,603,892**	3,027,991
Finance lease payables	**68,458**	89,672	**68,458**	89,672
Derivative financial instruments	**65,663**	—	**65,663**	—
Financial liabilities for unit-linked contracts	**8,147,670**	—	**8,147,670**	—
Investment contract liabilities	**51,759,565**	—	**51,759,565**	—
	150,144,130	72,163,453	**151,036,045**	73,516,620

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Management has assessed that the fair values of cash and bank balances, term deposits, trade and notes receivables, trade and notes payables, financial assets included in prepayments, deposits and other receivables and insurance and reinsurance debtors, financial liabilities included in other payables and accruals and insurance and reinsurance creditors, current portion of amounts due from related companies and amount due to related companies and the holding company approximate to their carrying amounts largely due to the short-term maturities of these instruments. The fair values of financial liabilities for unit-linked contracts also approximate to their carrying amounts.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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:

The fair values of the non-current portion of due to related companies, financial liabilities included in other long term payables, loan from related companies, finance lease payables and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for non-current portion of due to related companies, financial liabilities included in other long term payables, loan from related companies, finance lease payables and non-current portion of interest-bearing bank and other borrowings as at 30 June 2014 was assessed to be insignificant. The fair value of the convertible bonds is based on the quoted market price which represents the fair value for both the liability and equity component of the convertible bonds and the fair values of listed bonds and senior notes are based on the quoted market price.

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 interest rate swaps. As at 30 June 2014, the fair values of commodity derivative contracts were measured using quoted market price of commodity future contracts while the fair values of interest rate swaps were measured using valuation techniques similar to swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties and interest rate curves. The carrying amounts of the commodity derivative contracts and interest rate swaps are the same as their fair values.

The fair values of listed equity investments without a lock-up period and listed debt instruments are based on quoted market prices. The fair values of listed equity investments with a lock-up period have been estimated based on assumptions that are supported by observable market prices and discount for lack of marketability. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income or profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

As at 30 June 2014, the fair value information has not been disclosed for certain available-for-sale investments in equity instruments that do not have a quoted market price in an active market and are measured at cost less any impairment because their fair value cannot be measured reliably. The reason why the fair value cannot be measured reliably is because that the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The carrying amount of these available-for-sale investments is RMB8,606,100,000 (31 December 2013: RMB6,174,491,000). All of them are unlisted equity investments in China, North America and other countries held by the Group, which are intended to be disposed by the Group after getting listed in the designated stock exchange in the future.

During the Period, the available-for-sale investments whose fair value could not be reliably measured with carrying amount of RMB61,994,000 were derecognised and the relevant gain on disposal amounted to RMB2,349,000 was recognized in the consolidated statement of profit or loss.

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 30 June 2014:

Unobservable inputs and sensitivity analysis for Level 3 assets

The financial assets held by Portuguese Insurance Group which classified in Level 3 primarily correspond to debt securities and investment funds not quoted in an active market.

The fair value of debt securities, which consist of public and corporate bonds, is determined using broker quotes that cannot be corroborated with observable market transactions. Significant unobservable inputs for these bonds would include proprietary cash flow models and issuer spreads, which are comprised of credit, liquidity, and other security-specific features of the bonds. An increase (decrease) in these issuer spreads would result in a lower (higher) fair value. Due to the unobservable nature of these quotes, we do not assess whether applying reasonably possible alternative assumptions would have an impact on the fair value of the Level 3 bonds.

The fair values of investment funds classified in Level 3 are based on net asset value (NAV) reports provided by the management of such funds. Based on the unobservable nature of these NAV's, we do not assess whether applying reasonably possible alternative assumptions would have an impact on the fair value of the Level 3 investment funds.

Unobservable inputs and sensitivity analysis for Level 3 liabilities

As part of the purchases agreement, contingent consideration included in other long-term liabilities is payable, which is dependent on the profit target of Chancheng Hospital during the 24-month period subsequent to the acquisition as stated on the agreement. The amount recognised as at 30 June 2014 was RMB27,720,000 (31 December 2013: RMB55,440,000) which was determined using the discounted cash flow model and is under Level 3 fair value measurement. The consideration is due for final measurement and payment to the former shareholders 2016. At the date of approval of these financial statements, no further significant changes to the consideration are expected.

Projected profit target of Chancheng Hospital is consistent with that estimated when the purchase agreement was signed. Discount rate and discount for own non-performance risk is nil.

A significant decrease in the profit after tax of Chancheng Hospital would result in a significant decrease in the fair value of the contingent consideration liability.

Significant unobservable valuation input for the share redemption option granted to non-controlling shareholders of a subsidiary included in other long-term liabilities is EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) of Alma Lasers in 12 months ended 30 June 2014 and cash and bank balances of Alma Lasers as at 30 June 2014.

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's 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:

As at 30 June 2014 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Available-for-sale investments	9,302,349	65,533,442	7,565,103	82,400,894
Equity investments at fair value through profit or loss	13,663,615	492,375	30,081	14,186,071
Policyholder account assets in respect of unit-linked contracts	39,455	7,292,738	—	7,332,193
	23,005,419	73,318,555	7,595,184	103,919,158

As at 31 December 2013 (Audited)

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Available-for-sale investments	3,469,801	405,999	—	3,875,800
Equity investments at fair value through profit or loss	13,465,979	—	—	13,465,979
	16,935,780	405,999	—	17,341,779

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Assets measured at fair value: *(Continued)*

The movements in fair value measurements in Level 3 during the year are as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
At 1 January	—	—
Addition	7,595,184	—
	7,595,184	—

Assets for which fair values are disclosed:

As at 30 June 2014 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Loans receivable (non-current portion)	—	2,076,519	—	2,076,519

As at 31 December 2013 (Audited)

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Loans receivable (non-current portion)	—	3,161,103	—	3,161,103

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities measured at fair value:

As at 30 June 2014 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Financial liabilities included in other long-term payables	—	—	77,899	77,899
Derivative financial instruments	7,204	58,459	—	65,663
Financial liabilities for unit-linked contracts	—	8,147,670	—	8,147,670
	7,204	8,206,129	77,899	8,291,232

As at 31 December 2013 (Audited)

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Financial liabilities included in other long-term payables	—	—	99,804	99,804

The movements in fair value measurements in Level 3 during the year are as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Amounts included in other long-term liabilities:		
At 1 January	99,804	570,389
Total losses recognised in the statement of profit or loss included in finance costs	5,815	22,109
Addition	—	55,440
Reclassification	(27,720)	(548,134)
	77,899	99,804

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities for which fair values are disclosed:

As at 30 June 2014 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	21,296,178	63,337,572	—	84,633,750
Convertible bonds	3,590,975	—	—	3,590,975
Due to related companies (non-current portion)	—	166,072	—	166,072
Financial liabilities included in other long-term payables	—	2,525,993	—	2,525,993
Finance lease payables	—	68,458	—	68,458
	24,887,153	66,098,095	—	90,985,248

As at 31 December 2013 (Audited)

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	16,387,166	50,802,845	—	67,190,011
Convertible bonds	3,051,095	—	—	3,051,095
Due to related companies (non-current portion)	—	157,851	—	157,851
Financial liabilities included in other long-term payables	—	2,928,187	—	2,928,187
Finance lease payables	—	89,672	—	89,672
	19,438,261	53,978,555	—	73,416,816

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

21. EVENTS AFTER THE REPORTING PERIOD

On 17 August 2014, the Company and Mettlesome Investments Limited (the "Purchaser", an indirect wholly-owned subsidiary of the Company) entered into an Equity Purchase Agreement with Ironshore Inc. ("Ironshore"), pursuant to which Ironshore agreed to issue to the Purchaser, its class A ordinary shares, which representing 20% of the total outstanding ordinary shares of Ironshore (on a fully diluted basis, as of the closing of the transaction and after giving effect to the capital return transaction) for a total consideration of USD463,831,645 (subject to adjustment). The acquisition of equity interests in Ironshore is subject to the fulfilment of certain conditions, including the approval of relevant regulatory bodies which has not been completed by the date of the approval of interim condensed consolidated financial statements.

22. COMPARATIVE AMOUNTS

The comparative amounts have been reclassified to conform with the current period's presentation.

23. 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 of the Company on 26 August 2014.

INDEPENDENT AUDITORS' REPORT

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel電話: +852 2846 9888
Fax傳真: +852 2868 4432
www.ey.com

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 78 to 204 which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, 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 2013, 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 & Young
Certified Public Accountants

Hong Kong
25 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	6	**51,016,883**	51,764,746
Cost of sales		**(40,658,491)**	(42,439,678)
Gross profit		**10,358,392**	9,325,068
Other income and gains	6	**8,853,449**	5,295,763
Selling and distribution expenses		**(2,747,372)**	(2,449,870)
Administrative expenses		**(3,860,339)**	(3,328,291)
Other expenses		**(1,365,895)**	(1,034,870)
Finance costs	7	**(2,765,899)**	(2,773,661)
Share of profits and losses of:			
Joint ventures	22	**(118,653)**	69,077
Associates	23	**1,407,597**	1,174,777
PROFIT BEFORE TAX	8	**9,761,280**	6,277,993
Tax	10	**(1,908,511)**	(1,334,085)
PROFIT FOR THE YEAR		**7,852,769**	4,943,908
Attributable to:			
Owners of the parent	11	**5,518,930**	3,707,201
Non-controlling interests		**2,333,839**	1,236,707
		7,852,769	4,943,908
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the year (RMB)	13	**0.86**	0.58
Diluted			
– For profit for the year (RMB)	13	**0.86**	0.58

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 2013

	Note	2013 RMB'000	2012 RMB'000
PROFIT FOR THE YEAR		**7,852,769**	4,943,908
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent years:			
Available-for-sale investments:			
Changes in fair value		**19,015**	(49,321)
Reclassification adjustments for gains included in the consolidated statement of profit or loss - gain on disposal		**(455,892)**	(543,799)
Income tax effect	28	**118,608**	44,476
		(318,269)	(548,644)
Share of other comprehensive income of joint ventures		**4,978**	10,794
Share of other comprehensive income/(loss) of associates		**93,723**	(78,166)
Exchange differences on translation of foreign operations		**35,722**	30,180
Net other comprehensive loss to be reclassified to profit or loss in subsequent years		**(183,846)**	(585,836)
Net other comprehensive income not being reclassified to profit or loss in subsequent years		**—**	—
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(183,846)**	(585,836)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7,668,923**	4,358,072
Attributable to:			
Owners of the parent		**5,041,187**	3,519,105
Non-controlling interests		**2,627,736**	838,967
		7,668,923	4,358,072

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**30,215,747**	24,295,887
Investment properties	15	**9,896,252**	3,985,000
Prepaid land lease payments	16	**1,993,975**	1,801,237
Exploration and evaluation assets	17	**5,189**	1,620
Mining rights	18	**794,636**	821,565
Intangible assets	19	**1,871,056**	1,244,004
Goodwill	20	**3,050,328**	1,736,060
Investments in joint ventures	22	**6,470,034**	6,760,773
Investments in associates	23	**20,369,716**	15,258,677
Available-for-sale investments	24	**10,050,291**	7,382,891
Properties under development	25	**10,528,713**	7,966,996
Loans receivable	26	**3,161,103**	1,944,236
Prepayments	27	**853,654**	670,723
Deferred tax assets	28	**2,645,312**	2,212,578
Inventories	33	**207,541**	372,222
Total non-current assets		**102,113,547**	76,454,469
CURRENT ASSETS			
Cash and bank balances	29	**16,387,191**	22,088,468
Equity investments at fair value through profit or loss	30	**13,465,979**	10,656,075
Trade and notes receivables	31	**4,684,199**	5,600,118
Prepayments, deposits and other receivables	32	**7,390,945**	4,975,712
Inventories	33	**6,313,952**	6,371,599
Completed properties for sale		**8,949,037**	4,580,194
Properties under development	25	**20,331,229**	27,333,872
Loans receivable	26	**100,000**	807,102
Due from related companies	34	**3,175,550**	3,118,450
		80,798,082	85,531,590
Non-current assets held for sale	35	**212,293**	212,293
Total current assets		**81,010,375**	85,743,883

	Notes	2013 RMB'000	2012 RMB'000
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	36	**31,539,941**	26,917,695
Loans from related companies	38	**196,477**	115,000
Trade and notes payables	39	**14,928,283**	15,626,765
Accrued liabilities and other payables	40	**20,039,726**	18,818,620
Tax payable		**2,834,905**	2,727,170
Finance lease payables	41	**46,587**	41,981
Deposit from customers	42	**1,636,739**	939,214
Due to the holding company	34	**3,144,864**	2,440,986
Due to related companies	34	**2,392,109**	2,354,620
Total current liabilities		**76,759,631**	69,982,051
NET CURRENT ASSETS		**4,250,744**	15,761,832
TOTAL ASSETS LESS CURRENT LIABILITIES		**106,364,291**	92,216,301
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	36	**35,028,323**	29,779,651
Convertible bonds	37	**2,319,675**	—
Loans from a related company	38	**—**	90,250
Finance lease payables	41	**43,085**	83,441
Deferred income	43	**526,864**	193,592
Due to related companies	34	**157,851**	1,013,120
Other long term payables	44	**3,220,349**	652,102
Deferred tax liabilities	28	**3,768,315**	3,185,749
Total non-current liabilities		**45,064,462**	34,997,905
Net assets		**61,299,829**	57,218,396
EQUITY			
Equity attributable to owners of the parent			
Issued capital	45	**621,497**	621,497
Reserves	46	**38,249,408**	33,690,623
Proposed final dividend	12	**757,328**	885,181
		39,628,233	35,197,301
Non-controlling interests		**21,671,596**	22,021,095
Total equity		**61,299,829**	57,218,396

Guo Guangchang
Director

Ding Guoqi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

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 investment revaluation reserve RMB'000	Capital redemption reserve RMB'000	Other reserve RMB'000	Convertible bonds RMB'000 (note 37)	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 2013	621,497	11,790,924	(443,540)	2,860,587	1,275,674	1,465	1,431,556	–	17,445,857	(671,900)	885,181	35,197,301	22,021,095	57,218,396
Profit for the year	–	–	–	–	–	–	–	–	5,518,930	–	–	5,518,930	2,333,839	7,852,769
Other comprehensive income for the year														
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	(274,476)	–	–	–	–	–	–	(274,476)	323,455	48,979
Reclassification adjustments for gains included in the consolidated statement of profit or loss – gain on disposal	–	–	–	–	(280,960)	–	–	–	–	–	–	(280,960)	(86,288)	(367,248)
Share of other comprehensive income of joint ventures	–	–	–	–	–	–	–	–	–	4,978	–	4,978	–	4,978
Share of other comprehensive income/(loss) of associates	–	–	–	–	(6,522)	–	–	–	–	39,993	–	33,471	60,252	93,723
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	39,244	–	39,244	(3,522)	35,722
Total comprehensive (loss)/income for the year	–	–	–	–	(561,958)	–	–	–	5,518,930	84,215	–	5,041,187	2,627,736	7,668,923
Acquisition of subsidiaries (note 47(a))	–	–	–	–	–	–	–	–	–	–	–	–	433,623	433,623
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	640,193	640,193
Transaction cost related to issue of new shares of a subsidiary	–	–	–	–	–	–	1,705	–	–	–	–	1,705	2,445	4,150
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(1,209,304)	(1,209,304)
Final 2012 dividend declared	–	–	–	–	–	–	–	–	–	–	(885,181)	(885,181)	–	(885,181)
Proposed final dividend	–	–	–	–	–	–	–	–	(757,328)	–	757,328	–	–	–
Transfer from retained profits	–	–	–	218,728	–	–	–	–	(218,728)	–	–	–	–	–
Share of other reserve of associates	–	–	–	–	–	–	(21,054)	–	–	–	–	(21,054)	–	(21,054)
Disposal of partial interests in subsidiaries without losing control	–	–	–	–	–	–	861	–	–	–	–	861	3,364	4,225
Disposal of subsidiaries (note 47(b))	–	–	–	–	–	–	–	–	–	–	–	–	(2,347,332)	(2,347,332)
Liquidation of subsidiaries	–	–	–	–	–	–	–	–	(19,440)	–	–	(19,440)	(59,400)	(78,840)
Fair value adjustment on the loan from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	10,488	–	–	–	–	10,488	32,279	42,767
Fair value adjustment on the stock redemption -option granted to non-controlling shareholders of a subsidiary	–	–	–	–	–	–	(2,253)	–	–	–	–	(2,253)	(42,111)	(44,364)
Equity-settled share-based payments (note 48)	–	2,792	–	–	–	–	–	–	–	–	–	2,792	6,915	9,707
Deemed acquisition of additional interests in subsidiaries	–	–	–	–	–	–	(1,056)	–	–	–	–	(1,056)	1,056	–
Equity contribution by the controlling shareholder to a non-wholly-owned subsidiary	–	–	–	–	–	–	(10,278)	–	–	–	–	(10,278)	10,278	–
Equity component of convertible bonds (note 37)	–	–	–	–	–	–	–	721,171	–	–	–	721,171	–	721,171
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	(408,010)	–	–	–	–	(408,010)	(449,241)	(857,251)
At 31 December 2013	621,497	11,793,716*	(443,540)*	3,079,315*	713,716*	1,465*	1,001,959*	721,171*	21,969,291*	(587,685)*	757,328	39,628,233	21,671,596	61,299,829

* These reserve accounts comprise the consolidated reserves of RMB38,249,408,000 (2012: RMB33,690,623,000) in the consolidated statement of financial position.

Group *(Continued)*

	Attributable to owners of the parent												
	Issued capital RMB'000	Share premium RMB'000	Other deficits RMB'000	Statutory surplus reserve RMB'000	Available-for-sale investment 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	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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
Reversal of impairment loss arising from an available-for-sale investment becoming an associate	—	—	—	—	—	—	—	166,023	—	—	166,023	—	166,023
As restated	621,497	11,789,653	(443,540)	2,587,017	1,420,026	1,465	922,704	14,897,407	(617,362)	817,340	31,996,207	16,655,970	48,652,177
Profit for the year	—	—	—	—	—	—	—	3,707,201	—	—	3,707,201	1,236,707	4,943,908
Other comprehensive income for the year													
Changes in fair value of available-for-sale investments, net of tax	—	—	—	—	98,922	—	—	—	—	—	98,922	(103,767)	(4,845)
Reclassification adjustments for gains included in the consolidated statement of profit or loss - gain on disposal	—	—	—	—	(227,892)	—	—	—	—	—	(227,892)	(315,907)	(543,799)
Share of other comprehensive income of joint ventures	—	—	—	—	—	—	10,794	—	—	—	10,794	—	10,794
Share of other comprehensive income/(loss) of associates	—	—	—	—	(15,382)	—	—	—	(72,069)	—	(87,451)	9,285	(78,166)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	17,531	—	17,531	12,649	30,180
Total comprehensive (loss)/income for the year	—	—	—	—	(144,352)	—	10,794	3,707,201	(54,538)	—	3,519,105	838,967	4,358,072
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	709,371	709,371
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	5,143,169	5,143,169
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(860,677)	(860,677)
Final 2011 dividend declared	—	—	—	—	—	—	—	—	—	(817,340)	(817,340)	—	(817,340)
Proposed final dividend	—	—	—	—	—	—	—	(885,181)	—	885,181	—	—	—
Transfer from retained profits	—	—	—	273,570	—	—	—	(273,570)	—	—	—	—	—
Share of other reserve of an associate	—	—	—	—	—	—	(79,780)	—	—	—	(79,780)	—	(79,780)
Disposal of partial interests in subsidiaries without losing control	—	—	—	—	—	—	42,835	—	—	—	42,835	221,069	263,904
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(59,925)	(59,925)
Equity-settled share-based payments	—	1,271	—	—	—	—	—	—	—	—	1,271	4,794	6,065
Deemed acquisition of additional interests in subsidiaries	—	—	—	—	—	—	(378)	—	—	—	(378)	378	—
Deemed disposal of partial interests in subsidiaries without losing control	—	—	—	—	—	—	547,309	—	—	—	547,309	(547,309)	—
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	(11,928)	—	—	—	(11,928)	(84,712)	(96,640)
At 31 December 2012	621,497	11,790,924*	(443,540)*	2,860,587*	1,275,674*	1,465*	1,431,556*	17,445,857*	(671,900)*	885,181	35,197,301	22,021,095	57,218,396

* These reserve accounts comprise the consolidated reserves of RMB33,690,623,000 (2011: RMB30,391,347,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**9,761,280**	6,277,993
Adjustments for:			
Depreciation of items of property, plant and equipment	8	**1,588,489**	1,567,161
Amortisation of prepaid land lease payments	8	**36,397**	33,688
Amortisation of intangible assets	8	**73,300**	50,853
Amortisation of mining rights	8	**42,683**	91,403
Provision for impairment of items of property, plant and equipment	8	**446,934**	65,839
Provision for impairment of available-for-sale investments	8	**11,400**	20,000
Provision for impairment of an investment in an associate	8	**34,600**	102,359
(Reversal)/provision for impairment of receivables	8	**(4,481)**	66,653
Provision for inventories	8	**102,157**	182,273
Provision for impairment of completed properties for sale	8	**—**	17,935
Gain on disposal of available-for-sale investments	6	**(1,822,810)**	(747,843)
Gain on disposal of equity investments at fair value through profit or loss	6	**(949,198)**	(194,645)
Gain on disposal of associates	6	**(666,092)**	(315,347)
Gain on disposal of partial interests in associates	6	**(15,456)**	(10,859)
Gain on deemed disposal of interests in associates	6	**(473,111)**	—
Gain on disposal of subsidiaries	6	**—**	(85,041)
Gain on disposal of items of property, plant and equipment	6	**(3,804)**	(66)
Gain on acquisition of an associate	6	**(441,643)**	—
Fair value adjustment on equity investments at fair value through profit or loss	6	**(1,541,835)**	(2,449,706)
Fair value gains on investment properties	6	**(1,131,002)**	(140,484)
Interest expenses		**2,660,956**	2,727,815
Interest income	6	**(570,366)**	(473,102)
Dividends from equity investments at fair value through profit or loss	6	**(286,795)**	(343,462)
Dividends from available-for-sale investments	6	**(221,107)**	(112,354)
Share of profits and losses of associates		**(1,407,597)**	(1,174,777)
Subtotal carried forward		**5,222,899**	5,156,286

	Note	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES *(continued)*			
Subtotal brought forward		**5,222,899**	5,156,286
Share of profits and losses of joint ventures		**118,653**	(69,077)
Gain on bargain purchase	6	**—**	(3,645)
CASH INFLOW BEFORE WORKING CAPITAL CHANGES		**5,341,552**	5,083,564
Increase in properties under development		**(2,961,077)**	(3,238,115)
Increase in completed properties held for sale		**(4,368,843)**	(1,628,784)
Decrease in trade and notes receivables		**1,131,358**	887,408
Increase in prepayments, deposits and other receivables		**(4,012,216)**	(283,078)
Decrease in inventories		**372,734**	199,822
Decrease/(increase) in amounts due from related companies		**262,174**	(362,077)
Increase in trade and notes payables		**367,796**	4,119,309
Increase in accrued liabilities and other payables		**6,850,279**	3,973,414
Increase/(decrease) in deferred income		**333,272**	(19,468)
Increase/(decrease) in other long term payables		**8,671**	(137,312)
Increase in amounts due to the holding company		**14,570**	376,571
(Decrease)/increase in amounts due to related companies		**(239,089)**	760,346
Increase in deposit from customers		**697,525**	939,214
(Increase)/decrease in restricted presale proceeds of properties		**(210,484)**	77,718
Increase in required reserve deposits		**(158,615)**	(100,526)
Decrease in derivative financial instruments		**—**	(9,228)
CASH GENERATED FROM OPERATIONS		**3,429,607**	10,638,778
Interest paid		**(1,073,424)**	(661,490)
Tax paid		**(2,200,467)**	(2,437,079)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES		**155,716**	7,540,209

	Note	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(6,448,031)**	(4,255,400)
Increase of prepaid land lease payments		**(40,966)**	(409,562)
Purchase of intangible assets		**(37,254)**	(47,408)
Purchase of mining rights		**(15,754)**	(4,331)
Purchase of exploration and evaluation assets		**(3,569)**	(31,946)
Purchase of available-for-sale investments		**(3,104,125)**	(780,744)
Purchase of equity investments at fair value through profit or loss		**(8,354,013)**	(2,073,310)
Proceeds from disposal of equity investments at fair value through profit or loss		**5,325,383**	1,461,226
Proceeds from disposal of available-for-sale investments		**2,998,127**	1,581,293
Proceeds from disposal of items of property, plant and equipment		**60,260**	63,719
Proceeds from disposal of intangible assets		**14,604**	1,423
Proceeds from disposal of subsidiaries	47(b)	**(267,952)**	94,873
Proceeds from disposal of associates and disposal of partial interests in associates		**1,426,591**	335,460
Proceeds from disposal of joint ventures		**—**	27,529
Acquisition of subsidiaries	47(a)	**(7,899,841)**	(1,387,206)
Acquisition of associates		**(1,307,044)**	(295,754)
Acquisition of joint ventures		**(1,984,311)**	(1,966,721)
Dividends received from available-for-sale investments	6	**221,107**	112,354
Dividends received from equity investments at fair value through profit or loss	6	**286,795**	343,462
Dividends received from associates		**834,458**	548,501
Dividends received from joint ventures		**5,000**	—
Shareholder loans provided to joint ventures and associates		**(583,685)**	(384,656)
Decrease in pledged bank balances and time deposits with original maturity of more than three months		**(619,211)**	420,329
Increase in restricted cash in escrow account for an investment		**(5,945)**	(420,016)
Prepayments for proposed acquisitions		**(853,654)**	(54,410)
Interest received		**433,228**	283,154
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(19,919,802)**	(6,838,141)

	Note	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital element of finance lease rental payments		**(35,750)**	(38,542)
Capital contribution from non-controlling shareholders of subsidiaries		**640,193**	5,143,169
New bank and other borrowings		**52,945,390**	46,217,311
Issuance of convertible bonds		**3,037,543**	—
Repayment of bank and other borrowings		**(38,738,310)**	(43,208,683)
Dividends paid to non-controlling shareholders of subsidiaries		**(1,209,304)**	(860,677)
Acquisition of additional interests in subsidiaries		**(857,251)**	(96,640)
Disposal of partial interests in subsidiaries		**—**	263,904
Dividends paid to shareholders		**(195,873)**	(184,069)
Interest paid		**(2,518,084)**	(2,649,748)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**13,068,554**	4,586,025
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(6,695,532)**	5,288,093
Cash and cash equivalents at beginning of year		**19,196,603**	13,908,510
CASH AND CASH EQUIVALENTS AT END OF YEAR		**12,501,071**	19,196,603
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:			
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	29	**12,501,071**	19,196,603

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	21	**2,954,419**	4,568,221
Investment in an associate	23	**82,421**	82,421
Total non-current assets		**3,036,840**	4,650,642
CURRENT ASSETS			
Cash and bank balances	29	**519,361**	176,428
Equity investments at fair value through profit or loss	30	**4,805,031**	7,171,355
Prepayments, deposits and other receivables	32	**11,989**	5,558
Due from subsidiaries	34	**19,083,808**	11,561,761
Due from related companies	34	**3,048**	3,087
Total current assets		**24,423,237**	18,918,189
CURRENT LIABILITIES			
Interest-bearing bank loans	36	**1,874,025**	866,773
Accrued liabilities and other payables	40	**45,533**	53,376
Tax payable		**69,161**	69,161
Due to the holding company	34	**3,144,864**	2,440,986
Due to subsidiaries	34	**3,140,013**	—
Total current liabilities		**8,273,596**	3,430,296
NET CURRENT ASSETS		**16,149,641**	15,487,893
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,186,481**	20,138,535
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	36	**4,289,139**	5,764,407
Net assets		**14,897,342**	14,374,128
EQUITY			
Issued capital	45	**621,497**	621,497
Reserves	46	**13,518,517**	12,867,450
Proposed final dividend	12	**757,328**	885,181
Total equity		**14,897,342**	14,374,128

Guo Guangchang
Director

Ding Guoqi
Director

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2013

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.

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 (collectively referred to as the industrial operations), asset management, operation and investment in insurance business and various other 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2013. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES 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 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 13, HKAS 19 (2011), amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36, and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities.* It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) 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. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with HKAS 28 (2011).

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11, and concluded that the adoption of HKFRS 11 has had no impact on the Group's financial position or performance.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(c) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities 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. Details of the disclosures for subsidiaries, joint ventures and associates are included in notes 21, 22 and 23 to the financial statements.

(d) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

(e) 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 rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and financial instruments are included in notes 15 and 55 to the financial statements.

(f) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(g) 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 management concluded that the adoption of the revised standard has had no effect on the financial position or performance of the Group.

(h) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group. Disclosures about the Group's impaired non-financial assets are included in note 20 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(i) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. 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 have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation:* Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 Income Taxes. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

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 9	*Financial Instruments* [3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39* [3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities* [1]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions* [2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* [1]
HK(IFRIC)-Int 21	*Levies* [1]
Annual Improvements *2010-2012 Cycle*	Amendments to a number of HKFRSs issued in January *2014* [2]
Annual Improvements *2011-2013 Cycle*	Amendments to a number of HKFRSs issued in January *2014* [2]
HKFRS 14 Amendments	*Regulatory Deferral Accounts* [4]

[1] Effective for annual periods beginning on or after 1 January 2014

[2] Effective for annual periods beginning on or after 1 July 2014

[3] No mandatory effective date yet determined but is available for adoption

[4] Effective for annual periods beginning on or after 1 January 2016

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

Further information about those HKFRSs that are expected to be applicable to 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 as 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 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.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss 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.

Investments in associates and joint ventures

An associate is an 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures 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 other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture 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 to measure 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 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-related 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 previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for 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 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 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 has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 asset/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 of disposal, 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 statement of profit or loss 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 an 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 statement of profit or loss 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).

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 statement of profit or loss 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 and their useful lives

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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 including 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 statement of profit or loss 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.

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 statement of profit or loss 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 statement of profit or loss 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 statement of profit or loss.

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 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.

Trademarks

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 is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of not exceeding 15 years.

Research and development costs

All research costs are charged to the consolidated statement of profit or loss 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 statement of profit or loss 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 statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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 statement of profit or loss 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 statement of profit or loss 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, 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.

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 positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in the statement of profit or loss. These net fair value changes do not include any dividends or interest 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 as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

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 other income and gains in the consolidated statement of profit or loss. The loss arising from impairment is recognised in the consolidated statement of profit or loss in finance costs for loans and in other expenses for receivables.

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 as 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 statement of profit or loss 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 statement of profit or loss in other gains or losses. 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 statement of profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial investments *(Continued)*

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, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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 statement of profit or loss.

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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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 whether impairment exists individually 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.

The amount of any impairment loss identified 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).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated statement of profit or loss. 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 write-off is later recovered, the recovery is credited to other expenses in the consolidated statement of profit or loss.

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 statement of profit or loss, is removed from other comprehensive income and recognised in the consolidated statement of profit or loss.

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. "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 statement of profit or loss – is removed from other comprehensive income and recognised in the consolidated statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial investments *(Continued)*

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and notes payables, accrued liabilities and other payables, an amount due to the holding company, amounts due to related companies, loans from related companies, finance lease payables, other long-term payables, convertible bonds 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.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing 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 statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss 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 in 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 statement of profit or loss 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 statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(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.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

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 statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a 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.

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 statement of profit or loss.

None of the Group’s derivative financial instruments is qualified for hedge accounting.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 the net realisable value of an individual item of properties under development is accounted for as a provision. Net realisable value is based on estimated selling prices 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 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 the net realisable value of an 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, 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 statement of profit or loss.

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 joint ventures, 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 joint ventures, 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.

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 on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of profit or loss 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.

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 sale 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 income

Service income is recognised when the relevant services have been rendered and it is probable that economic benefits will flow to the Group and the relevant income can be measured reliably.

(d) Insurance income

Premiums are recognised as income when risk coverage is provided to ceding companies.

(e) Rental income

Revenue is recognised on a time proportion basis over the lease terms.

(f) 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 over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(g) Dividend income

Revenue is recognised when the shareholders' right to receive payment has been established.

Product classification - Reinsurance contracts

Reinsurance contracts are defined as those containing significant insurance risk at the inception of the contracts, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as a reinsurance contract, it remains a reinsurance contract for the rest of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Reinsurance contract liabilities

General reinsurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities include the outstanding claims provision, and provision for unearned premiums, unexpired risk and inadequate premium levels.

Outstanding claims provision

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost may not be known with certainty at the end of the reporting period. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. The liability is derecognised when it is discharged or is settled.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Reinsurance contract liabilities *(Continued)*

Provision for unearned premium

The provision for unearned premiums includes premiums received for risks that have not yet expired. Generally the provision is released over the term of the contract and is recognised as premium income.

Liability adequacy test

At the end of each reporting period, a liability adequacy test is performed in accordance with HKFRS 4 "Insurance Contracts". Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the provision for outstanding claims. The provision for unexpired risk is increased to the extent that future claims in respect of current insurance contracts exceed the current unearned premium provision net of deferred expenses. Any deficiency is immediately charged to profit or loss.

Share-based payments

One of the Group's subsidiaries operates a share option scheme for the purpose of providing incentives and rewards to its employees. Employees receive remuneration in the form of share-based payments, 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 the 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 in employee benefit expense. 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 statement of profit or loss 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 payments, or is otherwise beneficial to the employee as measured at the date of modification.

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.

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 statement of profit or loss 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 People's Republic of China ("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 statement of profit or loss as and when they are incurred.

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 statement of profit or loss 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.

Foreign currencies

The functional currency of the Company and PRC subsidiaries is Hong Kong dollars ("HKD") and RMB, respectively. The financial statements are presented in RMB, which is the Group's and Company's presentation currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms 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 measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the 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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

The functional currencies of the Company and its subsidiaries incorporated outside Mainland China are currencies 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 prevailing at the end of the reporting period and their statements of profit or loss 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 statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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 their accompanying disclosures, and the disclosure of contingent liabilities. 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. 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) Consolidation of entities in which the Group holds less than a majority of voting rights

The Group considers that it controls Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharma") even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Fosun Pharma with a 41.09% equity interest as at 31 December 2013 and 31 December 2012. The remaining 58.91% of the equity shares in Fosun Pharma are widely held by many other shareholders. The Group controls the board of directors of Fosun Pharma, and holds relatively larger voting rights than other dispersed public shareholders. Since the date of Fosun Pharma's domestic shares being listed on Shanghai Stock Exchange, there has been no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements *(Continued)*

(iv) 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 amount of deferred tax liabilities addition arising from the withholding tax associated with the investments in subsidiaries in Mainland China for the year ended 31 December 2013 was RMB88,781,000 (31 December 2012: RMB33,359,000). 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 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 2013 was RMB3,050,328,000 (31 December 2012: RMB1,736,060,000). 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 of disposal and its value in use. The calculation of the fair value less costs of disposal 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 2013, impairment losses in the amount of RMB481,534,000 (2012: RMB168,198,000) 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 statement of profit or loss. For the year ended 31 December 2013, impairment losses in the amount of RMB11,400,000 (2012: RMB20,000,000) have been recognised for available-for-sale financial assets as set out in Note 8 to the financial statements. As at 31 December 2013, the carrying amount of available-for-sale assets was RMB10,050,291,000 (31 December 2012: RMB7,382,891,000).

(iv) Estimation of fair value of investment properties

As described in note 15 to the financial statements, investment properties were revalued on 31 December 2013 on an open market value and 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 the reporting period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(iv) Estimation of fair value of investment properties *(Continued)*

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 carrying amount of investment properties at 31 December 2013 was RMB9,896,252,000 (31 December 2012: RMB3,985,000,000). Further details, including the key assumptions and a sensitivity analysis, used for fair value measurement, are given in note 15 to the financial statements.

(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.

(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 for 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 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 2013 was RMB1,504,016,000 (31 December 2012: RMB1,188,309,000). The amount of unrecognised tax losses and deductible temporary difference as at 31 December 2013 was RMB6,598,552,000 (31 December 2012: RMB3,988,285,000). Further details are contained in note 28 to the financial statements.

(x) Net realisable value of inventories, properties under development and completed properties for sale

Net realisable value of inventories, properties 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 judgement is required to determine the expected cash flows and discount rate. Management reassesses these estimates at the end of each reporting period.

4. PARTICULARS OF THE PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINT VENTURES

Particulars of the principal subsidiaries comprising the Group, associates and joint ventures of the Group at 31 December 2013 are set out below:

Name of company	Place and date of incorporation/ registration and place of business	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/ Mainland China 21 November 1994	2,300,000	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/ 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.)	PRC/ Mainland China 22 November 2001	600,000	—	100.0%	100.0%	Investment holding
Steel segment						
南京南鋼鋼鐵聯合有限公司 (Nanjing Nangang Iron & Steel United Co., Ltd.)	PRC/ Mainland China 20 May 2009	3,000,000	—	60.0%	60.0%	Manufacture and sale of iron and steel products
南京鋼鐵聯合有限公司 (Nanjing Iron & Steel United Co., Ltd.)	PRC/ Mainland China 24 March 2003	900,000	—	100.0%	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/ Mainland China 27 September 2009	1,850,000	—	100.0%	50.3%	Manufacture and sale of iron and steel products
南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.)	PRC/ 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)	PRC/ Mainland China 28 June 2001	1,279,637	—	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)	Hong Kong 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/ Mainland China 15 April 1998	100,000	—	100.0%	50.3%	International trading
安徽金安礦業有限責任公司 (Anhui Jin'an Mining Co., Ltd.)	PRC/ Mainland China 24 July 2006	100,000	—	100.0%	50.3%	Mining and ore processing

4. PARTICULARS OF THE PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINT VENTURES *(Continued)*

Particulars of the principal subsidiaries comprising the Group, associates and joint ventures of the Group at 31 December 2013 are set out below: *(Continued)*

Name of company	Place and date of incorporation/ registration and place of business	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
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/ Mainland China 31 May 1995	2,240,462	—	41.1%	41.1%	Pharmaceutical manufacturing, pharmaceutical distribution and retail, healthcare services and diagnostic products and medical devices
上海復星醫藥產業發展有限公司 (Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.)	PRC/ Mainland China 27 November 2001	653,308	—	100.0%	41.1%	Investment holding
錦州奧鴻藥業有限責任公司 (Jinzhou Aohong Pharmaceutical Co., Ltd.)	PRC/ Mainland China 28 January 2002	107,875	—	70.0%	28.8%	Manufacture and sale of pharmaceutical products
江蘇萬邦生化醫藥股份有限公司 (Jiangsu Wanbang Biopharmaceutical Co., Ltd.)	PRC/ Mainland China 30 December 1998	119,042	—	95.2%	39.1%	Manufacture and sale of pharmaceutical products
湖北新生源生物工程股份有限公司 (Shine Star (Hubei) Biological Engineering Co., Ltd.)	PRC/ Mainland China 10 December 2001	51,120	—	51.0%	21.0%	Manufacture and sale of pharmaceutical products
Property segment						
復地（集團）股份有限公司 (Shanghai Forte Land Co., Ltd.)	PRC/ Mainland China 13 August 1998	505,861	—	99.1%	99.1%	Property development
上海復地投資管理有限公司 (Shanghai Forte Investment Co., Ltd.)	PRC/ Mainland China 21 July 2006	80,000	—	100.0%	99.1%	Investment holding
武漢中北房地產開發有限公司 (Wuhan Zhongbei Property Development Co., Ltd.)	PRC/ Mainland China 3 April 2007	933,000	—	70.0%	69.3%	Property development
南京潤昌房地產開發有限公司 (Nanjing Runchang Property Development Co., Ltd.)	PRC/ Mainland China 1 April 2009	875,000	—	100.0%	99.1%	Property development
浙江復地置業發展有限公司 (Zhejiang Forte Property Development Co., Ltd.)	PRC/ Mainland China 20 November 2006	440,000	—	75.0%	74.3%	Property development
長春兆基房地產開發有限公司 (Changchun Zhaoji Real Estate Development Co., Ltd.)	PRC/ Mainland China 8 February 2007	50,000	—	100.0%	99.1%	Property development
成都復地置業有限公司 (Chengdu Forte Land Co., Ltd)	PRC/ Mainland China 25 June 2008	500,000	—	100.0%	99.1%	Property development

4. PARTICULARS OF THE PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINT VENTURES *(Continued)*

Particulars of the principal subsidiaries comprising the Group, associates and joint ventures of the Group at 31 December 2013 are set out below: *(Continued)*

Name of company	Place and date of incorporation/ registration and place of business	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company Direct	Indirect	Effective	Principal activities
Mining segment						
海南礦業股份有限公司 (Hainan Mining Co., Ltd.)	PRC/ Mainland China 22 August 2007	1,680,000	—	60.0%	60.0%	Mining and ore processing
Asset management segment						
上海創富投資管理有限公司 (Fosun Capital Investment & Management Co., Ltd.)	PRC/ Mainland China 28 April 2007	110,000	—	100.0%	100.0%	Capital investment and management
Insurance segment						
鼎睿再保險有限公司 (Peak Reinsurance Company Limited)	Hong Kong 23 November 2010	USD 550,000,000	—	85.1%	85.1%	Reinsurance
Associates						
國藥產業投資有限公司 (Sinopharm Industrial Investment Co., Ltd.)	PRC/ Mainland China 6 May 2008	100,000	—	49.0%	20.1%	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/ Mainland China 13 May 1992	798,512	—	25.0%	25.0%	Retail
天津建龍鋼鐵實業有限公司 (Tianjin Jianlong Iron & Steel Industrial Co., Ltd.)	PRC/ Mainland China 14 September 2010	2,000,000	—	25.7%	25.7%	Manufacture and sale of iron and steel products
上海証大房地產有限公司@ (Shanghai Zendai Property Limited)	Bermuda/ Mainland China 28 July 2004	HKD 248,747,000	—	16.3%	16.2%	Property investment and management
永安財產保險股份有限公司@ (Yong'an Insurance Co., Ltd.)	PRC/ Mainland China 13 September 1996	2,663,200	—	19.9%	19.9%	Insurance
Giovanna Group Holdings Limited@	Cayman Island/ Mainland China 22 October 2012	USD5,000	—	17.4%	17.4%	Investment and management in digital media business

4. PARTICULARS OF THE PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINT VENTURES *(Continued)*

Particulars of the principal subsidiaries comprising the Group, associates and joint ventures of the Group at 31 December 2013 are set out below: *(Continued)*

Name of company	Place and date of incorporation/ registration and place of business	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Joint ventures						
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/ Mainland China 26 April 2010	1,000,000	—	50.0%	50.0%	Property investment and management
無錫復地房地產開發有限公司 (Wuxi Forte Real Estate Development Co., Ltd.)	PRC/ 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.)	PRC/ Mainland China 22 September 1992	130,000	—	50.0%	49.5%	Property development
成都鴻匯置業有限公司 (Chengdu Honghui Property Co., Ltd.)	PRC/ Mainland China 20 April 2010	600,000	—	51.0%	50.5%	Property development

The English names of the above subsidiaries, associates and joint ventures are directly translated from their Chinese names.

The above table lists the subsidiaries, associates and joint ventures 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 2013 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries, associates and joint ventures would, in the opinion of the directors of the Company, result in particulars of excessive length.

Notes:

* Fosun Pharma continues to be accounted for as a subsidiary because the Group is able to control over the board of directors as well as the operating and financial policies of this company and the Group continues to be the single major shareholder of Fosun Pharma and holds relatively larger voting rights than other dispersed public shareholders, despite the fact that the Group's equity interest in this company was 41.09% as at 31 December 2013.

@ 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 interests in these associates were lower than 20% for the year ended 31 December 2013.

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) Pharmaceuticals and healthcare segment comprises the business of Fosun Pharma and its subsidiaries. Fosun Pharma and its subsidiaries mainly engage in the research and development, manufacture, sale and trading of pharmaceutical and healthcare products;

(ii) Property segment comprises the business of Shanghai Forte Land Co., Ltd. (“Forte”) and its subsidiaries. Forte and its subsidiaries mainly engage in the development and sale of properties in the Mainland China;

(iii) Steel segment comprises the business of Nanjing Nangang Iron & Steel United Co., Ltd. (“Nanjing Nangang”) and its subsidiaries. Nanjing Nangang and its subsidiaries mainly engage in the manufacture, sale and trading of iron and steel products;

(iv) Mining segment comprises the business of Hainan Mining Co., Ltd. (“Hainan Mining”) and its subsidiaries. Hainan Mining and its subsidiaries mainly engages in the mining and ore processing of various metals;

Pharmaceuticals and healthcare segment, property segment, steel segment and mining segment listed above all belong to one industrial operation sector of the Group.

(v) Asset management segment engages in the asset management business through the platform such as corporation funds, partnership funds and trusts;

(vi) Insurance segment engages in the operation of and investment in the insurance business; and

(vii) Investment segment comprises, principally, the investments in strategic associates, private equity investments, secondary market investments, limited partner investments and other investments.

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.

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 2013

	Industrial Operations								
	Pharmaceuticals and healthcare RMB'000	Property RMB'000	Steel RMB'000	Mining RMB'000	Asset management RMB'000	Insurance RMB'000	Investment RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:									
Sales to external customers	9,921,487	11,356,949	26,425,290	2,499,117	218,802	276,798	318,440	—	51,016,883
Inter-segment sales	—	4,608	—	155,279	224,655	—	81,387	(465,929)	—
Other income and gains	1,477,631	1,691,424	1,711,588	61,761	21,630	701,843	2,307,349	(198,045)	7,775,181
Total	11,399,118	13,052,981	28,136,878	2,716,157	465,087	978,641	2,707,176	(663,974)	58,792,064
Segment results	2,395,481	3,185,628	1,043,497	1,376,564	20,432	585,204	2,124,613	(46,073)	10,685,346
Interest and dividend income	89,545	125,757	227,499	5,204	44,812	64,693	702,239	(181,481)	1,078,268
Unallocated expenses									(525,379)
Finance costs	(350,451)	(326,907)	(930,192)	(42,153)	(13,327)	—	(1,236,824)	133,955	(2,765,899)
Share of profits and losses of									
– Joint ventures	(10,765)	13,158	12,124	—	(70,141)	(44,540)	(18,489)	—	(118,653)
– Associates	782,462	197,724	4,647	—	—	22,663	400,101	—	1,407,597
Profit/(loss) before tax	2,906,272	3,195,360	357,575	1,339,615	(18,224)	628,020	1,971,640	(93,599)	9,761,280
Tax	(506,324)	(1,015,003)	149,030	(335,698)	(18,647)	(8,967)	(187,833)	14,931	(1,908,511)
Profit/(loss) for the year	2,399,948	2,180,357	506,605	1,003,917	(36,871)	619,053	1,783,807	(78,668)	7,852,769
Segment and total assets	29,418,303	63,816,789	38,014,673	4,811,954	3,139,708	5,448,117	44,410,908	(5,936,530)	183,123,922
Segment and total liabilities	11,810,676	48,018,431	28,783,882	1,445,587	38,336	628,732	36,669,513	(5,571,064)	121,824,093
Other segment information:									
Depreciation and amortisation	420,498	30,629	1,102,256	136,986	6,194	1,374	42,932	—	1,740,869
Impairment loss for non-current assets	46,000	—	444,905	2,029	—	—	—	—	492,934
Provision for impairment of current assets	36,562	—	49,928	11,053	—	—	133	—	97,676
Research and development costs	437,613	—	64,402	—	—	—	—	—	502,015
Fair value gains on fair value adjustments of investment properties	—	(1,131,002)	—	—	—	—	—	—	(1,131,002)
Fair value (gains)/loss on equity investments at fair value through profit or loss	(30,370)	—	12,637	—	—	(463,798)	(1,060,304)	—	(1,541,835)
Investments in joint ventures	118,177	2,899,944	112,134	—	—	171,638	3,168,141	—	6,470,034
Investments in associates	8,765,410	3,169,588	244,358	—	92,401	784,036	7,313,923	—	20,369,716
Capital expenditure*	1,095,787	36,494	5,774,491	445,282	2,584	2,455	14,553	—	7,371,646

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2012

	Industrial Operations								
	Pharmaceuticals and healthcare RMB'000	Property RMB'000	Steel RMB'000	Mining RMB'000	Asset management RMB'000	Insurance RMB'000	Investment RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:									
Sales to external customers	7,278,287	10,476,151	31,717,201	1,949,962	159,742	—	183,403	—	51,764,746
Inter-segment sales	—	1,840	—	201,579	151,083	—	58,685	(413,187)	—
Other income and gains	1,120,827	258,262	531,484	17,578	33,740	—	2,443,753	(38,799)	4,366,845
Total	8,399,114	10,736,253	32,248,685	2,169,119	344,565	—	2,685,841	(451,986)	56,131,591
Segment results	1,622,702	2,522,960	(77,870)	1,119,669	(35,894)	(24,898)	2,117,368	103,007	7,347,044
Interest and dividend income	63,142	55,181	384,068	8,525	24,159	—	813,816	(419,973)	928,918
Unallocated expenses									(468,162)
Finance income/(costs)	(370,457)	(286,474)	(1,182,096)	(41,906)	(13,177)	63	(881,454)	1,840	(2,773,661)
Share of profits and losses of									
– Joint ventures	(1,514)	138,761	11,408	—	(42,167)	(33,822)	(3,589)	—	69,077
– Associates	811,495	179,219	2,099	—	—	—	181,964	—	1,174,777
Profit/(loss) before tax	2,125,368	2,609,647	(862,391)	1,086,288	(67,079)	(58,657)	2,228,105	(315,126)	6,277,993
Tax	(283,764)	(842,334)	275,452	(314,963)	16,023	—	(245,005)	60,506	(1,334,085)
Profit/(loss) for the year	1,841,604	1,767,313	(586,939)	771,325	(51,056)	(58,657)	1,983,100	(254,620)	4,943,908
Segment and total assets	25,420,826	53,964,988	37,288,750	4,713,834	13,987,668	4,336,446	41,297,850	(18,812,010)	162,198,352
Segment and total liabilities	10,202,664	42,698,311	28,657,225	1,695,385	9,229,838	29,933	30,828,121	(18,361,521)	104,979,956
Other segment information:									
Depreciation and amortisation	292,657	33,470	1,181,342	173,833	4,719	—	57,084	—	1,743,105
Impairment loss for non-current assets	—	—	25,867	59,972	—	—	102,359	—	188,198
Provision for impairment of current assets	16,977	17,935	224,759	7,190	—	—	—	—	266,861
Research and development costs	252,555	—	110,889	—	—	—	—	—	363,444
Fair value gains on fair value adjustments of investment properties	—	(140,484)	—	—	—	—	—	—	(140,484)
Fair value losses/(gains) on equity investments at fair value through profit or loss	35,894	(944)	(378,023)	—	—	—	(2,106,633)	—	(2,449,706)
Investments in joint ventures	17,281	1,964,444	105,046	—	857,486	216,178	3,600,338	—	6,760,773
Investments in associates	7,900,594	1,961,708	240,153	—	97,147	774,090	4,284,985	—	15,258,677
Capital expenditure*	1,163,155	39,094	2,992,456	529,700	8,687	—	98,871	—	4,831,963

* 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

	2013 RMB'000	2012 RMB'000
Mainland China	49,869,731	51,060,708
Overseas countries and regions	1,147,152	704,038
	51,016,883	51,764,746

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2013 RMB'000	2012 RMB'000
Mainland China	79,576,310	64,173,479
Hong Kong	720,939	741,285
Overseas countries and regions	5,959,592	—
	86,256,841	64,914,764

The non-current asset information above is based on the locations of the 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 2013 and 2012.

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 during the year. 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:

	2013 RMB'000	2012 RMB'000
Revenue		
Sale of goods:		
Pharmaceuticals and healthcare products	9,973,294	7,323,073
Properties	11,672,053	10,790,553
Iron and steel products	26,516,829	31,857,159
Ore products	2,627,054	2,025,313
	50,789,230	51,996,098
Rendering of services:		
Insurance Income	276,798	—
Property agency	338,745	236,424
Property management	107,405	108,547
Rental	255,642	220,862
Asset management fee	218,802	159,742
Others	48,328	38,722
	1,245,720	764,297
Subtotal	52,034,950	52,760,395
Less: Government surcharges	(1,018,067)	(995,649)
	51,016,883	51,764,746

6. REVENUE, OTHER INCOME AND GAINS *(Continued)*

	2013 RMB'000	2012 RMB'000
Other income		
Interest income	**570,366**	473,102
Dividends from available-for-sale investments	**221,107**	112,354
Dividends from equity investments at fair value through profit or loss	**286,795**	343,462
Rental income	**55,794**	35,447
Sale of scrap materials	**11,992**	9,053
Government grants	**273,860**	227,140
Consultancy and other service income	**62,783**	20,822
Exchange gains, net	**148,643**	—
Others	**177,158**	126,747
	1,808,498	1,348,127
Gains		
Gain on disposal of subsidiaries	**—**	85,041
Gain on bargain purchase	**—**	3,645
Gain on acquisition of an associate	**441,643**	—
Gain on disposal of associates	**666,092**	315,347
Gain on disposal of partial interests in associates	**15,456**	10,859
Gain on deemed disposal of interests in associates	**473,111**	—
Gain on disposal of items of property, plant and equipment	**3,804**	66
Gain on disposal of available-for-sale investments	**1,822,810**	747,843
Gain on disposal of equity investments at fair value through profit or loss	**949,198**	194,645
Gain on fair value adjustment of investment properties (note 15)	**1,131,002**	140,484
Gain on fair value adjustment of equity investments at fair value through profit or loss	**1,541,835**	2,449,706
	7,044,951	3,947,636
Other income and gains	**8,853,449**	5,295,763
Total revenue, other income and gains	**59,870,332**	57,060,509

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2013 RMB'000	2012 RMB'000
Interest on bank and other borrowings wholly repayable within five years	**3,588,844**	3,091,522
Interest on bank and other borrowings not wholly repayable within five years	**164,392**	270,568
Interest on convertible bonds (note 37)	**21,864**	—
Incremental interest on other long term payables (note 44)	**31,407**	27,416
	3,806,507	3,389,506
Less: Interest capitalised, in respect of bank and other borrowings (notes 14 and 25)	**(1,232,304)**	(736,598)
Interest expenses, net	**2,574,203**	2,652,908
Interest on discounted bills	**74,345**	62,499
Interest on finance leases	**12,408**	12,408
Bank charges and other financial costs	**104,943**	45,846
Total finance costs	**2,765,899**	2,773,661

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2013 RMB'000	2012 RMB'000
Cost of sales	**40,658,491**	42,439,678
Staff costs (including directors' and senior management's remuneration as set out in note 9):		
Wages and salaries	**3,621,513**	2,690,599
Accommodation benefits:		
Defined contribution fund	**152,127**	150,819
Retirement costs:		
Defined contribution fund	**384,399**	406,866
Equity-settled share-based payments (note 48)	**9,707**	6,065
Total staff costs	**4,167,746**	3,254,349

8. PROFIT BEFORE TAX *(Continued)*

The Group's profit before tax is arrived at after charging/(crediting): *(continued)*

	2013 RMB'000	2012 RMB'000
Research and development costs	502,015	363,444
Auditors' remuneration	8,850	8,500
Depreciation of items of property, plant and equipment (note 14)	1,588,489	1,567,161
Amortisation of prepaid land lease payments (note 16)	36,397	33,688
Amortisation of mining rights (note 18)	42,683	91,403
Amortisation of intangible assets (note 19)	73,300	50,853
(Reversal) /provision for impairment of receivables	(4,481)	66,653
Provision for inventories	102,157	182,273
Provision for impairment of completed properties for sale	—	17,935
Provision for impairment of items of property, plant and equipment (note 14)	446,934	65,839
Provision for impairment of investments in associates	34,600	102,359
Provision for impairment of available-for-sale investments	11,400	20,000
Operating lease rentals	135,334	140,259
Exchange (gains)/loss, net	(148,643)	32,844

9. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2013 RMB'000	2012 RMB'000
Fees	—	8,675
Salaries, allowances and benefits in kind	27,964	19,592
Performance related bonus*	11,117	18,470
Pension scheme contributions	336	315
	39,417	47,052

* The executive directors of the Company are entitled to performance related bonus which are determined based on internal appraisal of various performance indicators.

There were no emoluments paid by the Group to the directors as an inducement to join the Group, or upon joining the Group, or as compensation for loss of office during the year.

9. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)*

(a) Directors' remuneration *(Continued)*

(i) Independent non-executive directors

The salaries paid to independent non-executive directors during the year were as follows:

	2013 RMB'000	2012 RMB'000
Zhang Shengman	399	407
Andrew Y. Yan	399	407
Zhang Huaqiao	399	309
David T. Zhang	399	215
Chen Kaixian (resigned on 28 March 2012)	—	133
	1,596	1,471

There were no other remuneration payable to the independent non-executive directors during the year (2012: Nil).

(ii) Executive directors and a non-executive director

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonus RMB'000	Pension scheme contributions RMB'000	Total remune-ration RMB'000
Year ended 31 December 2013					
Executive directors:					
Guo Guangchang	—	4,024	2,289	48	6,361
Liang Xinjun	—	4,024	2,159	48	6,231
Wang Qunbin	—	4,024	2,149	48	6,221
Ding Guoqi	—	3,424	1,407	48	4,879
Qin Xuetang	—	3,424	1,257	48	4,729
Wu Ping	—	3,424	1,078	48	4,550
	—	22,344	10,339	288	32,971
Non-executive director:					
Fan Wei (redesigned as non-executive director on 22 May 2013)	—	4,024	778	48	4,850
	—	26,368	11,117	336	37,821

9. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)*

(a) Directors' remuneration *(Continued)*

(ii) Executive directors and a non-executive director *(Continued)*

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonus RMB'000	Pension scheme contributions RMB'000	Total remune-ration RMB'000
Year ended 31 December 2012					
Executive directors:					
Guo Guangchang	1,000	3,056	3,150	45	7,251
Liang Xinjun	1,000	3,056	3,020	45	7,121
Wang Qunbin	1,000	3,056	3,010	45	7,111
Fan Wei	1,000	3,056	3,010	45	7,111
Ding Guoqi	1,000	2,456	2,270	45	5,771
Qin Xuetang	1,000	2,456	2,120	45	5,621
Wu Ping	1,000	2,456	1,890	45	5,391
	7,000	19,592	18,470	315	45,377
Non-executive director:					
Liu Benren (retired on 21 June 2012)	204	—	—	—	204
	7,204	19,592	18,470	315	45,581

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

(b) Five highest paid employees

All the five highest paid employees of the Company were directors for the years ended 31 December 2013 and 2012. Information relating to their remuneration is disclosed above.

9. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)*

(c) Senior management's remuneration

The number of senior management whose remuneration fell within the following bands is as follows:

	Number of employees 2013
Nil to RMB1,000,000	**4**
RMB1,000,001 to RMB2,000,000	**4**
RMB2,000,001 to RMB4,000,000	**3**
RMB4,000,001 to RMB6,000,000	**2**
RMB6,000,001 to RMB8,000,000	**1**
	14

10. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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 was based on a statutory rate of 25% (2012: 25%) of the assessable profit of the Group as determined in accordance with the Enterprise Income Tax Law of the People's Republic of China which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, which were taxed at preferential rates of 0% to 20%.

The major components of tax expenses for the years ended 31 December 2013 and 2012 are as follows:

	2013 RMB'000	2012 RMB'000
Group:		
Current – Hong Kong and others	**150,412**	92,032
Current – Mainland China		
– Income tax in Mainland China for the year	**1,521,308**	1,589,877
– LAT in Mainland China for the year	**254,230**	285,857
Deferred tax (note 28)	**(17,439)**	(633,681)
Tax expenses for the year	**1,908,511**	1,334,085

10. TAX *(Continued)*

A reconciliation between the tax expenses and profit before tax excluding share of profits and losses of associates and joint ventures at the applicable statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled is as follows:

	Hong Kong and others RMB'000	Mainland China RMB'000	Total RMB'000
2013 Group			
Profit before tax excluding share of profits and losses of associates and joint ventures	2,480,585	5,991,751	8,472,336
Tax at the applicable tax rate	409,297	1,497,938	1,907,235
Lower tax rate for specific entities	(3,772)	(312,462)	(316,234)
Tax effect of:			
Income not subject to tax	(417,704)	(206,241)	(623,945)
Expenses not deductible for tax	44,357	84,215	128,572
Tax losses not recognised	126,458	526,706	653,164
Tax losses utilised	—	(34,231)	(34,231)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries (note 28)	—	88,781	88,781
Under provision in prior years	33	4,380	4,413
Tax incentives on eligible expenditures	—	(34,600)	(34,600)
Subtotal	158,669	1,614,486	1,773,155
Reversal of LAT provision for the year	—	(63,307)	(63,307)
Deferred tax effect of reversal of LAT provision (note 28)	—	15,827	15,827
Prepaid LAT for the year	—	317,537	317,537
Tax effect of prepaid LAT	—	(79,384)	(79,384)
Deferred LAT in deferred tax liability (note 28)	—	(66,577)	(66,577)
Deferred tax effect of deferred LAT in deferred tax liability (note 28)	—	11,260	11,260
Tax expenses	158,669	1,749,842	1,908,511

10. TAX *(Continued)*

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
2012 Group			
Profit before tax excluding share of profits and losses of associates and joint ventures	1,877,799	3,156,340	5,034,139
Tax at the applicable tax rate	309,837	789,085	1,098,922
Lower tax rate for specific entities	—	(99,127)	(99,127)
Tax effect of:			
Income not subject to tax	(301,072)	(88,121)	(389,193)
Expenses not deductible for tax	74,201	118,905	193,106
Tax losses not recognised	17,439	411,425	428,864
Tax losses utilised	—	(49,965)	(49,965)
Write-off of deferred tax assets	—	31,888	31,888
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries (note 28)	—	33,359	33,359
Overprovision in prior years	(6,898)	(21,135)	(28,033)
Tax incentives on eligible expenditures	—	(22,980)	(22,980)
Subtotal	93,507	1,103,334	1,196,841
Reversal of LAT provision for the year	—	(146,743)	(146,743)
Prepaid LAT for the year	—	432,600	432,600
Deferred tax effect of reversal of LAT provision (note 28)	—	36,684	36,684
Tax effect of prepaid LAT	—	(108,150)	(108,150)
Deferred LAT (note 28)	—	(77,147)	(77,147)
Tax expenses	93,507	1,240,578	1,334,085

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 the mentioned 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 year, the prepaid LAT of the Group amounted to RMB317,537,000 (2012: RMB432,600,000).

In addition, based on the latest understanding of the LAT regulations from the State Administration of Taxation, the Group made an additional LAT provision in the amount of RMB79,942,000 (2012: RMB338,000,000) in respect of the sales of properties in the year in accordance with the requirements set forth in the relevant PRC tax laws and regulations. During the year, unpaid LAT provision in the amount of RMB143,249,000 (2012: RMB484,743,000) was reversed to the consolidated statement of profit or loss upon the completion of the liquidation and clearance with the local tax authorities by certain subsidiaries of the Group. The net reversal of LAT provision for the year is RMB63,307,000 (2012: net reversal of RMB146,743,000).

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2013 includes a profit of RMB1,134,353,000 (2012: RMB1,654,729,000) which has been dealt with in the financial statements of the Company (note 46).

12. DIVIDENDS

	2013 RMB'000	2012 RMB'000
Proposed final – HKD0.15 (2012: HKD0.17) per ordinary share	757,328	885,181

The proposed final dividend of HKD0.17 per ordinary share for the year ended 31 December 2012 was declared payable and approved by the shareholders at the annual general meeting of the Company on 22 May 2013.

On 25 March 2014, the board of directors of the Company resolved to propose a final dividend for the year ended 31 December 2013 of HKD0.15 per ordinary share, subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 6,421,594,500 (2012: 6,421,594,500) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	5,518,930	3,707,201
Interest on convertible bonds	21,864	—
Profit attributable to ordinary equity holders of the parent, as adjusted for the effect of convertible bonds	5,540,794	3,707,201

13. EARNINGS PER SHARE *(Continued)*

The calculations of the basic and diluted earnings per share are based on: *(Continued)*

	Number of shares 2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**6,421,594,500**	6,421,594,500
Effect of dilution – weighted average number of convertible bonds	**41,404,110**	—
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**6,462,998,610**	6,421,594,500
Basic earnings per share (RMB)	**0.86**	0.58
Diluted earnings per share (RMB)	**0.86**	0.58

The diluted earnings per share amount equals to the basic earnings per share amount for the year end 31 December 2012 as there were no diluting events existed during the year of 2012.

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 2012	10,209,967	16,269,271	517,811	426,540	10,525	580,499	4,084,499	32,099,112
Additions	65,854	204,607	41,731	45,867	20,184	38,854	3,921,619	4,338,716
Transferred from construction in progress	365,563	2,213,767	55,274	43,132	—	—	(2,677,736)	—
Acquisition of subsidiaries	111,623	27,596	692	666	—	—	—	140,577
Disposals	(82,482)	(264,632)	(15,793)	(14,878)	—	(228)	—	(378,013)
At 31 December 2012 and 1 January 2013	**10,670,525**	**18,450,609**	**599,715**	**501,327**	**30,709**	**619,125**	**5,328,382**	**36,200,392**
Additions	**9,466**	**189,975**	**50,971**	**26,107**	**9,710**	**377**	**6,987,497**	**7,274,103**
Transferred from construction in progress	**840,210**	**936,365**	**36,295**	**8,849**	**—**	**33,858**	**(1,855,577)**	**—**
Acquisition of subsidiaries (note 47(a))	**260,951**	**106,976**	**18,744**	**4,372**	**—**	**—**	**418,336**	**809,379**
Disposals of subsidiaries (note 47(b))	**—**	**—**	**(4,576)**	**(4,883)**	**(4,324)**	**—**	**—**	**(13,783)**
Disposals	**(209,106)**	**(500,739)**	**(51,112)**	**(80,860)**	**—**	**—**	**—**	**(841,817)**
At 31 December 2013	**11,572,046**	**19,183,186**	**650,037**	**454,912**	**36,095**	**653,360**	**10,878,638**	**43,428,274**

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
Accumulated depreciation:								
At 1 January 2012	2,540,317	7,302,728	248,556	195,741	2,988	165,388	—	10,455,718
Charge for the year (note 8)	437,824	970,253	89,601	54,683	11,850	2,950	—	1,567,161
Disposals	(59,660)	(227,487)	(12,571)	(11,691)	—	(58)	—	(311,467)
At 31 December 2012 and 1 January 2013	2,918,481	8,045,494	325,586	238,733	14,838	168,280	—	11,711,412
Charge for the year (note 8)	351,151	1,062,715	85,914	58,143	10,552	20,014	—	1,588,489
Disposals of subsidiaries (note 47(b))	—	—	(2,381)	(1,705)	(3,918)	—	—	(8,004)
Disposals	(62,806)	(199,605)	(50,128)	(15,165)	—	—	—	(327,704)
At 31 December 2013	3,206,826	8,908,604	358,991	280,006	21,472	188,294	—	12,964,193
Impairment loss:								
At 1 January 2012	56,601	73,023	68	380	—	—	75	130,147
Charge for the year (note 8)	—	65,839	—	—	—	—	—	65,839
Disposals	(52)	(2,776)	(10)	(55)	—	—	—	(2,893)
At 31 December 2012 and 1 January 2013	56,549	136,086	58	325	—	—	75	193,093
Charge for the year (note 8)	119,988	325,170	1,176	600	—	—	—	446,934
Disposals	(109,250)	(281,141)	(945)	(357)	—	—	—	(391,693)
At 31 December 2013	67,287	180,115	289	568	—	—	75	248,334
Net book value:								
At 31 December 2013	8,297,933	10,094,467	290,757	174,338	14,623	465,066	10,878,563	30,215,747
At 31 December 2012	7,695,495	10,269,029	274,071	262,269	15,871	450,845	5,328,307	24,295,887

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

(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 36):

	2013 RMB'000	2012 RMB'000
Buildings	283,675	1,240,368
Plant and machinery	644,820	1,594,585
Mining infrastructure	406,175	—
	928,495	2,834,953

(2) Capitalised interest expenses included in construction in progress of the Group are as follows (note 7):

	2013 RMB'000	2012 RMB'000
Interest expenses capitalised	158,880	75,108

(3) As at 31 December 2013, the Group was in the process of applying for property certificates for plant and office buildings with a net book value of approximately RMB1,232,599,000 (2012: RMB809,831,000).

(4) The net carrying amount of the Group's property, plant and equipment held under finance leases included in the total amount of plant and machinery at 31 December 2013 was RMB134,796,000 (2012: RMB155,822,000).

15. INVESTMENT PROPERTIES

	2013 RMB'000	2012 RMB'000
Carrying amount at 1 January	3,985,000	3,026,000
Acquisition of subsidiaries (note 47(a))	4,420,252	731,000
Transfer from properties under development	359,998	87,516
Gain from fair value adjustments (note 6)	1,131,002	140,484
Carrying amount at 31 December	9,896,252	3,985,000

The Group's investment property consists of five commercial properties, which is located in Beijing, Shanghai, Hangzhou, Dongyang of Mainland China, and New York City of United States of America. The directors of the Company have determined that the investment properties are commercial assets based on the nature, characteristics and risks of these properties.

The Group's four investment properties located in China were valued on 31 December 2013 based on valuations performed by DTZ International Property Advisers (Shanghai) Co., Ltd, ("DTZ") an independent professionally qualified valuer, at RMB5,476,000,000. Selection criteria of the valuer include market knowledge, reputation, independence and whether professional standards are maintained. The management of the Company have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

15. INVESTMENT PROPERTIES *(Continued)*

The Group's investment property located in New York City ("New York Property") was purchased by Summit Glory LLC., an indirectly wholly owned subsidiary of the Company, on 16 December 2013 (the "Purchase Date") at a consideration of USD725,000,000(equivalent to RMB4,452,252,000) from an independent third party. Details of the purchase is set out in note 47(a). The directors of the Company are of the opinion that the fair value of the New York Property equalled to the purchase consideration as the New York Property was purchased from an independent third party on an open market and there was no significant change in the commercial property market between the Purchase Date and 31 December 2013.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 49 to the financial statements.

At 31 December 2013, the Group's certain investment properties located in Mainland China with a net carrying amount of approximately RMB4,757,000,000 (2012: RMB3,863,000,000) were pledged to secure bank loans, as set out in note 36 to the financial statements.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Commercial properties	—	—	9,896,252	9,896,252

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.

DTZ adopted the direct comparison approach by assuming sales with the benefit of vacant possession and by making reference to comparable sales and rental evidence as available in the relevant market. In addition, DTZ also adopted income capitalization approach (term and reversion method, in particular) by taking into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate rates.

15. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Fuxing International Center in Beijing	direct comparison approach and income capitalization approach	Term yield	5.5% to 6.5%
		Market rent:	
		- per s.q.m. and per month	RMB234 to RMB274
		- per slot of parking space/month	RMB 1,100
		Level adjustments	40% to 50%
		Market yield	6.0% to 7.0%
		Reversionary period	From 1 July 2013 to 30 August 2054
Chengdu Forte International	direct comparison approach and income capitalization approach	Term yield	5.5%
		Market rent:	
		- per s.q.m. and per month	RMB221
		Level adjustments	40% to 70%
		Market yield	6.0%
		Reversionary period	From 1 January 2014 to 2 July 2048
Other commercial properties	direct comparison approach and income capitalization approach	Term yield	4.5% to 6.0%
		Market rent:	
		- per s.q.m. and per month	RMB68 to RMB200
		- per slot of parking space/month)	RMB300
		Level adjustments	30% to 70%
		Market yield	3.0% to 6.5%
		Reversionary period	From 1 July 2013 to 13 May 2073

A significant increase (decrease) in the estimated market rent would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the term yield and market yield in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

Direct comparison approach is a method of valuation based on comparing the property of the Group to be assessed directly with other comparable properties which recently changed hands or leased. These premises are generally located in the surrounding areas or in another market which is comparable to the property of the Group. However, because of the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative and quantitative difference that may affect the price/ rent likely to be achieved by the property under consideration.

The income capitalization approach is a method by capitalizing the rental from existing tenancies and the reversionary income potential at an appropriate market yield for the remaining term of the land use rights of the property of the Group. Capitalization rate is derived from the relationship between the market rent and the market capital value of other similar properties in the locality. DTZ have made reference to the prevailing market yield of the retail market.

15. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

Having regard to the nature of the property of the Group which belongs to a category of property mostly held for investment purpose and the prevailing market conditions, DTZ have applied higher weight to income capitalization approach. Due to the scarcity of direct en-bloc sales of the same type of properties in the locality and considerable adjustments involved, DTZ consider direct comparison approach of less reference and thus have applied less weight. After the application of weight of the fair value arose from each valuation techniques, DTZ comes outs the fair value of the four investment properties of the Group located in Beijing, Chengdu, Hangzhou and Dongyang in Mainland China as at 31 December 2013 is RMB5,476,000,000.

16. PREPAID LAND LEASE PAYMENTS

	2013 **RMB'000**	2012 RMB'000
Cost:		
At 1 January	**1,976,066**	1,547,078
Additions	**40,966**	409,562
Acquisition of subsidiaries (note 47(a))	**251,351**	19,426
Disposals	**(67,589)**	—
At 31 December	**2,200,794**	1,976,066
Accumulated amortisation:		
At 1 January	**174,829**	141,141
Amortisation for the year (note 8)	**36,397**	33,688
Disposals	**(4,407)**	—
At 31 December	**206,819**	174,829
Net book value:		
At 31 December	**1,993,975**	1,801,237
At 1 January	**1,801,237**	1,405,937
Net book value pledged as security for bank loans (note 36)	**194,687**	162,666

The leasehold land is held under long term leases and is situated in Mainland China.

As at 31 December 2013, the Group was in the process of applying for the land use certificates for leasehold land with a net book value of approximately RMB61,030,000 (2012: RMB6,258,000).

17. EXPLORATION AND EVALUATION ASSETS

	2013 RMB'000	2012 RMB'000
Cost:		
At 1 January	**1,620**	456,722
Additions	**3,569**	31,946
Transfer to mining rights (note 18)	**—**	(487,048)
At 31 December	**5,189**	1,620

18. MINING RIGHTS

	2013 RMB'000	2012 RMB'000
Cost:		
At 1 January	**1,492,531**	1,001,152
Additions	**15,754**	4,331
Transfer from exploration and evaluation assets (note 17)	**—**	487,048
At 31 December	**1,508,285**	1,492,531
Accumulated amortisation:		
At 1 January	**484,404**	393,001
Amortisation for the year (note 8)	**42,683**	91,403
At 31 December	**527,087**	484,404
Impairment loss:		
At 1 January	**186,562**	186,562
At 31 December	**186,562**	186,562
Net book value:		
At 31 December	**794,636**	821,565
At 1 January	**821,565**	421,589

19. INTANGIBLE ASSETS

	Medicine licences RMB'000	Trademarks RMB'000	Business network RMB'000	Patent and technical know-how RMB'000	Others RMB'000	Total RMB'000
Cost:						
At 1 January 2012	265,000	116,035	206,000	615,659	77,992	1,280,686
Additions	—	—	—	39,365	8,043	47,408
Disposals	—	(3,647)	—	(80)	(48)	(3,775)
At 31 December 2012 and 1 January 2013	**265,000**	**112,388**	**206,000**	**654,944**	**85,987**	**1,324,319**
Additions	**—**	**1,354**	**—**	**23,299**	**12,601**	**37,254**
Acquisition of subsidiaries (note 47(a))	**56,000**	**157,395**	**314,598**	**149,620**	**1,879**	**679,492**
Disposal of subsidiaries (note 47(b))	**—**	**—**	**—**	**—**	**(2,370)**	**(2,370)**
Disposals	**—**	**(4,243)**	**—**	**(10,360)**	**(16)**	**(14,619)**
At 31 December 2013	**321,000**	**266,894**	**520,598**	**817,503**	**98,081**	**2,024,076**
Accumulated amortisation:						
At 1 January 2012	—	2,293	4,578	19,844	4,005	30,720
Provided during the year (note 8)	—	10	13,733	31,907	5,203	50,853
Disposals	—	(2,224)	—	(80)	(48)	(2,352)
At 31 December 2012 and 1 January 2013	**—**	**79**	**18,311**	**51,671**	**9,160**	**79,221**
Provided during the year (note 8)	**—**	**485**	**18,267**	**49,937**	**4,611**	**73,300**
Disposal of subsidiaries (note 47(b))	**—**	**—**	**—**	**—**	**(580)**	**(580)**
Disposals	**—**	**—**	**—**	**—**	**(15)**	**(15)**
At 31 December 2013	**—**	**564**	**36,578**	**101,608**	**13,176**	**151,926**
Impairment loss:						
At 1 January 2012 and 31 December 2012	**—**	**—**	**—**	**622**	**472**	**1,094**
At 31 December 2013	**—**	**—**	**—**	**622**	**472**	**1,094**
Net book value:						
At 31 December 2013	**321,000**	**266,330**	**484,020**	**715,273**	**84,433**	**1,871,056**
At 31 December 2012	265,000	112,309	187,689	602,651	76,355	1,244,004

20. GOODWILL

	2013 RMB'000	2012 RMB'000
Cost:		
At 1 January	1,978,868	1,902,233
Acquisition of subsidiaries (note 47(a))	1,324,081	69,125
Others	(9,813)	7,510
At 31 December	3,293,136	1,978,868
Accumulated impairment:		
At 31 December	(242,808)	(242,808)
Net book value:		
At 31 December	3,050,328	1,736,060

Impairment testing of goodwill

Goodwill acquired through business combinations has been primarily allocated to the following reportable cash-generating units ("CGUs") for impairment testing:

– Manufacture and sale of pharmaceuticals and healthcare products
– Property
– Investment

The carrying amounts of goodwill are as follows:

	Manufacture and sale of pharmaceuticals and healthcare products RMB'000	Property RMB'000	Investment RMB'000	Total RMB'000
Carrying amount of goodwill				
2013	2,976,039	70,526	3,763	3,050,328
2012	1,661,771	70,526	3,763	1,736,060

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 12% to 15% (2012: 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.

Assumptions were used in the value-in-use calculation of the CGUs for 31 December 2013 and 2012. 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

Company

	Notes	2013 RMB'000	2012 RMB'000
Unlisted shares, at cost	(1)	**2,076,002**	4,406,051
Loans to a subsidiary	(2)	**157,246**	162,170
Equity component of convertible bonds	(3)	**721,171**	—
		2,954,419	4,568,221

(1) Investment in unlisted shares of a subsidiary represents the investment in Shanghai Fosun High Technology (Group) Co., Ltd. ("Fosun Group"), which is the immediate holding company of the other subsidiaries now comprising the Group and Fosun Financial Holdings Limited , an wholly-owned subsidiary of the Company newly established in the year of 2012.

As at 31 December 2012, the Company held 41.4% equity interest in Forte. On October 31, 2013, the Company and Fosun Group entered into a share transfer agreement to transfer all the equity interest of the Company in Forte to Fosun Group. Upon completion of the equity interest transfer, the Company did not hold any equity interest in Forte.

(2) 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.

(3) On 22 November 2013, Logo Star Limited (the "Issuer"), an indirect wholly owned subsidiary of the Company issued convertible bonds in the principal amount of HK$3,875,000,000 (equivalent to RMB3,068,225,000). As the Company has the obligation to settle the conversion option by issuing new shares of the Company, the equity components amounted to RMB721,171,000 of the convertible bonds are included in the long term investment of the Company to the Issuer.

Particulars of the Group's principal subsidiaries are set out in note 4 to the financial statements.

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2013	2012
Percentage of equity interest held by non-controlling interests:		
Fosun Pharma	**58.91%**	58.91%
Nanjing Nangang	**40.00%**	40.00%
Hainan Mining	**40.00%**	40.00%

	2013 RMB'000	2012 RMB'000
Profit/(loss) for the year allocated to non-controlling interests:		
Fosun Pharma	**1,198,243**	922,748
Nanjing Nangang	**245,907**	(192,909)
Hainan Mining	**401,567**	308,530
Dividends paid to non-controlling interests:		
Fosun Pharma	**277,162**	98,792
Hainan Mining	**262,400**	440,000
Accumulated balances of non-controlling interests at the reporting dates:		
Fosun Pharma	**9,447,341**	8,390,755
Nanjing Nangang	**3,325,043**	3,032,924
Hainan Mining	**1,406,471**	1,267,304

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company *(Continued)*

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2013	**Fosun Pharma RMB'000**	**Nanjing Nangang RMB'000**	**Hainan Mining RMB'000**
Revenue	**9,921,487**	**26,425,290**	**2,654,396**
Total expenses	**(7,521,539)**	**(25,918,685)**	**(1,650,479)**
Profit for the year	**2,399,948**	**506,605**	**1,003,917**
Total comprehensive for the year	**2,795,178**	**639,265**	**1,003,917**
Current assets	**6,986,544**	**11,420,679**	**2,218,829**
Non-current assets	**22,431,759**	**26,593,994**	**2,593,125**
Current liabilities	**(5,278,121)**	**(20,776,433)**	**(1,065,532)**
Non-current liabilities	**(6,532,555)**	**(8,007,449)**	**(380,055)**
Net cash flows from operating activities	**1,011,633**	**2,452,732**	**941,516**
Net cash flows used in investing activities	**(1,803,451)**	**(2,576,298)**	**(443,028)**
Net cash flows used in financing activities	**(932,108)**	**(589,015)**	**(671,259)**
Net decrease in cash and cash equivalents	**(1,723,926)**	**(712,581)**	**(172,771)**

2012	Fosun Pharma RMB'000	Nanjing Nangang RMB'000	Hainan Mining RMB'000
Revenue	7,278,287	31,717,201	2,151,541
Total expenses	(5,439,016)	(32,304,140)	(1,380,216)
Profit for the year	1,839,271	(586,939)	771,325
Total comprehensive for the year	1,160,320	(556,272)	771,325
Current assets	8,381,518	15,434,098	2,254,074
Non-current assets	17,068,735	21,854,652	2,459,760
Current liabilities	(3,893,232)	(22,857,833)	(1,137,674)
Non-current liabilities	(6,309,260)	(5,799,392)	(557,711)
Net cash flows from operating activities	665,517	2,749,265	1,154,329
Net cash flows used in investing activities	(975,080)	(548,517)	(424,036)
Net cash flows from/(used in) financing activities	2,064,907	(2,085,911)	(1,537,644)
Net increase/(decrease) in cash and cash equivalents	1,755,344	114,837	(807,351)

22. INVESTMENTS IN JOINT VENTURES

	2013 RMB'000	2012 RMB'000
Share of net assets	**3,317,916**	3,555,009
Loans to joint ventures	**3,152,118**	3,205,764
	6,470,034	6,760,773

Loans to joint ventures of RMB3,152,118,000 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 joint ventures.

The Group's amounts due from joint ventures and amounts due to joint ventures are disclosed in note 34 to the financial statements.

Particulars of the Group's principal joint ventures are set out in note 4 to the financial statements.

Shanghai Haizhimen Property Investment and Management Co., Ltd. ("Haizhimen") is considered a material joint venture of the Group, which principally engaged in investment and development of the Bund Finance Centre ("BFC") located in Shanghai, and is accounted for using the equity method.

The following table illustrates the summarised financial information of Haizhimen adjusted for any differences in accounting policies, and reconciled to the carrying amount in the financial statements:

	2013 RMB'000	2012 RMB'000
Cash and cash equivalents	**402,606**	15,191
Other current assets	**12,520,828**	12,070,636
Current assets	**12,923,434**	12,085,827
Non-current assets	**2,032**	2,904
Financial liabilities, excluding trade and other payables	**(900,000)**	—
Other current liabilities	**(11,025,466)**	(11,088,731)
Current liabilities	**(11,925,466)**	(11,088,731)
Non-current liabilities	**—**	—
Net assets	**1,000,000**	1,000,000
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture, excluding goodwill	**500,000**	500,000
Goodwill on acquisition (less accumulative impairment)	**—**	—
Loans to the joint venture	**2,892,249**	2,892,249
Carrying amount of the investment	**3,392,249**	3,392,249
Revenues	**—**	—
Total comprehensive income for the year	**—**	—
Dividend received	**—**	—

22. INVESTMENTS IN JOINT VENTURES *(Continued)*

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2013 RMB'000	2012 RMB'000
Share of the joint ventures' (loss)/profit for the year	(118,653)	69,077
Share of the joint ventures' other comprehensive income	4,978	10,794
Share of the joint ventures' total comprehensive income	(113,675)	79,871
Aggregate carrying amount of the Group's investments in the joint ventures	3,077,785	3,368,524

23. INVESTMENTS IN ASSOCIATES

Group

	2013 RMB'000	2012 RMB'000
Share of net assets	18,000,955	14,759,971
Goodwill on acquisitions	2,506,605	601,950
	20,507,560	15,361,921
Loan to associates	—	—
Provision for impairment	(137,844)	(103,244)
	20,369,716	15,258,677

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 34 to the financial statements.

Company

	2013 RMB'000	2012 RMB'000
Unlisted shares, at cost	82,421	82,421

The Company's investment in an associate represents a 26.67% (2012: 26.67%) interest in Janeboat Holdings Ltd., a company incorporated in the British Virgin Islands.

Sinopharm Industrial Investment Co., Ltd. ("Sinopharm"), which is considered a material associate of the Group, is accounted for using the equity method.

23. INVESTMENTS IN ASSOCIATES *(Continued)*

Company *(Continued)*

The following table illustrates the summarised financial information of Sinopharm adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2013 RMB'000	2012 RMB'000
Current assets	**89,569,259**	67,008,760
Non-current assets	**15,845,111**	13,977,236
Current liabilities	**(70,982,107)**	(51,280,571)
Non-current liabilities	**(5,499,139)**	(6,570,812)
Net assets	**28,933,124**	23,134,613
Net assets attributable to the Group	**13,799,147**	11,710,348
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**49%**	49%
Group's share of net assets of the associate, excluding goodwill	**6,761,582**	5,738,071
Goodwill on acquisition (less cumulative impairment)	**—**	—
Carrying amount of the investment	**6,761,582**	5,738,071
Revenues	**166,866,146**	136,501,660
Profit for the year	**3,579,897**	3,090,004
Other comprehensive income/(losses)	**2,839**	(3,923)
Total comprehensive income for the year	**3,582,736**	3,086,081
Dividend received	**245,000**	146,312

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2013 RMB'000	2012 RMB'000
Share of the associates' profit for the year	**718,854**	537,631
Share of the associates' other comprehensive income	**93,723**	(78,166)
Share of the associates' total comprehensive income	**812,577**	459,465
Aggregate carrying amount of the Group's investments in the associates	**13,608,134**	9,520,606

24. AVAILABLE-FOR-SALE INVESTMENTS

	2013 RMB'000	2012 RMB'000
Listed equity investments, at fair value		
Hong Kong	**206,752**	172,498
United States	**335,508**	273,063
Mainland China	**2,110,436**	2,228,620
	2,652,696	2,674,181
Listed debt investments, at fair value		
Hong Kong	**718,796**	—
United States	**280,304**	—
Singapore	**224,004**	—
	1,223,104	2,674,181
Unlisted equity investments	**6,174,491**	4,708,710
	10,050,291	7,382,891

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB19,015,000 (2012: gross loss of RMB49,321,000), of which RMB455,892,000 (2012: RMB543,799,000) was recycled from other comprehensive income to the consolidated statement of profit or loss 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.

25. PROPERTIES UNDER DEVELOPMENT

	2013 RMB'000	2012 RMB'000
Land Cost	**23,033,300**	25,074,660
Construction costs	**6,490,549**	9,200,602
Capitalised financial costs	**1,336,093**	1,025,606
	30,859,942	35,300,868
Portion classified as current assets	**(20,331,229)**	(27,333,872)
	10,528,713	7,966,996

25. PROPERTIES UNDER DEVELOPMENT *(Continued)*

The properties pledged to banks to secure bank loans and other borrowings are as follows:

	2013 RMB'000	2012 RMB'000
Net book value pledged (note 36)	10,963,972	12,214,212
Additions to properties under development include:		
Interest expense capitalised in respect of bank and other borrowings (note 7)	1,073,424	661,490

The Group's properties under development are all situated in Mainland China.

26. LOANS RECEIVABLE

	Notes	2013 RMB'000	2012 RMB'000
Loans receivable		3,261,103	2,751,338
Portion classified as current	(1)	(100,000)	(807,102)
Long term portion	(2)	3,161,103	1,944,236

(1) As at 31 December 2013, the current portion of loans receivable comprised of an entrusted bank loan of RMB100,000,000 provided to Fuyang Forun Property Co., Ltd., which is unsecured, bears interest at a fixed interest rate of 15% per annum and is repayable on 24 January 2014.

(2) As at 31 December 2013, the non-current portion of loans receivable comprised of:

- a shareholders' loan of RMB1,837,084,000 provided to Haizhimen, which is unsecured, bears interest at a fixed interest rate of 13.8% per annum and has no fixed terms of repayment;
- an entrusted bank loan of RMB700,000,000 provided to Shanxi Jianqin Real Estate Development Co., Ltd., a joint venture, which is unsecured, bears interest at a fixed interest rate of 11.0% per annum and is repayable in August 2015;
- an entrusted bank loan of RMB380,000,000 provided to Dalian Fucheng Property Co., Ltd., which is unsecured, bears interest at a fixed interest rate of 15% per annum and is repayable in April 2015;
- an entrusted bank loan of RMB154,267,000 provided to a third party, which is unsecured, bears interest at a fixed interest rate of 12.0% per annum and is repayable in 2018;
- an entrusted bank loan of RMB32,600,000 provided to a third party, which is unsecured, bears interest at a fixed interest rate of 10.0% per annum and is repayable in May 2015; and
- an entrusted bank loan of RMB57,152,000 provided to a third party, which is unsecured, bears interest at a fixed interest rate of 8.0% per annum and is repayable on 10 October 2015.

27. PREPAYMENTS

	Note	2013 RMB'000	2012 RMB'000
Prepayments for the proposed acquisition of equity interests in			
– Shanghai Dijie Real Estate Limited	(i)	—	616,313
– Ningbo Jiangwan Real Estate Development Co., Ltd.		455,577	—
– Xinjiang Boze Equity Investment Limited Partnership		—	33,000
– Xi'an Yuanchuang Chemical Technology Co., Ltd.		—	21,410
Others		76,907	—
		532,484	670,723
Prepayments for the acquisition of the land use right		321,170	—
		853,654	670,723

(i) As at 31 December 2012, Shanghai Forte Investment Co. Ltd advanced RMB616,313,000 to Shanghai Vanke Real Estate Co., Ltd to acquire 40% equity interests in Shanghai Dijie Real Estate Limited. The acquisition was completed in December 2013.

28. 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
Gross deferred tax assets at 1 January 2012	534,933	286,895	773	3,522	469,376	225,632	1,521,131
Acquisition of subsidiaries (note 47(a))	—	—	—	—	22,319	26,002	48,321
Deferred tax credited/(charged) during the year	653,376	(9,008)	(773)	4,462	(36,684)	31,753	643,126
Gross deferred tax assets at 31 December 2012 and 1 January 2013	1,188,309	277,887	—	7,984	455,011	283,387	2,212,578
Acquisition of subsidiaries (note 47(a))	6,988	8,904	—	—	—	11,854	27,746
Disposal of a subsidiary (note47(b))	(77,738)	—	—	—	—	(467)	(78,205)
Deferred tax credited/(charged) during the year	386,457	81,061	—	(327)	(71,601)*	87,603**	483,193
Gross deferred tax assets at 31 December 2013	1,504,016	367,852	—	7,657	383,410	382,377	2,645,312

* Includes deferred tax assets charged to tax expenses amounted to RMB15,827,000 for reversal of accrued LAT provision (note 10).

** Includes deferred tax assets charged to tax expenses amounted to RMB11,260,000 for reversal of deferred LAT in deferred tax liablity (note 10).

28. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Fair value adjustments arising from equity investments at fair value through profit or loss RMB'000	Fair value adjustments arising from available-for-sale investments RMB'000	Revaluation of investment properties RMB'000	Deemed disposal of associates RMB'000	Deferred LAT RMB'000	Withholding taxes RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2012	749,318	42,230	686,030	111,825	896,584	192,927	195,729	68,094	2,942,737
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year	(66,546)	142,957	(181,379)	35,120	(17,187)	(77,147)	33,359	140,268	9,445
Deferred tax credited to reserve during the year	—	—	(44,476)	—	—	—	—	—	(44,476)
Acquisition of subsidiaries (note 47(a))	174,034	—	—	—	—	104,009	—	—	278,043
Gross deferred tax liabilities at 31 December 2012 and 1 January 2013	856,806	185,187	460,175	146,945	879,397	219,789	229,088	208,362	3,185,749
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year	(92,241)	(1,603)	(88,644)*	282,751	148,740	(66,577)	88,781	105,903	377,110
Deferred tax credited to reserve during the year	—	—	(29,964)	—	—	—	—	—	(29,964)
Acquisition of subsidiaries (note 47(a))	235,420	—	—	—	—	—	—	—	235,420
Gross deferred tax liabilities at 31 December 2013	999,985	183,584	341,567	429,696	1,028,137	153,212	317,869	314,265	3,768,315

* During the year ended 31 December 2013, deferred tax liability amounted to RMB88,644,000 was credited to other income and gains of the consolidated statement of profit or loss together with the gain of disposal of the available-for-sale investments.

As at 31 December 2013, the deferred tax assets were recognised for certain entities within the Group which suffered accumulated losses as at the end of 2013. The directors are of the opinion that these entities could generate sufficient future taxable profits to utilise the deferred tax assets recognised as at 31 December 2013.

28. DEFERRED TAX *(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

	2013 RMB'000	2012 RMB'000
Tax losses	**6,500,825**	3,689,837
Deductible temporary differences	**97,727**	298,448
	6,598,552	3,988,285

Company

	2013 RMB'000	2012 RMB'000
Tax losses	**156,680**	—

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, joint ventures and associates established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the company to its shareholders.

29. CASH AND BANK BALANCES

Group

	Notes	2013 RMB'000	2012 RMB'000
Cash on hand		**20,573**	10,466
Cash at banks, unrestricted		**12,480,497**	19,186,137
Cash and cash equivalents		**12,501,071**	19,196,603
Pledged bank balances	(1)	**2,152,021**	2,042,516
Time deposits with original maturity of more than three months	(2)	**516,491**	6,785
Restricted pre-sale proceeds	(3)	**515,423**	304,939
Restricted cash in escrow account for an investment	(4)	**425,961**	420,016
Required reserve deposits	(5)	**276,224**	117,609
		16,387,191	22,088,468

29. CASH AND BANK BALANCES *(Continued)*

Group *(Continued)*

Notes:

It mainly comprises as follows:

		2013 RMB'000	2012 RMB'000
(1)	Pledged bank balances to secure notes payable	**1,883,016**	1,697,491
	Pledged bank balances to secure bank loans (note 36)	**30,291**	—
	Bank balances as various deposits	**158,234**	280,997
(2)	Time deposits with original maturity of more than three months pledged to secure bank loans (note 36)	**3,387**	3,291

(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 amounts of pre-sale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the PRC State-Owned Land and Resource Bureau is obtained.

(4) The amount represents a deposit placed by Billion Infinity Investment Limited, an indirect subsidiary of the Company, into an escrow account for a potential investment in a third party. This deposit in the escrow account is not available for use in the Group's daily operation.

(5) Required reserve deposits amounting to RMB276,224,000 (2012: RMB117,609,000) are placed by Shanghai Fosun High Technology Group Finance Co., Ltd. ("Finance Company"), an indirect subsidiary of the Company, with the People's Bank of China ("PBC"). The reserve deposits with the PBC are not available for use in the Group's daily operations.

In the preparation of the consolidated statement of cash flows, pledged bank balances, time deposits with original maturity of more than three months, restricted pre-sale proceeds of properties, restricted cash in an escrow account for an investment and required reserve deposits 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

	2013 RMB'000	2012 RMB'000
Cash at banks, unrestricted	**519,361**	176,428

30. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

Listed equity investments, at market value

	2013 RMB'000	2012 RMB'000
Hong Kong	5,561,544	2,599,442
United States	1,825,218	4,626,351
Mainland China	4,148,031	2,304,364
Europe	1,838,625	1,125,918
Japan	92,561	—
	13,465,979	10,656,075

At 31 December 2013, the Group's equity investments at fair value through profit or loss with a carrying amount of RMB1,353,888,000 (2012: Nil) were pledged to secure bank loans, as set out in note 36 to the financial statements.

Company

Listed equity investments, at market value

	2013 RMB'000	2012 RMB'000
Hong Kong	4,242,921	2,058,249
United States	562,110	4,396,344
Europe	—	716,762
	4,805,031	7,171,355

The above equity investments at 31 December 2013 and 2012 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.

31. TRADE AND NOTES RECEIVABLES

	2013 RMB'000	2012 RMB'000
Trade receivables	2,839,919	2,517,820
Notes receivable	1,844,280	3,082,298
	4,684,199	5,600,118

31. TRADE AND NOTES RECEIVABLES *(Continued)*

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2013 RMB'000	2012 RMB'000
Outstanding balances with ages:		
Within 90 days	**2,436,446**	2,092,631
91 to 180 days	**234,822**	287,190
181 to 365 days	**191,460**	102,365
1 to 2 years	**19,656**	72,839
2 to 3 years	**7,501**	9,419
Over 3 years	**26,169**	30,390
	2,916,054	2,594,834
Less: Provision for impairment of trade receivables	**(76,135)**	(77,014)
	2,839,919	2,517,820

The movements in the provision for impairment of trade receivables are as follows:

	2013 RMB'000	2012 RMB'000
At 1 January	**77,014**	74,335
Amount written off as uncollectible	**(30,685)**	(25,325)
Provision for impairment losses	**29,806**	28,004
At 31 December	**76,135**	77,014

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2013 RMB'000	2012 RMB'000
Neither past due nor impaired	**875,756**	1,066,927
Within 90 days past due	**540,845**	306,841
91 to 180 days past due	**76,803**	66,473
Over 180 days past due	**30,157**	56,219
	1,523,561	1,496,460

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.

31. TRADE AND NOTES RECEIVABLES *(Continued)*

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.

At 31 December 2013, the Group's trade and notes receivables with a carrying amount of approximately RMB610,243,000 (2012: RMB1,483,857,000) were pledged to secure bank loans, as set out in note 36 to the financial statements.

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

32. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	2013 RMB'000	2012 RMB'000
Prepayments consist of:		
Prepayments for purchase of raw materials of steel	554,011	881,957
Prepayments for purchase of pharmaceutical materials	201,561	238,500
Prepayments for purchase of construction materials	15,892	120,496
Prepayments for purchase of equipment and others	832,302	587,909
Deposits	824,692	811,518
Other receivables consist of:		
Funding provided to third parties	1,861,558	168,591
Tax recoverable	893,456	572,244
Receivable for disposal of subsidiaries (note 47(b))	—	126,200
Deferred cost of acquisition of insurance customers	58,334	—
Reinsurance receivables	341,333	—
Others	1,807,806	1,468,297
	7,390,945	4,975,712

Company

	2013 RMB'000	2012 RMB'000
Prepayments	334	—
Deposits	2,953	3,387
Other	8,702	2,171
	11,989	5,558

33. INVENTORIES

	2013 RMB'000	2012 RMB'000
Raw materials	**2,779,761**	2,943,902
Work in progress	**1,424,087**	1,260,325
Finished goods	**2,009,607**	1,942,280
Spare parts and consumables	**472,010**	867,226
	6,685,465	7,013,733
Less: Provision for inventories	**(163,972)**	(269,912)
	6,521,493	6,743,821
Portion classified as non-current assets	**(207,541)**	(372,222)
	6,313,952	6,371,599
Net book value of inventories pledged as security for bank loans (note 36)	**435,928**	320,000

34. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES

	Notes	2013 RMB'000	2012 RMB'000
Group			
Due from related companies:			
Associates	(i)	**1,194,377**	970,805
Joint ventures	(ii)	**1,977,859**	1,850,145
Non-controlling shareholders of subsidiaries	(iii)	**253**	294,413
Other related companies	(iv)	**3,061**	3,087
		3,175,550	3,118,450
Company			
Due from subsidiaries	(iv)	**19,083,808**	11,561,761
Due from other related companies	(iv)	**3,048**	3,087
		19,086,856	11,564,848

Notes:

(i) As at 31 December 2013, the balances due from associates included the amount of RMB803,650,000 (2012: RMB635,038,000), which was unsecured, interest-free and repayable on demand. The remaining balances due from associates are trade in nature, interest-free and repayable on demand.

(ii) As at 31 December 2013, the balances due from joint ventures included the amount of RMB1,964,830,000 (2012: RMB1,842,201,000), which is unsecured, interest-free and repayable on demand. The remaining balances due from joint ventures are trade in nature, interest-free and repayable on demand.

(iii) As at 31 December 2013, none of the amounts due from non-controlling shareholders was unsecured, interest-free and repayable on demand (2012: RMB186,407,000). 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 2013, the balances due from subsidiaries and other related companies were unsecured, interest-free and repayable on demand.

34. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES

(Continued)

	Notes	2013 RMB'000	2012 RMB'000
Group			
Due to the holding company	(v)	**3,144,864**	2,440,986
Due to related companies:			
Associates	(vi)	**1,189,879**	421,890
Non-controlling shareholders of subsidiaries	(vii)	**820,368**	2,140,405
Joint ventures	(viii)	**539,713**	773,856
Other related companies		**—**	31,589
		2,549,960	3,367,740
Portion classified as current		**(2,392,109)**	(2,354,620)
	(vii)	**157,851**	1,013,120
Company			
Due to the holding company	(v)	**3,144,864**	2,440,986
Due to subsidiaries	(ix)	**3,140,013**	—
		6,284,877	2,440,986

Notes:

(v) The balances due to the holding company are unsecured, interest-free and repayable on demand.

(vi) As at 31 December 2013, the balances due to associates included the amount of RMB1,114,427,000 (2012: RMB349,727,000), which was unsecured, interest-free and repayable on demand.

(vii) As at 31 December 2013, the balances due to non-controlling shareholders of subsidiaries comprised of:

– an amount of RMB334,339,000, among which the current portion of RMB176,489,000 being the payables for purchase of low grade ore products from Hainan Iron and Steel Co., Ltd., which is interest-free and is estimated to be repayable during the years of 2014 to 2015.

– an amount of RMB300,000,000 provided by a non-controlling shareholder of a subsidiary 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) As at 31 December 2013, the balances due to joint ventures included the amount of RMB501,543,000 (2012: Nil), which was unsecured, interest-free and repayable on demand. The remaining balances due to joint ventures are trade in nature, interest-free and repayable on demand.

(ix) The balances due to subsidiaries are unsecured, interest-free and repayable on demand.

35. NON-CURRENT ASSETS HELD FOR SALE

	2013 RMB'000	2012 RMB'000
Non-current assets held for sale	**212,293**	212,293

35. NON-CURRENT ASSETS HELD FOR SALE *(Continued)*

As at 31 December 2013, the non-current assets held for sale represented the Group's available-for-sale investments in Inner Mongolia Sunry Construction Group Co., Ltd. ("Inner Mongolia Sunry") and Zhejiang Yoyu Bamboo Industry Co., Ltd. ("Zhejiang Yoyu") amounting to RMB202,500,000 and RMB9,793,000 respectively.

In August 2012, the Group through its subsidiary, Shanghai Fosun Venture Capital Investment Management Co., Ltd. ("Fosun Venture"), entered into a disposal agreement with the original shareholder of Inner Mongolia Sunry, an independent third party, for the disposal of the Group's entire equity interest of 11.8% in Inner Mongolia Sunry for a cash consideration of RMB250,732,000. As at 31 December 2013, RMB137,539,000 has been received by the Group, the remaining consideration will be received in 2014 and the disposal is expected to be completed in 2014.

In November 2012, the Group through its subsidiaries, Fosun Venture, entered into a disposal agreement with the original shareholder of Zhejiang Yoyu, an independent third party, for the disposal of the Group's entire equity interest of 6.9% in Zhejiang Yoyu for a cash consideration of RMB13,786,000. As at 31 December 2013, RMB3,000,000 has been received by the Group, the remaining consideration will be received by instalments in 2014 and the disposal is expected to be completed in 2014.

36. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	Notes	2013 RMB'000	2012 RMB'000
Bank loans:	(1)		
Guaranteed		**1,280,349**	—
Secured		**14,012,290**	15,787,735
Unsecured		**27,310,339**	22,735,950
		42,602,978	38,523,685
Corporate bonds and enterprise bonds	(2)	**10,920,027**	10,922,024
Private placement note	(3)	**1,985,025**	—
Senior notes	(4)	**3,989,607**	1,864,518
Medium-term notes	(5)	**2,582,433**	2,574,807
Short-term commercial papers	(6)	**—**	499,375
Other borrowings, secured	(7)	**543,876**	901,420
Other borrowings, unsecured	(7)	**3,944,318**	1,411,517
Total		**66,568,264**	56,697,346
Repayable:			
Within one year		**31,539,941**	26,917,695
In the second year		**10,235,449**	8,643,729
In the third to fifth years, inclusive		**21,531,129**	15,203,470
Over five years		**3,261,745**	5,932,452
		66,568,264	56,697,346
Portion classified as current liabilities		**(31,539,941)**	(26,917,695)
Long-term portion		**35,028,323**	29,779,651

36. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Group *(Continued)*

Notes:

(1) Certain of the Group's bank loans are secured by the pledge of certain of the Group's buildings amounting to RMB283,675,000 (2012: RMB1,240,368,000), plant and machinery amounting to RMB644,820,000 (2012: RMB1,594,585,000), Mining infrastructure amounting to RMB406,175,000 (2012: Nil), investment properties situated in Mainland China amounting to RMB4,757,000,000 (2012: RMB3,863,000,000), prepaid land lease payments amounting to RMB194,687,000 (2012: RMB162,666,000), properties under development amounting to RMB10,963,972,000 (2012: RMB12,214,212,000), completed properties for sale amounting to RMB5,514,314,000 (2012: RMB2,196,131,000), time deposits with original maturity of more than three months amounting to RMB 3,387,000 (2012: RMB3,291,000), trade and notes receivables amounting to RMB610,243,000 (2012: RMB1,483,857,000), inventories amounting to RMB435,928,000 (2012: RMB320,000,000), equity investment at fair value through profit or loss amounting to RMB1,353,888,000 (2012: Nil), an investment in a joint venture amounting to RMB540,070,000 (2012: RMB540,070,000), and investments in subsidiaries.

Bank balances amounting to RMB30,291,000 (2012: Nil) were pledged to secure the interest-bearing bank and other borrowings.

The Group's interest-bearing bank and other borrowings amounting to RMB1,280,349,000 (2012: Nil) were guaranteed by Fosun Holding Limited which is the ultimate holding company of the Group.

No investment in associates (2012: RMB320,886,000) was pledged to secure the interest bearing bank and other borrowings.

The bank loans bear interest at rates ranging from 0.96% to 8.80% (2012: 1.44% to 8.53%) per annum.

(2) Corporate bonds and enterprise bonds

On 27 February 2009, Nanjing Nangang 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 (the "2009 Nangang Bond"). According to the offering memorandum of the 2009 Nangang Bond, the bond holders are entitled to redeem the bonds at a redemption price equal to the principal amount by the end of the fourth year since issuance, i.e., 27 February 2013. On 27 February 2013, after the completion of the redemption, the principal amount of RMB30,000,000 of the 2009 Nangang Bond was redeemed by the bond holders. The remaining principal amount of RMB2,470,000,000 will be repaid by Nanjing Nangang equally on 27 February 2015 and 27 February 2016 with no further redemption option for bond holders. 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 is 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 is 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 is paid annually in arrears.

On 25 April 2012, Fosun Pharma issued five-year domestic corporate bonds with a par value of RMB1,500,000,000 and an effective interest rate of 5.74% per annum. The interest is paid annually in arrears and the maturity date is 25 April 2017.

(3) Private placement note

On 19 June 2013, Fosun Group issued three-year private placement notes with the par value of RMB2,000,000,000 and an effective interest rate of 6.02% per annum. The interest will be paid annually in arrears and the maturity date is 19 June 2016.

(4) 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 is paid semi-annually in arrears.

On 30 January 2013, Sparkle Assets Limited, a direct subsidiary of Fosun Industrial Holdings Limited, issued seven-year senior notes with the par value of USD400,000,000 and an effective interest rate of 7.19% per annum. The interest will be paid semi-annually in arrears.

36. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Group *(Continued)*

Notes: *(Continued)*

(5) 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 is 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 is paid annually in arrears and the maturity date is 31 March 2016.

(6) Short-term commercial papers

On 18 December 2012, the Company issued short-term commercial paper with maturity of 180 days in an aggregate amount of RMB500,000,000, at interest rate of 4.75% per annum. The interest and the principal were paid on 17 June 2013.

(7) Other borrowings

The other borrowings represent borrowings from third parties, which bear interest at rates ranging from 2.55% to 11.0% (2012: 2.55% to 15.0%) per annum.

Company

	2013 RMB'000	2012 RMB'000
Bank loans:		
Guaranteed	**1,280,349**	—
Unsecured	**3,068,636**	4,766,662
	4,348,985	4,766,662
Senior notes	**1,814,179**	1,864,518
Total	**6,163,164**	6,631,180
Repayable:		
Within one year	**1,874,025**	866,773
In the second year	**1,621,394**	1,725,380
In the third to fifth years, inclusive	**2,667,745**	4,039,027
	6,163,164	6,631,180
Portion classified as current liabilities	**(1,874,025)**	(866,773)
Non-current portion	**4,289,139**	5,764,407

The bank loans and other borrowings bear interest at rates ranging from 1.65% to 7.5% (2012: 1.71% to 7.5%) per annum.

37. CONVERTIBLE BONDS

The Issuer, an indirect wholly owned subsidiary of the Company issued convertible bonds in the principal amount of HK$3,875,000,000 (equivelant to RMB3,068,225,000) on 22 November 2013 guaranteed by the Company and certain of its subsidiaries (the "Convertible Bonds"). The Convertible Bonds is convertible into fully-paid ordinary shares of par value HK$0.10 each of the Company. The Convertible Bonds bear interests at the rate of 1.5% per annum payable semi-annually in arrears on May 22 and November 22 in each year. The Convertible Bonds will mature on 22 November 2018 ("Maturity Date"). There was no movement in the number of the Convertible Bonds during the year.

The principal terms of the Convertible Bonds are as follows:

(a) The Convertible Bonds are convertible at the option of the bond holders into ordinary shares of the Company during the period on or after the 41st day after the 22 November 2013 and seven days prior to the Maturity Date at an initial conversion price of HK$10 per share (subject to adjustments).

(b) The Issuer will at the option of the bond holder of any Convertible Bond, redeem all or some of that holder's Convertible Bonds on 22 November 2016 at their early redemption amount together with interest accrued and unpaid to, but excluding, such date.

(c) At any time after 22 November 2016, the Issuer may, by giving notice to the bond holders, elect to redeem the Convertible Bonds in whole but not in part, if the closing price of the Company's shares traded in Hongkong Stock Exchange for any 20 out of the 30 consecutive trading days immediately prior to the date upon which notice of such redemption is given, was at least 130% of the applicable early redemption amount divided by the conversion ratio then in effect. Conversion ratio means the principal amount of each bond divided by the conversion price then in effect immediately prior to the date upon which the optional redemption notice is given.

(d) Any convertible bonds not previously redeemed, converted or purchased and cancelled converted will be redeemed by the Issuer on the Maturity Date at 106.65% of its principal amount together with unpaid accrued interest from and including the immediately preceding interest payment date.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bonds issued during the year have been split into the liability and equity components as follows:

	2013 RMB'000	2012 RMB'000
Nominal value of convertible bonds issued during the year	**3,068,225**	—
Equity component	**(721,171)**	—
Direct transaction costs	**(30,682)**	—
Liability component at the issuance date	**2,316,372**	
Interest expense (note 7)	**21,864**	—
Interest paid	**—**	—
Exchange realignment	**(18,561)**	—
Liability component at 31 December	**2,319,675**	—

The effective interest rate of the liability component is 8.93% per annum.

38. LOANS FROM RELATED COMPANIES

	2013 RMB'000	2012 RMB'000
Loans from		
– a joint venture	**196,477**	155,250
– non-controlling shareholder of a subsidiary	**—**	50,000
	196,477	205,250
Repayable:		
Within one year	**196,477**	115,000
In the second to fourth years, inclusive	**—**	90,250
	196,477	205,250
Portion classified as current liabilities	**(196,477)**	(115,000)
Non-current portion	**—**	90,250

Loans from related companies are 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 statement of profit or loss. Subsequent to the initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

39. TRADE AND NOTES PAYABLES

	2013 RMB'000	2012 RMB'000
Trade payables	**11,309,513**	11,358,235
Notes payable	**3,618,770**	4,268,530
	14,928,283	15,626,765

An aged analysis of the trade payables as at the end of the reporting period is as follows:

	2013 RMB'000	2012 RMB'000
Outstanding balances with ages:		
Within 90 days	**6,460,949**	8,020,451
91 to 180 days	**1,952,566**	363,423
181 to 365 days	**1,712,907**	535,122
1 to 2 years	**748,380**	2,186,239
2 to 3 years	**213,014**	238,837
Over 3 years	**221,697**	14,163
	11,309,513	11,358,235

39. TRADE AND NOTES PAYABLES *(Continued)*

The trade and notes payables are non-interest-bearing and 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

	2013 RMB'000	2012 RMB'000
Advances from customers	**9,335,000**	7,989,879
Payables related to:		
Purchases of property, plant and equipment	**2,257,428**	1,213,726
Deposits received	**544,159**	1,337,757
Payroll	**729,665**	620,706
Business tax	**270,917**	224,200
Accrued interest expenses	**730,558**	597,409
Value-added tax	**98,155**	55,847
Accrued utilities	**197,974**	190,920
Acquisition of subsidiaries	**687,509**	689,788
Acquisition of a joint venture	**—**	270,000
Current portion of other long term payables (note 44)	**25,984**	76,933
Financial support for the business development	**2,525,376**	1,718,491
Reinsurance contract liability	**524,875**	—
Reinsurance payables	**67,896**	—
Others	**2,044,230**	3,832,964
	20,039,726	18,818,620

Company

	2013 RMB'000	2012 RMB'000
Other payables	**45,533**	53,376

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 is classified as a finance lease.

Total future minimum lease payments under the finance lease and their present values are as follows:

	2013 RMB'000	2012 RMB'000
Repayable:		
Within one year	46,587	53,842
In the second year	44,102	41,811
In the third to fifth years, inclusive	—	41,630
Total minimum finance lease payments	90,689	137,283
Less: Future finance charges	(1,017)	(11,861)
	89,672	125,422
Portion classified as current finance lease payables	(46,587)	(41,981)
Long-term portion	43,085	83,441

For the year ended 31 December 2013, interest was charged at a rate of 5.6% per annum (2012: 5.6%).

42. DEPOSITS FROM CUSTOMERS

	2013 RMB'000	2012 RMB'000
Demand deposits and current accounts	1,636,739	939,214

As at 31 December 2013 and 2012, deposits from customers represented the deposits placed in Finance Company, a subsidiary of the Group. The deposits from the customers carry interest at rates ranging from 0.385% to 3.08% (2012: 0.385% to 2.86 %) per annum and will be repaid upon demand of the customers.

Deposits from customers due to related parties are disclosed in note 52 to the financial statements.

43. DEFERRED INCOME

Deferred income represents government grants received related to assets.

	2013 RMB'000	2012 RMB'000
Special purpose fund for technology improvement	233,864	193,592
Government grants for property development	293,000	—
	526,864	193,592

44. OTHER LONG TERM PAYABLES

	Notes	2013 RMB'000	2012 RMB'000
Payables for rehabilitation	(i)	**32,919**	36,432
Payables for retirement benefits	(ii)	**159,439**	171,870
Payables for the acquisition of subsidiaries		**83,756**	68,138
Loans from non-controlling shareholders of subsidiaries		**2,875,265**	356,000
Others		**68,970**	19,662
		3,220,349	652,102

Notes:

(i) The movements of payables for rehabilitation are set out below:

	2013 RMB'000	2012 RMB'000
At 1 January	**36,432**	40,908
Additions	**1,353**	1,299
Payment made	**(4,866)**	(5,775)
At 31 December	**32,919**	36,432

Payables for rehabilitation are in relation to the costs of the Group's obligations for land reclamation.

(ii) The movements of payables for retirement benefits are set out below:

	2013 RMB'000	2012 RMB'000
At 1 January	**171,870**	293,956
Interest increment (note 7)	**31,407**	27,416
Payments made	**(17,854)**	(72,569)
Classified as current portion (note 40)	**(25,984)**	(76,933)
At 31 December	**159,439**	171,870

Payables for retirement benefits represent liabilities taken over by the Group from the former parent company of the Former SOEs, 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% (2012: 5.70% to 7.83%).

45. SHARE CAPITAL

Company

Shares

	2013 RMB'000	2012 RMB'000
Authorised:		
100,000,000,000 (2012: 100,000,000,000) ordinary shares of HKD0.1 each	**9,746,013**	9,746,013
Issued and fully paid:		
6,421,594,500 (2012: 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 2013 to 31 December 2013 are as follows:

	Number of ordinary shares	Nominal value of ordinary shares RMB'000
Authorised:		
As at 31 December 2011 and 31 December 2012	100,000,000,000	9,746,013
As at 31 December 2013	**100,000,000,000**	**9,746,013**
Issued and fully paid:		
As at 31 December 2011 and 31 December 2012 (6,421,594,500 shares of HKD0.1 each)	6,421,594,500	621,497
As at 31 December 2013	**6,421,594,500**	**621,497**

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.

Company

	Issued capital RMB'000 (note 45)	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Capital redemption reserve RMB'000	Convertible bonds RMB'000	Retained earnings RMB'000	Proposed final dividend RMB'000 (note 12)	Total equity RMB'000
At 1 January 2012	621,497	11,785,713	(2,334,585)	1,465	—	2,648,840	817,340	13,540,270
Final dividend declared	—	—	—	—	—	—	(817,340)	(817,340)
Proposed final dividend	—	—	—	—	—	(885,181)	885,181	—
Exchange realignment	—	—	(3,531)	—	—	—	—	(3,531)
Total comprehensive income for the year	—	—	—	—	—	1,654,729	—	1,654,729
At 31 December 2012 and 1 January 2013	621,497	11,785,713	(2,338,116)	1,465	—	3,418,388	885,181	14,374,128
Final dividend declared	—	—	—	—	—	—	(885,181)	(885,181)
Proposed final dividend	—	—	—	—	—	(757,328)	757,328	—
Exchange realignment	—	—	(447,129)	—	—	—	—	(447,129)
Equity component of convertible bonds (note 37)	—	—	—	—	721,171	—	—	721,171
Total comprehensive income for the year	—	—	—	—	—	1,134,353	—	1,134,353
At 31 December 2013	621,497	11,785,713	(2,785,245)	1,465	721,171	3,795,413	757,328	14,897,342

(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 the 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 profit 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.

46. RESERVES *(Continued)*

Company *(Continued)*

(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. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries

(i) Acquisition of subsidiaries accounted for as business combination

The major acquisition of subsidiaries accounted for as business combination is set out as follows:

On 11 January 2013, Shanghai Fosun Pharmaceutical Industrial Development Company Limited, a subsidiary of Fosun Pharma, acquired a 77.78% equity interest in Hunan Dongting Pharmaceutical Co., Ltd. ("Dongting Pharma") at a consideration of RMB586,120,000. Dongting Pharma is engaged in the manufacture and sale of hemostatic and psychotropic medicines. The acquisition was undertaken under Fosun Pharma's strategy to penetrate the market of hemostatic and psychotropic medicines.

On 11 February 2013, Jiangsu Wanbang Biopharmaceutical Co., Ltd. ("Wanbang Pharma"), a subsidiary of Fosun Pharma, acquired 51% equity interest in Zaozhuang Sainuokang Biochemical Co., Ltd. ("Sainuokang Biochemical") at a consideration of RMB32,262,000. Sainuokang Biochemical is engaged in the manufacture and sale of heparin sodium API, which is the main raw material of heparin sodium, one of the major products of Wanbang Pharma. The acquisition was undertaken under Fosun Pharma's strategy to integrate the supply chain and reduce the cost of raw material.

On 27 May 2013, Sisram Medical Ltd., a subsidiary of Fosun Pharma, acquired a 95.20% equity interest in Alma Lasers Ltd. ("Alma Lasers") at a consideration of USD221,630,000, equivalent to RMB1,377,830,000 approximately. Alma Lasers is engaged in the design, manufacture and sale of medical and cosmetic devices. The acquisition was undertaken to gain access to the global leading medical equipment manufacturing business, which is conducive to strengthening Fosun Pharma's medical equipment manufacturing business globally.

On 12 November 2013, Shanghai Yicheng Hospital Investment Management Co., Ltd. ("Yicheng Management"), a wholly owned subsidiary of Fosun Pharma, acquired 60% equity interests in Foshan City Chancheng District Central Hospital Co., Ltd. ("Chancheng Hospital") at a consideration of RMB724,500,000. The acquisition was undertaken under Fosun Pharma's strategy to expand the healthcare service business in Mainland China.

On 17 October 2013, Summit Glory Holdings Limited, a wholly-owned subsidiary of the Company acquired One Chase Manhattan Plaza which is located in New York City, the United States of America, at a purchase price of USD725,000,000(equivalent to RMB4,420,252,000 approximately). One Chase Manhattan Plaza is a 60-storey, Grade A office building. The acquisition was undertaken to further develop the global investment business of the Group.

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.

47. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

(i) Acquisition of subsidiaries accounted for as business combination *(Continued)*

The fair values of the identifiable assets and liabilities of all the subsidiaries acquired during the year were as follows:

	2013 Fair value recognised on acquisition RMB'000
Property, plant and equipment (note 14)	809,379
Prepaid land lease payments (note 16)	251,351
Intangible assets (note 19)	679,492
Investment properties (note 15)	4,420,252
Deferred tax assets (note 28)	27,746
Cash and bank balances	358,377
Trade and notes receivables	227,940
Prepayments, deposits and other receivables	108,588
Inventories	213,362
Interest-bearing bank and other borrowings	(11,728)
Trade and notes payables	(257,580)
Accrued liabilities and other payables	(277,650)
Tax payable	(12,144)
Other long term payables	(24,693)
Deferred tax liabilities (note 28)	(235,420)
Non-controlling interests	(433,623)
Total identifiable net assets at fair value	5,833,836
Goodwill on acquisition (note 20)	1,324,081
	7,157,917
Satisfied by:	
Cash	6,950,587
Cash consideration unpaid	207,330
	7,157,917

47. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

(i) Acquisition of subsidiaries accounted for as business combination *(Continued)*

The fair values of the trade receivables and other receivables as at the dates of acquisition amounted to RMB227,940,000 and RMB108,588,000 respectively. The gross contractual amounts of trade receivables and other receivables were RMB227,940,000 and RMB110,738,000, respectively, of which other receivables of RMB2,150,000 are expected to be uncollectible.

The Group incurred transaction cost of RMB6,126,000 for this acquisition. These transaction cost have been expensed and are included in other expenses in the consolidated statement of profit or loss.

None of the goodwill recognised is expected to be deductible for income tax purposes.

Since the acquisition, the acquired subsidiaries contributed RMB1,073,256,000 to the Group's turnover and net profit of RMB147,668,000 to the consolidated profit for the year ended 31 December 2013.

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 2013 would have been RMB51,400,391,000 and RMB7,815,327,000, respectively.

(ii) Acquisition of subsidiaries not accounted for as business combination

The major acquisition of subsidiaries not accounted for as business combination is set out as follows:

On 31 August 2013, Forte, through its wholly-owned subsidiary Shanghai Forte Investment Management Co., Ltd. ("Forte Investment") acquired 99% equity interests in Shanghai Fuqi Investment Limited Partnership ("Shanghai Fuqi") at a consideration of RMB560,503,000. Before the acquisition, Forte Investment held 1% equity interests in Shanghai Fuqi and accounted for as the available-for-sale investment. The major assets of Shanghai Fuqi are its 32% equity interests in Shanghai Fuke Investment Co., Ltd.

The above acquisition has been accounted for as acquisition of assets in the Group's consolidated financial statements. The purchase cost of the Group is allocated to the assets and liabilities, respectively on the basis of their relative fair values at the date of purchase.

The allocation of the purchase cost on the basis of the relative fair values of the assets and liabilities acquired as at the date of the purchase are as follows:

	Allocation of purchase cost RMB'000
Cash and bank balances	3,464
Investment in an associate	88,501
Prepayments, deposits and other receivables	467,102
Other non-current assets	19,367
Properties under development	33,117
Total purchase costs	611,551
Satisfied by:	
Cash	595,292
Available-for-sale investments	5,000
Cash consideration unpaid	11,259
	611,551

47. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

(iii) An analysis of the cash flows in respect of the acquisition of subsidiaries as set out in (i) and (ii) above are as follows:

	RMB'000
Consideration settled by cash	(7,545,879)
Cash and bank balances acquired	361,841
	(7,184,038)
Payment of unpaid cash consideration as at 31 December 2012	(715,803)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(7,899,841)
Transaction costs of these acquisitions included in cash flows from operating activities	6,126
	(7,893,715)

(b) Disposal of subsidiaries

The major disposal during the year is set out as follows:

On 31 December 2013, Zhejiang Fuxing Commercial Co., Ltd. ("Zhejiang Fuxing"), a indirectly wholly owned subsidiary of the Company entered into an agreement with Mr. Zhao Hanzhong, one of the shareholder of Shanghai Star Equity Investment Co., Ltd. ("Shanghai Star Equity") and Shanghai Xingyi Investment Co., Ltd. ("Shanghai Xingyi"). According to the contract, Zhejiang Fuxing delegated all its voting rights on Shanghai Star Equity to Mr. Zhao Hanzhong and delegated all its voting rights on three subsidiaries, Shanghai Yihua Industry Co., Ltd., Shanghai Jiatou Industry Co., Ltd. and Shanghai Hengyi Industry Co., Ltd. to Shanghai Xingyi. Upon the date of the delegation, Zhejiang Fuxing was not able to control the operating and financial policies of these companies, and these companies ceased to be subsidiaries of the Group. The major assets of the disposed subsidiaries are investments in a series of entities principally engaged in the property development business. Upon the disposal of above subsidiaries, the Group accounted for the interest in those companies as available for sale investments as the Group neither remain control nor exercise significant influence over those companies.

47. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of subsidiaries *(Continued)*

The total net assets disposed of in respect of the disposal of the subsidiaries during the year were as follows:

	2013 RMB'000	2012 RMB'000
Net assets disposed of:		
Property, plant and equipment (note 14)	5,779	25,291
Prepaid land lease payments	—	2,652
Exploration and evaluation assets	—	5,000
Mining rights	—	199,972
Intangible assets (note 19)	1,790	—
Investment in joint ventures	1,748,463	—
Available-for-sale investments	67,620	—
Loans receivable	73,920	—
Deferred tax assets (note 28)	78,205	—
Properties under development	8,148,546	—
Cash and bank balances	453,372	127
Equity investments at fair value through profit or loss	7,000	—
Trade and notes receivables	13,380	1,680
Prepayments, deposits and other receivables	2,723,548	1,963
Inventories	—	16,447
Interest-bearing bank and other borrowings	(1,791,328)	—
Trade and notes payables	(1,323,858)	(82)
Accrued liabilities and other payables	(6,749,844)	(56,966)
Tax payable	(39,748)	—
Non-controlling interests	(2,347,332)	(59,925)
	1,069,513	136,159
Fair value of the retained interests in subsidiaries disposed of	(49,202)	—
Net gain on disposal of subsidiaries (note 6)	—	85,041
	1,020,311	221,200

47. ACQUISITION 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:

	2013 RMB'000	2012 RMB'000
Satisfied by:		
Cash	59,220	95,000
Available-for-sale investments	961,091	—
Other receivables	—	126,200
	1,020,311	221,200
Cash consideration	59,220	95,000
Cash and bank balances disposed of	(453,372)	(127)
Receipt of unreceived cash consideration for disposal in previous years	126,200	—
Net inflow of cash and cash equivalents included in cash flows from investing activities	(267,952)	94,873

48. SHARE-BASED PAYMENTS

Chindex Medical Limited ("CML") was established as at 31 December 2010 in which 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 for 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 2013, the equity-settled share-based payment expenses amounting to RMB9,707,000 (2012: RMB6,065,000) were recognised in the consolidated statement of profit or loss 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

	2013 RMB'000	2012 RMB'000
Within one year	668,920	90,325
In the second to fifth years, inclusive	962,075	123,316
Over five years	332,551	6,942
	1,943,546	220,583

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

	2013 RMB'000	2012 RMB'000
Within one year	83,651	114,500
In the second to fifth years, inclusive	245,377	227,319
Over five years	624,204	587,558
	953,232	929,377

Company

	2013 RMB'000	2012 RMB'000
Within one year	5,245	5,425
In the second to fifth years, inclusive	2,486	1,999
	7,731	7,424

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

	2013 RMB'000	2012 RMB'000
Contracted, but not provided for:		
Plant and machinery	**1,430,424**	1,369,301
Properties under development	**4,749,842**	5,489,243
Intangible assets	**—**	239
Investments	**186,382**	1,124,079
	6,366,648	7,982,862

	2013 RMB'000	2012 RMB'000
Authorised, but not contracted for:		
Plant and machinery	**232,540**	158,705
Investments	**89,493**	474,321
	322,033	633,026

Company

	2013 RMB'000	2012 RMB'000
Authorised, but not contracted for:		
Investments	**—**	474,321

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

Group

	2013 RMB'000	2012 RMB'000
Contracted but not provided for:		
Properties under development	**1,073,761**	203,374

51. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the end of the reporting period:

	2013 RMB'000	2012 RMB'000
Guaranteed bank loans of:		
Related parties (note 52)	**570,000**	1,318,000
Third parties	**123,400**	123,400
	693,400	1,441,400
Qualified buyers' mortgage loans*	**2,473,034**	2,823,560
	3,166,434	4,264,960

* As at 31 December 2013, the Group provided guarantees of approximately RMB2,473,034,000 (31 December 2012: RMB2,823,560,000) 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	2013 RMB'000	2012 RMB'000
Sales of goods			
Sinopharm Group Co. Ltd. (Note 7)	Sales of pharmaceutical products	570,052	385,567
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd. (Notes 3 & 7)	Sales of utility	53,786	67,553
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd. (Notes 3 & 7)	Sales of scrap material	59,769	59,333
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (Notes 2, 7 & 17)	Sales of pharmaceutical products	22,750	19,222
Shanghai Lianhua Fosun Pharmacy Chain Operation Co., Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	18,201	18,821
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	8,055	6,492
Suzhou Laishi Transfusion Equipment Co., Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	6,642	9,291
Shanghai Yaofang Co., Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	4,565	7,580
Shanghai Huifeng Forme Pharmacy Co., Ltd. (Notes 3 & 7)	Sales of pharmaceutical products	3,517	4,962
Shanghai Liyi Pharmacy Co., Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	1,868	2,158
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development Ltd. (Notes 3 & 7)	Sales of pharmaceutical products	1,832	—
Guilin Auspicious Pharmaceutical Industrial Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	549	1,273
Hunan Time Sun Pharmaceutical Co., Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	427	—
Total sales of goods		752,013	582,252

52. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2013 RMB'000	2012 RMB'000
Purchases of goods			
Sinopharm Group Co. Ltd. (Note 7)	Purchases of pharmaceutical products	136,262	165,865
Suzhou Laishi Transfusion Equipment Co., Ltd. (Notes 2 & 7)	Purchases of pharmaceutical products	15,282	21,697
Tongjitang Chinese Medicines Company (Notes 5 & 7)	Purchases of pharmaceutical products	13,272	12,097
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd. (Notes 2 & 7)	Purchases of pharmaceutical products	8,302	12,950
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (Notes 2, 7 & 17)	Purchases of pharmaceutical products	5,537	8,749
Shanghai Yaofang Co., Ltd. (Notes 2 & 7)	Purchases of pharmaceutical products	3,011	4,752
SD Biosensor, INC. (Notes 2 & 7)	Purchases of pharmaceutical products	669	—
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd. (Notes 3 & 7)	Purchases of iron ore products	285	—
Fosium Innovations (Shanghai) Co., Ltd. (Notes 3 & 7)	Purchases of pharmaceutical ore products	215	—
Hainan Haigang Group Co., Ltd. (Notes 4, 7 & 18)	Purchases of low grade ore products	—	732,451
Hainan Haigang Group Co., Ltd. (Notes 4, 7 & 17)	Purchases of iron ore products	—	22,789
Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd. (Notes 2 & 7)	Purchases of coking coal products	—	5,978
Total purchases of goods		182,835	987,328
Transfer of biological assets			
Hainan Haigang Group Co., Ltd. (Notes 4, 7 & 17)	Transfer of biological assets	—	12,875

52. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2013 RMB'000	2012 RMB'000
Service income			
Shanghai Xingyao Real Estate Development Co., Ltd. (Notes 3 & 8)	Consulting services provided to the related company	42,000	—
Harbin Xinghao Real Estate Development Co., Ltd. (Notes 6 & 8)	Consulting services provided to the related company	21,000	29,400
Yantai Xingyi Properties Co., Ltd. (Notes 3 & 8)	Consulting services provided to the related company	20,452	—
Harbin Xingheng Real Estate Development Co., Ltd. (Notes 6 & 8)	Consulting services provided to the related company	20,000	—
Harbin Xinghan Real Estate Development Co., Ltd. (Notes 6 & 8)	Consulting services provided to the related company	18,000	—
Fuyang Furun Property Co., Ltd. (Notes 3 & 8)	Consulting services provided to the related company	7,148	—
Shanghai Yinping Investment Management Co., Ltd. (Notes 2 & 8)	Consulting services provided to the related company	2,133	—
Wuhu XingYan Properties Co., Ltd. (Notes 3 & 8)	Consulting services provided to the related company	1,218	—
Shanghai Fuxin Real Estate Development Co., Ltd. (Notes 2 & 8)	Consulting services provided to the related company	385	—
Total service income		132,336	29,400
Interest income			
Haizhimen (Notes 3 & 10)	Interest income	274,276	451,572
Shanxi Jianqin Real Estate Development Co., Ltd. (Notes 3 & 10)	Interest income	58,984	56,305
Harbin Xinghao Real Estate Development Co., Ltd. (Notes 6 & 10)	Interest income	7,303	5,775
Wuhu Xingshuo Investment Co., Ltd. (Notes 3 & 10)	Interest income	3,501	—

52. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2013 RMB'000	2012 RMB'000
Interest income *(Continued)*			
Yantai Xingyi Properties Co., Ltd. (Notes 3 & 10)	Interest income	2,200	—
Nanjing Dahua Investment Development Co., Ltd. (Notes 2 & 10)	Interest income	4,248	3,471
Fuyang Furun Property Co., Ltd. (Notes 3 & 10)	Interest income	1,472	—
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 2 & 10)	Interest income	—	367
Total interest income		351,984	517,490
Rental Income			
Nanjing Xinwu Shipping Co., Ltd. (Notes 2 & 8)	Operating lease in respect of office buildings leased to the related company	1,806	—
Fuyang Furun Property Co., Ltd. (Notes 3 & 8)	Operating lease in respect of office buildings leased to the related company	739	—
Fosium Innovations (Shanghai) Co., Ltd. (Notes 3 & 8)	Operating lease in respect of office buildings leased to the related company	517	—
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development Ltd. (Notes 3 & 8)	Operating lease in respect of office buildings leased to the related company	98	—
Guilin Auspicious Pharmaceutical Industrial Co., Ltd. (Notes 2 & 8)	Operating lease in respect of office buildings leased to the related company	52	—
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (Notes 2, 8 & 17)	Operating lease in respect of office buildings leased to the related company	40	—
Total rental income		3,252	—

52. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2013 RMB'000	2012 RMB'000
Interest expense			
Shanghai Yuyuan Mart Real Estate Development Co., Ltd. (Notes 2, 10 & 17)	Interest expense	—	20,017
Interest paid for deposits from related parties			
Shanghai Xingjue Investment Management Co., Ltd. (Notes 6 & 15)	Interest paid for deposits	4,713	860
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 4, 15 & 17)	Interest paid for deposits	1,612	1,095
Shanghai Zendai Bund Int'l Finance Center Real Estate Co., Ltd. (Notes 3 & 15)	Interest paid for deposits	268	—
Chongqing Langfu Properties Co., Ltd. (Notes 2 & 15)	Interest paid for deposits	128	—
Shanxi Jianqin Real Estate Development Co., Ltd. (Notes 3 & 15)	Interest paid for deposits	96	—
Yantai Xingyi Properties Co., Ltd. (Notes 3 & 15)	Interest paid for deposits	52	—
Fuyang Furun Property Co., Ltd. (Notes 3 & 15)	Interest paid for deposits	1	—
Total interest paid for deposits from related parties		6,870	1,955

52. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2013 RMB'000	2012 RMB'000
Other expenses			
Nanjing Xinwu Shipping Co., Ltd. (Notes 2 & 9)	Transportation fees	93,918	99,083
Hainan Haigang Group Co., Ltd. (Notes 4, 9 & 17)	Operating lease in respect of land leased from the related company	16,520	16,789
Shanghai Foreal Property Management Co., Ltd. (Notes 2, 9 & 17)	Property management services provided by the related company	10,253	15,091
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (Notes 2, 9 & 17)	Operating lease in respect of office buildings leased from the related company	3,705	2,662
Total other expenses		124,396	133,625
Underlying notional interest of loans from related companies			
Wuxi Forte Real Estate Development Co., Ltd. (Notes 3 & 12)	Notional interest	6,227	5,856
Loans from related companies			
Shanghai Yuyuan Mart Real Estate Development Co., Ltd. (Notes 2, 10 & 17)	Loan provided by the related company	—	618,000
Wuxi Forte Real Estate Development Co., Ltd. (Notes 3, 10 & 13)	Loan provided by the related company	100,000	65,000
Nanjing Iron & Steel (Group) Co., Ltd. (Notes 4, 10 & 17)	Loan provided by the related company	—	50,000
Total loans from related companies		100,000	733,000

52. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2013 RMB'000	2012 RMB'000
Deposits from related companies			
Shanghai Xingjue Investment Management Co., Ltd. (Notes 6 & 15)	Deposits from the related company	615,085	789,726
Shanghai Zendai Bund International Finance Center Real Estate Co., Ltd. (Notes 3 & 15)	Deposits from the related company	363,568	—
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 2, 15 & 17)	Deposits from the related company	147,107	149,488
Chongqing Langfu Properties Co., Ltd. (Notes 2 & 15)	Deposits from the related company	28,918	—
Shanxi Jianqin Real Estate Development Co., Ltd. (Notes 3 & 15)	Deposits from the related company	20,076	—
Yantai Xingyi Properties Co. Ltd. (Notes 3 & 15)	Deposits from the related company	3,562	—
Fuyang Furun Property Co., Ltd. (Notes 3 & 15)	Deposits from the related company	1,680	—
Sichuan Huanglong Forte Real Estate Development Co., Ltd. (Notes 3 & 15)	Deposits from the related company	387	—
Total deposits from related companies		1,180,383	939,214
Guarantees of bank loans			
Sichuan Forte Huanglong Property Development Co., Ltd. (Notes 3 & 11)	Guarantees granted for bank loans of the related company	300,000	150,000
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd. (Notes 3 & 11)	Guarantees granted for bank loans of the related company	90,000	140,000
Fuyang Furun Property Co., Ltd. (Notes 2 & 11)	Guarantees granted for bank loans of the related company	100,000	—
Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd. (Notes 2 & 11)	Guarantees granted for bank loans of the related company	50,000	150,000
Nanjing Xinwu Shipping Co., Ltd. (Notes 2 & 11)	Guarantees granted for bank loans of the related company	30,000	60,000

52. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2013 RMB'000	2012 RMB'000
Guarantees of bank loans *(Continued)*			
Beijing Hehua Property Development Co., Ltd. (Notes 2 & 11)	Guarantees granted for bank loans of the related company	—	518,000
Tianjin Jianlong Iron & Steel Industrial Co., Ltd. (Notes 2 & 11)	Guarantees granted for bank loans of the related company	—	300,000
Nanjing Iron & Steel (Group) Co., Ltd. (Notes 4, 11 & 17)	Bank loans guaranteed by the related company	1,289,111	1,110,640
Fosun Holdings Limited (Notes 1, 11 & 17)	Bank loans guaranteed by the related company	1,280,349	1,382,810
Total loans guaranteed		3,139,460	3,811,450
Loans to related companies			
Shanxi Jianqin Real Estate Development Co., Ltd. (Notes 3, 10 & 14)	Entrusted loan provided to the related company	700,000	—
Fuyang Furun Property Co., Ltd. (Notes 3, 10 & 14)	Entrusted loan provided to the related company	100,000	—
Yantai Xingyi Properties Co., Ltd. (Notes 3, 10 & 14)	Entrusted loan provided to the related company	80,000	—
Wuhu Xingshuo Investment Co., Ltd. (Notes 3, 10 & 14)	Entrusted loan provided to the related company	75,000	—
Haizhimen (Notes 2, 10 & 14)	Shareholder loan provided to the related company	—	254,931
Harbin Xinghao Real Estate Development Co., Ltd. (Notes 6 & 10)	Entrusted loan provided to the related company	—	160,000
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 2, 10 & 17)	Loan provided to the related company	—	150,000
Total loans to related companies		955,000	564,931

Notes:

(1) It is the holding company of the Group.

(2) They are associates of the Group.

(3) They are joint ventures of the Group.

(4) They are non-controlling shareholders of the subsidiaries of the Group.

52. RELATED PARTY TRANSACTIONS *(Continued)*

Notes: *(Continued)*

(5) They were associates of the Group in 2013, but disposed at 31 December 2013.

(6) They were joint ventures of the Group in 2013. But as the disposal as set out in note 47(b), they ceased to be joint ventures of the Group on 31 December 2013.

(7) 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.

(8) The directors consider that the income for consulting services, sales agency services and rental were determined based on prices available to third party customers.

(9) The directors consider that the fees for property management services, transportation services and leasing paid to the related companies were determined based on prices available to third party customers of the related companies.

(10) 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.

(11) The bank loans were guaranteed by the related companies free of charge. The guarantees were given by the Group for bank loans of the related companies free of charge.

(12) 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 2014 as set out in note 38 to the financial statements. The corresponding notional interest for the year ended 31 December 2013 amounted to approximately RMB6,277,000 (2012: RMB5,856,000).

(13) The entrusted bank loan in the amount of RMB100,000,000 is provided by Wuxi Forte Real Estate Development Co., Ltd. The entrusted loan bears interest at a rate of 3.25% per annum and the maturity date is 13 November 2014. The balance of loans from Wuxi Forte Real Estate Development Co., Ltd was RMB100,000,000 as set out in note 38 to financial statements.

(14) The balances of shareholders' loans provided to Haizhimen as at 31 December 2013 were RMB2,892,249,000 and RMB1,837,084,000 as set out in note 22 and note 26 to the financial statements respectively.

The balances of entrusted loans provided to Shanxi Jianqin Real Estate Development Co., Ltd. as at 31 December 2013 was RMB700,000,000 as set out in note 26 to the financial statements.

The balance of an entrusted loan provided to Fuyang Furun Property Co., Ltd. as at 31 December 2013 was RMB100,000,000 as set out in note 26 to the financial statements.

Both of the loans provided to Wuhu Xingshuo Investment Co., Ltd. and Yantai Xingyi Properties Co., Ltd. amounting to RMB75,000,000 and RMB80,000,000 were collected as at 31 December 2013.

(15) Interests paid for deposits from related parties represent the interests paid for deposits placed by related parties in the Finance Company, a subsidiary of the Group. The deposits from related parties carry interests which are determined in accordance with the benchmark deposit interest rate of PBC and the prevailing market deposit interest rate. The deposits will be repaid upon demand of the related parties.

(16) Compensation of key management personnel of the Group:

	2013	2012
	RMB'000	RMB'000
Short-term employee benefits	**39,081**	46,737
Pension scheme contributions	**336**	315
Total compensation paid to key management personnel	**39,417**	47,052

(17) These transactions constitute connected transaction or 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.

(18) This transaction constitutes connected transaction under chapter 14A of the Listing Rules. The Group confirmed that it has compiled with the disclosure requirements in accordance with chapter 14A of the Listing Rules in respect of this transaction.

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:

2013 Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading RMB'000	Loans and receivables RMB'000	Available-for-sale financial investments RMB'000	Total RMB'000
Available-for-sale investments	—	—	10,050,291	10,050,291
Loans receivable	—	3,261,103	—	3,261,103
Cash and bank balances	—	16,387,191	—	16,387,191
Equity investments at fair value through profit or loss	13,465,979	—	—	13,465,979
Trade and notes receivables	—	4,684,199	—	4,684,199
Financial assets included in prepayments, deposits and other receivables (note 32)	—	4,893,723	—	4,893,723
Due from related companies	—	3,175,550	—	3,175,550
	13,465,979	32,401,766	10,050,291	55,918,036

Financial liabilities

	Financial liabilities at fair value through profit or loss - Designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	66,568,264	66,568,264
Convertible bonds	—	2,319,675	2,319,675
Loans from related companies	—	196,477	196,477
Trade and notes payables	—	14,928,283	14,928,283
Financial liabilities included in accrued liabilities and other payables (note 40)	—	9,580,005	9,580,005
Due to related companies and the holding company	—	5,694,824	5,694,824
Deposit from customers	—	1,636,739	1,636,739
Financial liabilities included in other long-term payables(note 44)	99,804*	2,928,187	3,027,991
Finance lease payables	—	89,672	89,672
	99,804	103,942,126	104,041,930

* The amount includes the share redemption option granted to non-controlling shareholders of a subsidiary amounting to RMB44,364,000, of which fair value change is recognised in other reserve due to the nature of equity transaction with non-controlling shareholder of a subsidiary of the Group.

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)*

2012 Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading RMB'000	Loans and receivables RMB'000	Available-for-sale financial investments RMB'000	Total RMB'000
Available-for-sale investments	—	—	7,382,891	7,382,891
Loans receivable	—	2,751,338	—	2,751,338
Cash and bank balances	—	22,088,468	—	22,088,468
Equity investments at fair value through profit or loss	10,656,075	—	—	10,656,075
Trade and notes receivables	—	5,600,118	—	5,600,118
Financial assets included in prepayments, deposits and other receivables (note 32)	—	2,574,606	—	2,574,606
Due from related companies	—	3,118,450	—	3,118,450
	10,656,075	36,132,980	7,382,891	54,171,946

Financial liabilities

	Financial liabilities at fair value through profit or loss - Designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	56,697,346	56,697,346
Loans from related companies	—	205,250	205,250
Trade and notes payables	—	15,626,765	15,626,765
Financial liabilities included in accrued liabilities and other payables (note 40)	—	9,851,055	9,851,055
Due to related companies and the holding company	502,251	5,306,475	5,808,726
Deposit from customers	—	939,214	939,214
Financial liabilities include in other long-term payables (note 44)	68,138	375,662	443,800
Finance lease payables	—	125,422	125,422
	570,389	89,127,189	89,697,578

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)*

2013 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	4,805,031	—	4,805,031
Cash and bank balances	—	519,361	519,361
Financial assets included in prepayments, deposits and other receivables (note 32)	—	11,655	11,655
Due from related companies	—	3,048	3,048
Due from subsidiaries	—	19,083,808	19,083,808
	4,805,031	19,617,872	24,422,903

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in accrued liabilities and other payables (note 40)	45,533
Interest-bearing bank and other borrowings	6,163,164
Due to the holding company	3,144,864
Due to subsidiaries	3,140,013
	12,493,574

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)*

2012 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	7,171,355	—	7,171,355
Cash and bank balances	—	176,428	176,428
Financial assets included in prepayments, deposits and other receivables (note 32)	—	5,558	5,558
Due from related companies	—	3,087	3,087
Due from subsidiaries	—	11,561,761	11,561,761
	7,171,355	11,746,834	18,918,189

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in accrued liabilities and other payables (note 40)	53,376
Interest-bearing bank and other borrowings	6,631,180
Due to the holding company	2,440,986
	9,125,542

54. TRANSFERS OF FINANCIAL ASSETS

At 31 December 2013, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Endorsed Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with an aggregate carrying amount of RMB1,556,378,000 (2012: RMB10,899,777,000). In addition, the Group discounted certain bills receivable accepted by banks in the PRC (the "Discounted Bills"), to certain banks to finance its operating cash flow with an aggregate carrying amount of RMB1,556,376,000 (2012: RMB1,274,852,000). The Endorsed Bills and the Discounted Bills had a maturity from one to six months at the end of the reporting period. In accordance with the relevant laws and regulations in the PRC and relevant discounting arrangement with certain banks, the holders of the Endorsed Bills and the Discounted Bills have a right of recourse against the Group if the accepting banks default (the "Continuing Involvement").

In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Endorsed Bills and the Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Endorsed Bills and the Discounted Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills and the undiscounted cash flows to repurchase these Endorsed Bills and Discounted Bills equal to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills are not significant.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Endorsed Bills and the Discounted Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement and the discount have been made evenly throughout the year.

55. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts		Fair values	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Financial assets				
Available-for-sale investments	**3,875,800**	2,674,181	**3,875,800**	2,674,181
Loans receivable (non-current portion)	**3,161,103**	1,944,236	**3,161,103**	1,944,236
Equity investments at fair value through profit or loss	**13,465,979**	10,656,075	**13,465,979**	10,656,075
	20,502,882	15,274,492	**20,502,882**	15,274,492
Financial liabilities				
Interest-bearing bank and other borrowings	**66,568,264**	56,697,346	**67,190,011**	56,950,813
Convertible bonds	**2,319,675**	—	**3,051,095**	—
Due to related companies (non-current portion)	**157,851**	1,013,120	**157,851**	1,013,120
Financial liabilities included in other long-term payables	**3,027,991**	443,800	**3,027,991**	443,800
Finance lease payables	**89,672**	125,422	**89,672**	125,422
Loans from related companies (non-current portion)	**—**	90,250	**—**	90,250
	72,163,453	58,369,938	**73,516,620**	58,623,405

55. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows: *(Continued)*

Company

	Carrying amounts		Fair values	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Equity investments at fair value through profit or loss	**4,805,031**	7,171,355	**4,805,031**	7,171,355
Financial liabilities				
Interest-bearing bank and other borrowings	**6,163,164**	6,631,180	**6,239,966**	6,789,178

Management has assessed that the fair values of cash and cash equivalents, trade and notes receivables, trade and notes payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, current portion of amounts due from related companies and amount due to related companies and the holding company approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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:

The fair values of the non-current portion of due to related companies, financial liabilities included in other long term payables, loan from related companies, finance lease payables and non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for non-current portion of due to related companies, financial liabilities included in other long term payables, loan from related companies, finance lease payables and non-current portion of interest-bearing bank and other borrowings as at 31 December 2013 was assessed to be insignificant. The fair value of the convertible bonds is based on the quoted market price which represents the fair value for both the liability and equity component of the convertible bonds.

The fair values of listed equity investments without a lock-up period are based on quoted market prices. The fair values of listed equity investments with a lock-up period have been estimated based on assumptions that are supported by observable market prices and discount for lack of marketability. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income or profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

As at 31 December 2013, the fair value information has not been disclosed for certain available-for-sale investments in equity instruments that do not have a quoted market price in an active market and are measured at cost less any impairment because their fair value cannot be measured reliably. The reason why the fair value cannot be measured reliably is because that the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The carrying amount of these available-for-sale investments is RMB6,174,491,000 (31 December 2012: RMB4,708,710,000). All of them are unlisted equity investments in China, North America and other countries held by the Group, which are intended to be disposed by the Group after getting listed in the designated stock exchange in the future.

During the year ended 31 December 2013, the available-for-sale investments whose fair value could not be reliably measured with carrying amount of RMB191,664,000 were derecognised and the relevant gain on disposal amounted to RMB15,145,000 was recognized in the consolidated statement of profit or loss.

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31 December 2013:

55. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Company *(Continued)*

As part of the purchases agreement, contingent consideration included in other long-term liabilities is payable, which is dependent on the amount of profit after tax of Chancheng Hospital during the 24-month period subsequent to the acquisition. The amount recognised as at 31 December 2013 was RMB55,440,000 which was determined using the discounted cash flow model and is under Level 3 fair value measurement. The consideration is due for final measurement and payment to the former shareholders in 2015 and 2016. At the date of approval of these financial statements, no further significant changes to the consideration are expected.

Significant unobservable valuation inputs for the fair value measurement of contingent consideration are as follows:

Projected profit after tax of Chancheng Hospital	not below RMB108,000,000 in 2014 and RMB129,600,000 in 2015
Discount rate	—
Discount for own non-performance risk	—

A significant decrease in the profit after tax of Chancheng Hospital would result in a significant decrease in the fair value of the contingent consideration liability.

Significant unobservable valuation input for the share redemption option granted to non-controlling shareholders of a subsidiary included in other long-term liabilities is EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) of Alma Lasers in 2013 and cash and bank balances of Alma Lasers as at 31 December 2013.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's 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 2013

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Available-for-sale investments:				
Equity investments (note 24)	2,246,697	405,999	—	2,652,696
Debt investments (note 24)	1,223,104	—	—	1,223,104
Equity investments at fair value through profit or loss	13,465,979	—	—	13,465,979
	16,935,780	405,999	—	17,341,779

55. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Assets measured at fair value: *(Continued)*

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Available-for-sale investments:				
Equity investments (note 24)	1,729,254	944,927	—	2,674,181
Equity investments at fair value through profit or loss	10,656,075	—	—	10,656,075
	12,385,329	944,927	—	13,330,256

Company

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	**Significant observable inputs Level 2 RMB'000**	**Significant unobservable inputs Level 3 RMB'000**	**Total RMB'000**
Equity investments at fair value through profit or loss	**4,805,031**	**—**	**—**	**4,805,031**

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	7,171,355	—	—	7,171,355

During the year, fair value of the available for sale investments in level 2 as at 31 December 2012 amounted to RMB287,829,000 were transferred out to level 1 due to the end of the lock up period for these equity investments in 2013. During the year, there were no transfers of fair value measurement into or out of Level 3 for both financial assets and financial liabilities.

55. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Assets for which fair values are disclosed:

Group

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Loans receivable (non-current portion)	**—**	**3,161,103**	**—**	**3,161,103**

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Loans receivable (non-current portion)	—	1,944,236	—	1,944,236

The Company did not have financial assets for which fair values are disclosed as at 31 December 2013 (31 December 2012: Nil).

55. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities measured at fair value:

Group

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Financial liabilities included in other long-term payables	—	—	99,804	99,804

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Due to related companies	—	—	502,251	502,251
Financial liabilities included in other long-term payables	—	—	68,138	68,138
	—	—	570,389	570,389

The Company did not have any financial liabilities measured at fair value as at 31 December 2013 (31 December 2012: Nil).

The movements in fair value measurements in Level 3 during the year are as follows:

	2013 RMB'000	2012 RMB'000
Amounts included in other long-term payables and due to related companies:		
At 1 January	570,389	312,636
Total losses recognised in the statement of profit or loss included in finance costs	22,109	11,055
Addition	55,440	323,138
Reclassification	(548,134)	(76,440)
At 31 December	99,804	570,389

55. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities for which fair values are disclosed:

Group

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	16,387,166	50,802,845	—	67,190,011
Convertible bonds	3,051,095	—		3,051,095
Due to related companies (non-current portion)	—	157,851	—	157,851
Financial liabilities included in other long-term payables	—	2,928,187	—	2,928,187
Finance lease payables	—	89,672	—	89,672
	19,438,261	53,978,555	—	73,416,816

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	12,894,884	44,055,929	—	56,950,813
Loans from related companies (non-current portion)	—	90,250	—	90,250
Due to related companies (non-current portion)	—	510,869	—	510,869
Financial liabilities included in other long-term payables	—	375,662	—	375,662
Finance lease payables	—	125,422	—	125,422
	12,894,884	45,158,132	—	58,053,016

55. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities for which fair values are disclosed: *(Continued)*

Company

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	**1,909,218**	**4,330,748**	**—**	**6,239,966**
	1,909,218	**4,330,748**	**—**	**6,239,966**

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	1,951,531	4,837,647	—	6,789,178
	1,951,531	4,837,647	—	6,789,178

56. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and other borrowings, finance lease payables, due from/to related companies, loan receivable and loan from related companies 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, trade and notes payables and deposit from customers, which arise directly from its 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.

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 2013, approximately 46% (2012: 34%) 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).

56. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk *(Continued)*

Group:

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2013	**75**	**(122,267)**
	(25)	**40,756**
2012	75	(154,313)
	(25)	51,438

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 United States dollar and Hong Kong dollar exchange rates, with all other variables held constant, of the Group's profit before tax due to differences arising on settlement or translation of monetary assets and liabilities and the Group's equity excluding the impact of retained earnings due to the changes of exchange fluctuation reserve of certain overseas subsidiaries, of which the functional currencies are currencies other than RMB.

Group:

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000
2013		
If RMB weakens against the United States dollar	**5**	**(753,441)**
If RMB strengthens against the United States dollar	**(5)**	**753,441**
If RMB weakens against the Hong Kong dollar	**5**	**(104,313)**
If RMB strengthens against the Hong Kong dollar	**(5)**	**104,313**
2012		
If RMB weakens against the United States dollar	5	(421,239)
If RMB strengthens against the United States dollar	(5)	421,239
If RMB weakens against the Hong Kong dollar	5	(7,962)
If RMB strengthens against the Hong Kong dollar	(5)	7,962

56. 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, available-for-sale investments, equity investments at fair value through profit or loss, loan receivables, 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 31 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 interest-bearing loans and other borrowings and loan from related companies. The Group's policy is that not more than 80% of the borrowings should mature in any 12-month period. 45% (2012: 48%) of the Group's debts would mature in less than one year as at 31 December 2013 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 payments, is as follows:

2013 Group

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	31,539,941	37,322,433	3,807,051	72,669,425
Convertible bonds	—	—	3,477,646	—	3,477,646
Loans from related companies	—	196,477	—	—	196,477
Trade and notes payables	1,185,649	13,742,634	—	—	14,928,283
Due to related companies and the holding company	5,536,973	—	176,404	—	5,713,377
Financial liabilities included in accrued liabilities and other payables	4,807,307	4,772,698	—	—	9,580,005
Other long-term payables	—	—	3,027,991	—	3,027,991
Finance lease payables	—	46,587	43,085	—	89,672
	11,529,929	50,298,337	44,047,559	3,807,051	109,682,876

56. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

2012 Group

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	26,717,695	29,532,442	6,196,462	62,446,599
Loans from related companies	—	115,000	125,014	—	240,014
Trade and notes payables	5,136,308	10,490,457	—	—	15,626,765
Due to related companies and the holding company	5,087,999	678,088	1,087,580	—	6,853,667
Financial liabilities included in accrued liabilities and other payables	8,891,267	959,788	—	—	9,851,055
Other long-term payables	—	—	443,800	—	443,800
Finance lease payables	—	41,981	83,441	—	125,422
	19,115,574	39,003,009	31,272,277	6,196,462	95,587,322

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 52.

2013 Company

	On demand RMB'000	**Less than 1 year RMB'000**	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings	**—**	**1,874,025**	**4,763,904**	**—**	**6,637,929**
Due to the holding company	**3,144,864**	**—**	**—**	**—**	**3,144,864**
Due to subsidiaries	**3,140,013**	**—**	**—**	**—**	**3,140,013**
Financial liabilities included in accrued liabilities and other payables	**45,533**	**—**	**—**	**—**	**45,533**
	6,330,410	**1,874,025**	**4,763,904**	**—**	**12,968,339**

2012 Company

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	866,773	6,447,161	—	7,313,934
Due to the holding company	2,440,986	—	—	—	2,440,986
Financial liabilities included in accrued liabilities and other payables	53,376	—	—	—	53,376
	2,494,362	866,773	6,447,161	—	9,808,296

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 equity investments at fair value through profit or loss (note 30) and available-for-sale investments measured at fair value (note 24) as at 31 December 2013. The Group's listed investments are listed on Stock Exchange of Hong Kong, Shenzhen, Shanghai, NASDAQ, Athens, Tokyo and other European countries are valued at quoted market prices at the end of the reporting period.

56. 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 statement of profit or loss.

		Carrying amount of equity investments RMB'000	Increase in profit before tax RMB'000	Increase in equity RMB'000*
2013 Group				
Investments listed in:				
Hong Kong	– Available-for-sale	206,752	—	10,338
	– Held-for-trading	5,561,544	278,077	—
Shenzhen	– Available-for-sale	1,436,252	—	71,813
	– Held-for-trading	—	—	—
Shanghai	– Available-for-sale	674,184	—	33,709
	– Held-for-trading	4,148,031	207,402	—
United States	– Available-for-sale	335,508	—	16,775
	– Held-for-trading	1,825,218	91,261	—
Europe	– Available-for-sale	—	—	—
	– Held-for-trading	1,838,625	91,931	—
Japan	– Available-for-sale	—	—	—
	– Held-for-trading	92,561	4,628	—

* Excluding retained profits

		Carrying amount of equity investments RMB'000	Increase in profit before tax RMB'000	Increase in equity RMB'000*
2012 Group				
Investments listed in:				
Hong Kong	– Available-for-sale	172,498	—	8,625
	– Held-for-trading	2,599,442	129,972	—
Shenzhen	– Available-for-sale	908,358	—	45,418
	– Held-for-trading	—	—	—
Shanghai	– Available-for-sale	1,320,262	—	66,013
	– Held-for-trading	2,304,364	115,218	—
United States	– Available-for-sale	273,063	—	13,653
	– Held-for-trading	4,626,351	231,318	—
Europe	– Held-for-trading	1,125,918	56,296	—

* Excluding retained profits

56. 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
2013 Company				
Investments listed in:				
Hong Kong	– Held-for-trading	4,242,921	212,146	—
United States	– Held-for-trading	562,110	28,106	—
2012 Company				
Investments listed in:				
Hong Kong	– Held-for-trading	2,058,249	102,912	—
United States	– Held-for-trading	4,396,344	219,817	—
Europe	– Held-for-trading	716,762	35,838	—

* Excluding retained profit.

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 2013 and 31 December 2012.

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, convertible bonds, the liability component 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 end of the reporting periods were as follows:

Group

	2013 RMB'000	2012 RMB'000
Interest-bearing bank and other borrowings	**66,568,264**	56,697,346
Loans from related companies	**196,477**	205,250
Convertible bonds, the liability component	**2,319,675**	—
Less: Cash and cash equivalents	**(12,501,071)**	(19,196,603)
Net debt	**56,583,345**	37,705,993
Total equity	**61,299,829**	57,218,396
Total equity and net debt	**117,883,174**	94,925,389
Gearing ratio	**48%**	40%

57. EVENTS AFTER THE REPORTING PERIOD

(a) On 7 February 2014, Millennium Gain Limited (an indirect wholly owned subsidiary of the Company) and the Company entered into the Direct Reference Sale Agreement with Caixa Geral de Depósitos S.A. ("CGD", an state-owned bank in Portugal) and Caixa Seguros e Saúde, SGPS, S.A ("CSS", an direct wholly owned subsidiary of CGD), to acquire each of the 80% of the share capital and voting rights of Fidelidade – Companhia de Seguros, S.A. ("Fidelidade"), Multicare - Seguros de Saúde, S.A. ("Multicare"), and Cares - Companhia de Seguros, S.A. (collectively referred as the "Insurance Companies"), all of which are wholly-owned subsidiaries of CSS for an aggregate consideration of Euro 1 billion (the "Acquisition") in order to expand the global insurance business of the Group. The consideration is subject to further adjustment based on the Insurance Companies' asset variations between 30 June 2013 and the end of the month prior to the completion of the Acquisition. The Acquisition is subject to the approval of the regulatory body of Portugal, which has not been completed by the date of this announcement.

(b) On 28 February 2014, Shanghai Pingrun Investment Management Co., Ltd. ("Pingrun Investment"), an indirect subsidiary of the Company and Shanghai Fosun Chuanghong Equity Investment Fund Partnership (L.P.) ("Fosun Chuanghong", a fund managed by the Group) entered into a share subscription agreement with Beijing Sanyuan Foods Co., Ltd. ("Sanyuan", whose A shares are listed on the Shanghai Stock Exchange) regarding a private placement by Sanyuan of A shares (the "Subscription Agreement").

Pursuant to the Subscription Agreement, Pinrun Investment and Fosun Chuanghong will subscribe 249,617,151 and 56,661,562 ordinary A Shares (the "A share") of Sanyuan at a subscription price of RMB6.53 per A Share. The total consideration will be RMB1,630,000,000 and RMB370,000,000 approximately for Pinrun Investment and Fosun Chuanghong respectively. Upon the completion of the subscription, Pingrun Investment and Fosun Chuanghong will hold approximately 16.67% and 3.78% of the enlarged number of issued shares of Sanyuan respectively.

The completion of the subscription is subject to the fulfilment of certain condition precedents, including, among others, the approval by the shareholders at the general meeting of Sanyuan.

58. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

59. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2014.

INDEPENDENT AUDITORS' REPORT

Ernst & Young
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Tel: +852 2846 9888
Fax: +852 2868 4432
www.ey.com

安永會計師事務所
香港中環添美道1號
中信大廈22樓

電話: +852 2846 9888
傳真: +852 2868 4432

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 71 to 189, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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 2012, 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 & Young
Certified Public Accountants

Hong Kong
26 March 2013

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
REVENUE	6	**51,764,746**	56,816,215
Cost of sales		**(42,439,678)**	(46,249,903)
Gross profit		**9,325,068**	10,566,312
Other income and gains	6	**5,295,763**	4,111,783
Selling and distribution expenses		**(2,449,870)**	(2,122,999)
Administrative expenses		**(3,328,291)**	(2,871,202)
Other expenses		**(1,034,870)**	(1,989,955)
Finance costs	7	**(2,773,661)**	(2,381,748)
Share of profits and losses of:			
Jointly-controlled entities	22	**69,077**	32,076
Associates		**1,174,777**	1,538,827
PROFIT BEFORE TAX	8	**6,277,993**	6,883,094
Tax	10	**(1,334,085)**	(1,818,370)
PROFIT FOR THE YEAR		**4,943,908**	5,064,724
Attributable to:			
Owners of the parent	44	**3,707,201**	3,403,605
Non-controlling interests		**1,236,707**	1,661,119
		4,943,908	5,064,724
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT – Basic and diluted (RMB)	13	**0.58**	0.53

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 2012

	Note	2012 RMB'000	2011 RMB'000
PROFIT FOR THE YEAR		**4,943,908**	5,064,724
OTHER COMPREHENSIVE INCOME			
Available-for-sale investments:			
Changes in fair value		**(49,321)**	569,121
Reversal of changes in fair value arising from an available-for-sale investment becoming an associate		**—**	(58,283)
Reclassification adjustments for gains included in the consolidated income statement – gain on disposal		**(543,799)**	(835,022)
Income tax effect	28	**44,476**	(241,808)
		(548,644)	(565,992)
Share of other comprehensive income/(loss) of jointly-controlled entities		**10,794**	(2,514)
Share of other comprehensive income/(loss) of associates		**(78,166)**	(231,297)
Exchange differences on translation of foreign operations		**30,180**	(129,948)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(585,836)**	(929,751)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,358,072**	4,134,973
Attributable to:			
Owners of the parent		**3,519,105**	2,285,644
Non-controlling interests		**838,967**	1,849,329
		4,358,072	4,134,973

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	24,295,887	21,513,247
Investment properties	15	3,985,000	3,026,000
Prepaid land lease payments	16	1,801,237	1,405,937
Exploration and evaluation assets	17	1,620	456,722
Mining rights	18	821,565	421,589
Intangible assets	19	1,244,004	1,248,872
Goodwill	20	1,736,060	1,659,425
Investments in jointly-controlled entities	22	6,760,773	1,409,737
Investments in associates	23	15,258,677	17,275,611
Available-for-sale investments	24	7,382,891	8,437,265
Properties under development	25	7,966,996	6,885,559
Due from related companies	34	—	448,642
Loans receivable	26	1,944,236	2,234,432
Prepayments	27	670,723	676,313
Inventories	33	372,222	—
Deferred tax assets	28	2,212,578	1,521,131
Total non-current assets		76,454,469	68,620,482
CURRENT ASSETS			
Cash and bank balances	29	22,088,468	16,777,753
Equity investments at fair value through profit or loss	30	10,656,075	7,406,727
Trade and notes receivables	31	5,600,118	6,506,112
Prepayments, deposits and other receivables	32	4,975,712	3,853,964
Inventories	33	6,371,599	7,119,548
Completed properties for sale		4,580,194	2,583,146
Properties under development	25	27,333,872	22,428,345
Loans receivable	26	807,102	132,250
Due from related companies	34	3,118,450	1,856,159
		85,531,590	68,664,004
Non-current asset/assets of a disposal group classified as held for sale	35	212,293	253,132
Total current assets		85,743,883	68,917,136

	Notes	2012 RMB'000	2011 RMB'000
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	36	**26,917,695**	23,532,459
Loans from related companies	37	**115,000**	167,830
Trade and notes payables	38	**15,626,765**	11,330,982
Accrued liabilities and other payables	39	**18,818,620**	13,035,226
Tax payable		**2,727,170**	2,737,186
Finance lease payables	40	**41,981**	43,966
Derivative financial instruments		**—**	9,228
Due to the holding company	34	**2,440,986**	1,431,144
Due to related companies	34	**3,293,834**	1,914,420
		69,982,051	54,202,441
Liabilities directly associated with the assets classified as held for sale	35	**—**	57,048
Total current liabilities		**69,982,051**	54,259,489
NET CURRENT ASSETS		**15,761,832**	14,657,647
TOTAL ASSETS LESS CURRENT LIABILITIES		**92,216,301**	83,278,129
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	36	**29,779,651**	30,357,179
Loans from a related company	37	**90,250**	—
Finance lease payables	40	**83,441**	119,998
Deferred income	41	**193,592**	213,060
Due to related companies	34	**1,013,120**	824,137
Other long term payables	42	**652,102**	334,864
Deferred tax liabilities	28	**3,185,749**	2,942,737
Total non-current liabilities		**34,997,905**	34,791,975
Net assets		**57,218,396**	48,486,154
EQUITY			
Equity attributable to owners of the parent			
Issued capital	43	**621,497**	621,497
Reserves	44	**33,690,623**	30,391,347
Proposed final dividend	12	**885,181**	817,340
		35,197,301	31,830,184
Non-controlling interests		**22,021,095**	16,655,970
Total equity		**57,218,396**	48,486,154

Guo Guangchang
Director

Ding Guoqi
Director

STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	21	4,568,221	3,640,455
Investment in an associate	23	82,421	82,421
Total non-current assets		4,650,642	3,722,876
CURRENT ASSETS			
Cash and bank balances	29	176,428	2,223,886
Equity investments at fair value through profit or loss	30	7,171,355	4,685,741
Prepayments, deposits and other receivables	32	5,558	5,720
Due from subsidiaries	34	11,561,761	11,244,793
Due from related companies	34	3,087	—
Total current assets		18,918,189	18,160,140
CURRENT LIABILITIES			
Interest-bearing bank loans	36	866,773	441,063
Accrued liabilities and other payables	39	53,376	49,900
Tax payable		69,161	1,241
Due to the holding company	34	2,440,986	1,431,144
Total current liabilities		3,430,296	1,923,348
NET CURRENT ASSETS		15,487,893	16,236,792
TOTAL ASSETS LESS CURRENT LIABILITIES		20,138,535	19,959,668
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	36	5,764,407	6,419,398
Net assets		14,374,128	13,540,270
EQUITY			
Issued capital	43	621,497	621,497
Reserves	44	12,867,450	12,101,433
Proposed final dividend	12	885,181	817,340
Total equity		14,374,128	13,540,270

Guo Guangchang
Director

Ding Guoqi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

Group

	Attributable to owners of the parent												
	Issued capital RMB'000 (note 43)	Share premium RMB'000	Other deficits RMB'000 (note 44(a))	Statutory surplus reserve RMB'000 (note 44(b))	Available-for-sale investment 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 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
Reversal of impairment loss arising from an available-for-sale investment becoming an associate (note 23)	–	–	–	–	–	–	–	166,023	–	–	166,023	–	166,023
As restated	621,497	11,789,653	(443,540)	2,587,017	1,420,026	1,465	922,704	14,897,407	(617,362)	817,340	31,996,207	16,655,970	48,652,177
Profit for the year	–	–	–	–	–	–	–	3,707,201	–	–	3,707,201	1,236,707	4,943,908
Other comprehensive income for the year:													
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	98,922	–	–	–	–	–	98,922	(103,767)	(4,845)
Reclassification adjustments for gains included in the consolidated income statement – gain on disposal	–	–	–	–	(227,892)	–	–	–	–	–	(227,892)	(315,907)	(543,799)
Share of other comprehensive income of jointly-controlled entities	–	–	–	–	–	–	10,794	–	–	–	10,794	–	10,794
Share of other comprehensive income/(loss) of associates	–	–	–	–	(15,382)	–	–	–	(72,069)	–	(87,451)	9,285	(78,166)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	17,531	–	17,531	12,649	30,180
Total comprehensive (loss)/income for the year	–	–	–	–	(144,352)	–	10,794	3,707,201	(54,538)	–	3,519,105	838,967	4,358,072
Acquisition of subsidiaries (note 45(a))	–	–	–	–	–	–	–	–	–	–	–	709,371	709,371
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	5,143,169	5,143,169
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(860,677)	(860,677)
Final 2011 dividend declared	–	–	–	–	–	–	–	–	–	(817,340)	(817,340)	–	(817,340)
Proposed final dividend	–	–	–	–	–	–	–	(885,181)	–	885,181	–	–	–
Transfer from retained profits	–	–	–	273,570	–	–	–	(273,570)	–	–	–	–	–
Share of other reserve of an associate	–	–	–	–	–	–	(79,780)	–	–	–	(79,780)	–	(79,780)
Disposal of partial interests in subsidiaries without losing control	–	–	–	–	–	–	42,835	–	–	–	42,835	221,069	263,904
Disposal of subsidiaries (note 45(b))	–	–	–	–	–	–	–	–	–	–	–	(59,925)	(59,925)
Equity-settled share-based payments (note 46)	–	1,271	–	–	–	–	–	–	–	–	1,271	4,794	6,065
Deemed acquisition of additional interests in subsidiaries	–	–	–	–	–	–	(378)	–	–	–	(378)	378	–
Deemed disposal of partial interests in subsidiaries without losing control	–	–	–	–	–	–	547,309	–	–	–	547,309	(547,309)	–
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	(11,928)	–	–	–	(11,928)	(84,712)	(96,640)
At 31 December 2012	621,497	11,790,924*	(443,540)*	2,860,587*	1,275,674*	1,465*	1,431,556*	17,445,857*	(671,900)*	885,181	35,197,301	22,021,095	57,218,396

* These reserve accounts comprise the consolidated reserves of RMB33,690,623,000 (2011: RMB30,391,347,000) in the consolidated statement of financial position.

Group *(Continued)*

	Attributable to owners of the parent												
	Issued capital RMB'000	Share premium RMB'000	Other deficits RMB'000	Statutory surplus reserve RMB'000	Available-for-sale investment 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	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	—	—	—	—	—	—	—	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	—	—	—	—	(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 loss of jointly-controlled entities	—	—	—	—	—	—	—	—	(2,489)	—	(2,489)	(25)	(2,514)
Share of other comprehensive loss 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
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	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	—	—	—	—	—	—	—	—	—	—	—	(14,175)	(14,175)
Equity-settled share-based payments	—	1,890	—	—	—	—	—	—	—	—	1,890	5,822	7,712
Fair value adjustment on the loan from a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	25,034	25,034
Disposal of a partial interest 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 reserve accounts comprise the consolidated reserves of RMB30,391,347,000 (2010: RMB28,322,703,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		6,277,993	6,883,094
Adjustments for:			
Depreciation of items of property, plant and equipment	8	1,567,161	2,088,457
Amortization of prepaid land lease payments	8	33,688	33,400
Amortization of intangible assets	8	50,853	26,431
Amortization of mining rights	8	91,403	100,468
Provision for impairment of items of property, plant and equipment	8	65,839	473
Provision for impairment of available-for-sale investments	8	20,000	—
Provision for impairment of an investment in an associate	8	102,359	—
Provision for impairment of receivables	8	66,653	45,019
Provision for inventories	8	182,273	222,016
Provision for impairment of completed properties for sale	8	17,935	116,709
Provision for impairment of non-current assets held for sale	8	—	148,049
Gain on disposal of available-for-sale investments	6	(747,843)	(843,588)
Gain on disposal of equity investments at fair value through profit or loss	6	(194,645)	(578,606)
Gain on disposal of jointly-controlled entities	6	—	(169,416)
Gain on disposal of associates	6	(315,347)	—
Gain on disposal of partial interests in associates	6	(10,859)	(34,696)
Gain on deemed disposal of interests in associates	6	—	(910,864)
Gain on disposal of subsidiaries	6	(85,041)	(59,304)
Net (gain)/loss on disposal of items of property, plant and equipment	8	(66)	4,945
Fair value adjustment on equity investments at fair value through profit or loss	8	(2,449,706)	759,883
Fair value gains on investment properties	6	(140,484)	(97,524)
Interest expenses		2,727,815	2,328,684
Interest income	6	(473,102)	(380,574)
Dividends from equity investments at fair value through profit or loss	6	(343,462)	(160,254)
Dividends from available-for-sale investments	6	(112,354)	(284,434)
Share of profits and losses of associates		(1,174,777)	(1,538,827)
Subtotal carried forward		5,156,286	7,699,541

	Note	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES *(Continued)*			
Subtotal brought forward		**5,156,286**	7,699,541
Share of profits and losses of jointly-controlled entities		**(69,077)**	(32,076)
Gain on bargain purchase	6	**(3,645)**	(33,337)
Compensation arising from LAT provision, net		**—**	(3,264)
CASH INFLOW BEFORE WORKING CAPITAL CHANGES		**5,083,564**	7,630,864
Increase in properties under development		**(3,238,115)**	(9,319,926)
Increase in completed properties held for sale		**(1,628,784)**	(685,418)
Increase in investment properties		**—**	(377,309)
Decrease/(increase) in trade and notes receivables		**887,408**	(1,095,705)
Increase in prepayments, deposits and other receivables		**(283,078)**	(26,400)
Decrease/(increase) in inventories		**199,822**	(431,501)
Increase in amounts due from related companies		**(362,077)**	(705,176)
Increase in trade and notes payables		**4,119,309**	2,635,275
Increase/(decrease) in accrued liabilities and other payables		**3,973,414**	(1,108,292)
(Decrease)/increase in deferred income		**(19,468)**	68,184
Decrease in other long term payables		**(137,312)**	(139,602)
Increase in amounts due to shareholders		**376,571**	—
Increase in amounts due to related companies		**1,699,560**	1,013,078
Decrease/(increase) in restricted presale proceeds of properties		**77,718**	(382,657)
Increase in required reserve deposits		**(100,526)**	—
Decrease in derivative financial instruments		**(9,228)**	(75,338)
CASH GENERATED FROM/(USED IN) OPERATIONS		**10,638,778**	(2,999,923)
Interest paid		**(661,490)**	(550,568)
Income tax paid		**(2,437,079)**	(1,833,519)
NET CASH FLOWS GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**7,540,209**	(5,384,010)

	Notes	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(4,255,400)**	(3,257,896)
Increase of prepaid land lease payments		**(409,562)**	(83,757)
Purchase of intangible assets		**(47,408)**	(61,636)
Purchase of mining rights		**(4,331)**	(4,349)
Purchase of exploration and evaluation assets		**(31,946)**	(23,960)
Purchase of available-for-sale investments		**(780,744)**	(2,672,626)
Purchase of equity investments at fair value through profit or loss		**(2,073,310)**	(4,068,191)
Proceeds from disposal of equity investments at fair value through profit or loss		**1,461,226**	2,735,511
Proceeds from disposal of available-for-sale investments		**1,581,293**	1,943,960
Proceeds from disposal of items of property, plant and equipment		**63,719**	84,876
Proceeds from sales of land use rights		**—**	3,089
Proceeds from disposal of intangible assets		**1,423**	5,276
Proceeds from disposal of held-to-maturity investments		**—**	14,312
Proceeds from disposal of subsidiaries	45(b)	**94,873**	300,340
Proceeds from disposal of associates and disposal of partial interests in associates		**335,460**	70,735
Proceeds from disposal of jointly-controlled entities		**27,529**	82,907
Acquisition of subsidiaries	45(a)	**(1,387,206)**	(1,321,621)
Acquisition of associates		**(295,754)**	(345,336)
Acquisition of jointly-controlled entities		**(1,966,721)**	(255,858)
Dividends received from available-for-sale investments	6	**112,354**	284,434
Dividends received from equity investments at fair value through profit or loss	6	**343,462**	160,254
Dividends received from associates		**548,501**	669,551
Shareholder loans provided to jointly-controlled entities and associates		**(384,656)**	(653,250)
Decrease in pledged bank balances and time deposits with original maturity of more than three months		**420,329**	2,021,672
Increase in restricted cash in escrow account for an investment		**(420,016)**	—
Prepayments for proposed acquisitions		**(54,410)**	(60,000)
Interest received		**283,154**	380,574
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(6,838,141)**	(4,050,989)

	Note	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital element of finance lease rental payments		**(38,542)**	(40,330)
Capital contribution from non-controlling shareholders of subsidiaries		**5,143,169**	2,383,661
New bank and other borrowings		**46,217,311**	63,051,305
Repayment of bank and other borrowings		**(43,208,683)**	(53,102,510)
Dividends paid to non-controlling shareholders of subsidiaries		**(860,677)**	(1,065,374)
Acquisition of additional interests in subsidiaries		**(96,640)**	(2,172,806)
Disposal of partial interests in subsidiaries		**263,904**	—
Dividends paid to shareholders		**(184,069)**	(505,842)
Interest paid		**(2,649,748)**	(2,031,187)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**4,586,025**	6,516,917
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**5,288,093**	(2,918,082)
Cash and cash equivalents at beginning of year		**13,908,510**	16,826,592
CASH AND CASH EQUIVALENTS AT END OF YEAR		**19,196,603**	13,908,510
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:			
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	29	**19,196,603**	13,908,383
Cash and bank balances attributable to assets of a disposal group classified as held for sale		**—**	127
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS		**19,196,603**	13,908,510

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 (collectively referred to as the industrial operations), asset management, operation and investment in insurance business and various other 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2012. 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 it 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 revised HKFRSs for the first time for the current year's financial statements.

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*

Other than as further explained below regarding the impact of amendments to HKAS 12, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and 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 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 has been rebutted by the Group as the Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly deferred tax has been determined on the basis of recovery through use. The adoption of the amendments did not have any impact on the financial position or performance of the Group.

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	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* [2]
HKFRS 9	*Financial Instruments* [4]
HKFRS 10	*Consolidated Financial Statements* [2]
HKFRS 11	*Joint Arrangements* [2]
HKFRS 12	*Disclosure of Interests in Other Entities* [2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance* [2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities* [3]
HKFRS 13	*Fair Value Measurement* [2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* [1]
HKAS 19 (2011)	*Employee Benefits* [2]
HKAS 27 (2011)	*Separate Financial Statements* [2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012 [2]

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

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 and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

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 addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any significant impact on the currently held investments of the Group.

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. Based on the preliminary analysis performed, HKFRS11 is not expected to have material impact on the consolidated financial statements of the Group.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities 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.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

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, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

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.

The HKAS 1 Amendments 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, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

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.

The HKAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to set off” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

The *Annual Improvements to HKFRSs 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. 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:

(a) HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes.* The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

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.

When an investment in a jointly-controlled entity 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)*

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 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 to measure 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 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-related 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 previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for 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 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 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 has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation 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 asset/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 an 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).

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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 including 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.

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.

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 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.

Trademarks

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

Business network

Business network is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of not exceeding 15 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.

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.

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 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.

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 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.

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. 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 positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in the income statement. These net fair value changes do not include any dividends or interest 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 them. 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 other income and gains 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.

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.

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.

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 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.

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 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 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.

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 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, or 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, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and notes payables, accrued liabilities and other payables, an amount due to the holding company, amounts due to related companies, loans from related companies, finance lease payables, 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.

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 in HKAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement *(Continued)*

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.

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 there is a 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.

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.

None of the Group's derivative financial instruments is qualified for hedge accounting.

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 the net realisable value of an individual item of properties under development is accounted for as a provision. Net realisable value is based on estimated selling prices 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 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 the net realisable value of an 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, 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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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 on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. 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 income

Service income is recognised when the relevant services have been rendered and it is probable that economic benefits will flow to the Group and the relevant income 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 over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(f) Dividend income

Revenue is recognised when the shareholders' right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments

One of the Group's subsidiaries operates a share option scheme for the purpose of providing incentives and rewards to its employees. Employees receive remuneration in the form of share-based payments, 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 the Black-Scholes option pricing model further details of which are given in note 46 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 payments, or is otherwise beneficial to the employee as measured at the date of modification.

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.

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 People's Republic of China ("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 are incurred.

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 prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated income statement.

Non-monetary items that are measured in terms 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 translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the 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 are currencies 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 prevailing 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 their accompanying disclosures, and the disclosure of contingent liabilities. 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. 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 2012 was RMB33,359,000 (31 December 2011: RMB33,577,000). Further details are contained in note 28 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 2012 was RMB1,736,060,000 (31 December 2011: RMB1,659,425,000). 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 2012, impairment losses in the amount of RMB188,198,000 (2011: RMB148,522,000) 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 2012, impairment losses in the amount of RMB20,000,000 (2011: nil) have been recognised for available-for-sale financial assets as set out in Note 8 to the financial statements. As at 31 December 2012, the carrying amount of available-for-sale assets was RMB7,382,891,000 (31 December 2011: RMB8,437,265,000).

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 2012 on an open market value and 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 the 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 2012 was RMB3,985,000,000 (31 December 2011: RMB3,026,000,000).

(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.

(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 for rehabilitation cost are subjective in nature and involve uncertainties and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(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.

(ix) Deferred tax assets

Deferred tax assets are recognised for 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 2012 was RMB1,188,309,000 (31 December 2011: RMB534,933,000). The amount of unrecognised tax losses as at 31 December 2012 was RMB3,689,837,000 (31 December 2011: RMB2,138,306,000). Further details are contained in note 28 to the financial statements.

(x) Net realisable value of inventories, properties under development and completed properties for sale

Net realisable value of inventories, properties 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 judgement is required to determine the expected cash flows and discount rate. Management reassesses these estimates at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Change in accounting estimate

On 25 March 2012, the directors of an indirect subsidiary of the Company, Nanjing Iron & Steel Co., Ltd., and its subsidiaries approved a resolution 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 5~10 years

The change in accounting estimate is a result of technical innovations and maintenance effort on the property, plant and equipment and is based on the reassessment by the directors of Nanjing Iron & Steel 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 also applied to the holding company of Nanjing Iron & Steel Co., Ltd., Nanjing Nangang Iron & Steel United Co., Ltd. ("Nanjing Nangang") and its subsidiaries. The effect of such change in accounting estimate was recognised prospectively from 1 January 2012 and decreased the depreciation charges of the Group for the year ended 31 December 2012 by approximately RMB678,000,000.

4. PARTICULARS OF THE 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 2012 are set out below:

Name of company	Place and date of incorporation/registration and place of operations	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company Direct	Indirect	Effective	Principal activities
Subsidiaries						
上海復星高科技（集團）有限公司 (Shanghai Fosun High Technology (Group) Co., Ltd.)	PRC/Mainland China 21 November 1994	2,300,000/1,804,000	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/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.)	PRC/Mainland China 22 November 2001	600,000	—	100.0%	100.0%	Investment holding

4. PARTICULARS OF THE 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 2012 are set out below: *(Continued)*

Name of company	Place and date of incorporation/registration and place of operations	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company Direct	Indirect	Effective	Principal activities
Steel segment						
南京南鋼鋼鐵聯合有限公司 (Nanjing Nangang Iron & Steel United Co., Ltd.)	PRC/Mainland China 20 May 2009	3,000,000	—	60.0%	60.0%	Manufacture and sale of iron and steel products
南京鋼鐵聯合有限公司 (Nanjing Iron & Steel United Co., Ltd.)	PRC/Mainland China 24 March 2003	900,000	—	100%	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/Mainland China 27 September 2009	1,850,000	—	100%	50.3%	Manufacture and sale of iron and steel products
南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.)	PRC/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)	PRC/Mainland China 28 June 2001	1,279,637	—	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)	Hong Kong 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/Mainland China 15 April 1998	100,000	—	100.0%	50.3%	International trading
安徽金安礦業有限責任公司 (Anhui Jin'an Mining Co., Ltd.)	PRC/Mainland China 24 July 2006	100,000	—	100.0%	50.3%	Mining and ore processing
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/Mainland China 31 May 1995	2,240,462	—	41.1%	41.1%	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.)	PRC/Mainland China 27 November 2001	653,308	—	100.0%	41.1%	Investment holding
上海復星醫藥投資有限公司 (Shanghai Fosun Pharmacy Investment Co., Ltd.)	PRC/Mainland China 1 September 2000	689,600	—	100.0%	41.1%	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.)	PRC/Mainland China 23 December 2003	125,000	—	96.0%	39.5%	Investment holding

4. PARTICULARS OF THE 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 2012 are set out below: *(Continued)*

Name of company	Place and date of incorporation/registration and place of operations	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/Mainland China 13 August 1998	505,861	41.4%	57.7%	99.1%	Property development
上海復地投資管理有限公司 (Shanghai Forte Investment Co., Ltd.)	PRC/Mainland China 21 July 2006	80,000	—	100.0%	99.1%	Investment holding
武漢中北房地產開發有限公司 (Wuhan Zhongbei Property Development Co., Ltd.)	PRC/Mainland China 3 April 2007	933,000	—	70.0%	69.3%	Property development
南京潤昌房地產開發有限公司 (Nanjing Runchang Property Development Co., Ltd.)	PRC/Mainland China 1 April 2009	875,000	—	100.0%	99.1%	Property development
浙江復地置業發展有限公司 (Zhejiang Forte Property Development Co., Ltd.)	PRC/Mainland China 20 November 2006	440,000	—	75.0%	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.)	PRC/Mainland China 4 November 2002	60,000	—	100.0%	99.1%	Property development
Mining segment						
海南礦業股份有限公司 (Hainan Mining Co., Ltd.)	PRC/Mainland China 22 August 2007	1,680,000	—	60.0%	60.0%	Mining and ore processing
Asset management segment						
上海星浩投資有限公司 (Shanghai Star Equity Investment Co., Ltd.)	PRC/Mainland China 24 May 2011	35,000	—	71.6%	71.6%	Property investment and management
上海星浩股權投資中心(有限合伙)* (Shanghai Star Equity Investment Limited Partnership)	PRC/Mainland China 18 November 2010	2,606,570	—	39.4%	39.1%	Property investment
Insurance segment						
鼎睿再保險有限公司 (Peak Reinsurance Company Limited)	Hong Kong 23 November 2010	USD550,000,000	—	100.0%	84.3%	Reinsurance

4. PARTICULARS OF THE 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 2012 are set out below: *(Continued)*

Name of company	Place and date of incorporation/registration and place of operations	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/Mainland China 6 May 2008	100,000	—	49.0%	20.1%	Sale of pharmaceutical products
上海豫園旅游商城股份有限公司@ (Shanghai Yuyuan Tourist Mart Co., Ltd.)	PRC/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.)	PRC/Mainland China 14 September 2010	2,000,000	—	25.7%	25.7%	Manufacture and sale of iron and steel products
上海証大房地產有限公司@ (Shanghai Zendai Property Limited)	Bermuda/Mainland China 28 July 2004	HKD248,747,000	—	19.5%	19.3%	Property investment and management
中國同濟堂藥業有限公司 (Tongjitang Chinese Medicines Company)	Cayman Islands/Mainland China 16 May 2006	USD100	—	32.1%	13.2%	Development, manufacture and sale of Chinese medicine
永安財產保險股份有限公司@ (Yong'an Insurance Co., Ltd.)	PRC/Mainland China 13 September 1996	2,663,200	—	19.9%	18.1%	Insurance
Jointly-controlled entities						
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/Mainland China 26 April 2010	1,000,000	—	50.0%	50.0%	Property investment and management
無錫復地房地產開發有限公司 (Wuxi Forte Real Estate Development Co., Ltd.)	PRC/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.)	PRC/Mainland China 22 September 1992	130,000	—	50.0%	49.5%	Property development
成都鴻匯置業有限公司 (Chengdu Honghui Property Co., Ltd.)	PRC/Mainland China 20 April 2010	600,000	—	51.0%	50.5%	Property development

4. PARTICULARS OF THE PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES *(Continued)*

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 2012 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 because the Group is able to control over the board of directors as well as the operating and financial policies of this company and the Group continues to be the single major shareholder of Fosun Pharma and holds relatively larger voting rights than other dispersed public shareholders, despite the fact that the Group's equity interest in this company was 41.09% as at 31 December 2012.

Shanghai Star Equity Investment Limited Partnership is accounted for as a subsidiary as the Group could control the operating and financial policies of this company, despite the fact that the Group's equity interest in this company was 39.4% as at 31 December 2012.

@ 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 interests in these associates were lower than 20% for the year ended 31 December 2012 .

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) Pharmaceuticals and healthcare segment comprises the business of Fosun Pharma and its subsidiaries. Fosun Pharma and its subsidiaries mainly engage in the research and development, manufacture, sale and trading of pharmaceutical and healthcare products;

(ii) Property segment comprises the business of Shanghai Forte Land Co., Ltd. ("Forte") and its subsidiaries, excluding its investment in the insurance business. Forte and its subsidiaries mainly engage in the development and sale of properties in the PRC;

(iii) Steel segment comprises the business of Nanjing Nangang and its subsidiaries. Nanjing Nangang and its subsidiaries mainly engage in the manufacture, sale and trading of iron and steel products;

(iv) Mining segment comprises the business of Hainan Mining Co., Ltd. ("Hainan Mining") and its subsidiaries. Hainan Mining and its subsidiaries mainly engages in the mining and ore processing of various metals;

Pharmaceuticals and healthcare segment, property segment, steel segment and mining segment listed above all belong to one industrial operations sector of the Group.

(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 of and investment in the insurance business; and

(vii) the investment segment comprises, principally, the investments in strategic associates, private equity investments, secondary market investments, limited partner investments and other investments.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. In the year ended 31 December 2012, as the management changes the structure of the Group's internal organisation to match its business development strategy in a manner that causes the Group's composition of its reportable segments to change, some entities within the Group were re-structured to reflect such change.

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 2012

	Industrial Operations								
	Pharmaceuticals and healthcare RMB'000	Property RMB'000	Steel RMB'000	Mining RMB'000	Asset management RMB'000	Insurance RMB'000	Investment RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:									
Sales to external customers	7,278,287	10,476,151	31,717,201	1,949,962	159,742	—	183,403	—	51,764,746
Inter-segment sales	—	1,840	—	201,579	151,083	—	58,685	(413,187)	—
Other income and gains	1,120,827	258,262	531,484	17,578	33,740	—	2,443,753	(38,799)	4,366,845
Total	8,399,114	10,736,253	32,248,685	2,169,119	344,565	—	2,685,841	(451,986)	56,131,591
Segment results	1,622,702	2,522,960	(77,870)	1,119,669	(35,894)	(24,898)	2,117,368	103,007	7,347,044
Interest and dividend income	63,142	55,181	384,068	8,525	24,159	—	813,816	(419,973)	928,918
Unallocated expenses									(468,162)
Finance income/(costs)	(370,457)	(286,474)	(1,182,096)	(41,906)	(13,177)	63	(881,454)	1,840	(2,773,661)
Share of profits and losses of									
– Jointly-controlled entities	(1,514)	138,761	11,408	—	(42,167)	(33,822)	(3,589)	—	69,077
– Associates	811,495	179,219	2,099	—	—	—	181,964	—	1,174,777
Profit/(loss) before tax	2,125,368	2,609,647	(862,391)	1,086,288	(67,079)	(58,657)	2,228,105	(315,126)	6,277,993
Tax	(283,764)	(842,334)	275,452	(314,963)	16,023	—	(245,005)	60,506	(1,334,085)
Profit/(loss) for the year	1,841,604	1,767,313	(586,939)	771,325	(51,056)	(58,657)	1,983,100	(254,620)	4,943,908
Segment and total assets	25,420,826	50,507,963	37,288,750	4,713,834	13,987,668	7,793,471	41,297,850	(18,812,010)	162,198,352
Segment and total liabilities	10,202,664	42,698,311	28,657,225	1,695,385	9,229,838	29,933	30,828,121	(18,361,521)	104,979,956
Other segment information:									
Depreciation and amortisation	292,657	33,470	1,181,342	173,833	4,719	—	57,084	—	1,743,105
Impairment loss for non-current assets	—	—	25,867	59,972	—	—	102,359	—	188,198
Provision for impairment of current assets	16,977	17,935	224,759	7,190	—	—	—	—	266,861
Research and development costs	252,555	—	110,889	—	—	—	—	—	363,444
Fair value gains on fair value adjustments of investment properties	—	(140,484)	—	—	—	—	—	—	(140,484)
Fair value losses/(gains) on equity investments at fair value through profit or loss	35,894	(944)	(378,023)	—	—	—	(2,106,633)	—	(2,449,706)
Investments in jointly-controlled entities	17,281	1,964,444	105,046	—	857,486	216,178	3,600,338	—	6,760,773
Investments in associates	7,900,594	1,961,708	240,153	—	97,147	774,090	4,284,985	—	15,258,677
Capital expenditure*	1,163,155	39,094	2,992,456	529,700	8,687	—	98,871	—	4,831,963

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2011

	Industrial Operations								
	Pharmaceuticals and healthcare RMB'000	Property RMB'000	Steel RMB'000	Mining RMB'000	Asset management RMB'000	Insurance RMB'000	Investment RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:									
Sales to external customers	6,432,589	9,536,472	38,224,060	2,338,790	56,156	—	228,148	—	56,816,215
Inter-segment sales	—	8,241	—	272,235	69,131	—	133,455	(483,062)	—
Other income and gains	1,088,599	434,550	371,206	129,025	7,000	—	1,337,516	(81,375)	3,286,521
Total	7,521,188	9,979,263	38,595,266	2,740,050	132,287	—	1,699,119	(564,437)	60,102,736
Segment results	1,220,299	3,043,270	956,613	1,654,997	(65,635)	—	331,414	43,946	7,184,904
Interest and dividend income	97,258	30,671	327,821	12,221	14,162	—	343,129	—	825,262
Unallocated expenses									(316,227)
Finance costs	(313,978)	(307,590)	(1,042,485)	(33,939)	(8)	—	(683,748)	—	(2,381,748)
Share of profits and losses of									
– Jointly-controlled entities	(189)	(2,159)	34,424	—	—	—	—	—	32,076
– Associates	723,846	275,643	1,141	—	—	—	538,197	—	1,538,827
Profit/(loss) before tax	1,727,236	3,039,835	277,514	1,633,279	(51,481)	—	528,992	43,946	6,883,094
Tax	(341,819)	(1,204,652)	141,855	(394,476)	3,578	—	(20,410)	(2,446)	(1,818,370)
Profit/(loss) for the year	1,385,417	1,835,183	419,369	1,238,803	(47,903)	—	508,582	41,500	5,064,724
Segment and total assets	22,103,136	42,526,719	37,375,656	4,709,918	12,526,032	608,067	35,688,720	(18,000,630)	137,537,618
Segment and total liabilities	10,919,991	31,268,764	28,043,853	1,362,795	9,100,599	—	26,156,174	(17,800,712)	89,051,464
Other segment information:									
Depreciation and amortisation	205,333	33,520	1,804,419	173,113	1,493	—	30,878	—	2,248,756
Impairment loss for non-current assets	148,522	—	—	—	—	—	—	—	148,522
(Reversal of)/provision for impairment of current assets	(12,740)	118,705	217,831	46,240	—	—	13,708	—	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	1,950,695	230,185	—	—	—	7,703,387	—	17,275,611
Capital expenditure*	920,530	28,934	1,660,489	374,140	8,328	—	14,213	—	3,006,634

* 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

	2012 RMB'000	2011 RMB'000
Mainland China	51,060,708	56,100,117
Overseas countries and regions	704,038	716,098
	51,764,746	56,816,215

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2012 RMB'000	2011 RMB'000
Mainland China	64,173,479	54,961,975
Hong Kong	741,285	1,017,037
	64,914,764	55,979,012

The non-current asset information above is based on the locations of the 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 2012 and 2011.

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 during the year. 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:

	2012 RMB'000	2011 RMB'000
Revenue		
Sale of goods:		
Pharmaceutical and healthcare products	7,323,073	6,404,858
Properties	10,790,553	9,805,303
Iron and steel products	31,857,159	38,291,473
Ore products	2,025,313	2,524,921
	51,996,098	57,026,555
Rendering of services:		
Property agency	236,424	235,452
Property management	108,547	54,790
Rental	220,862	234,765
Asset management fee	159,742	56,156
Others	38,722	81,893
	764,297	663,056
Subtotal	52,760,395	57,689,611
Less: Government surcharges	(995,649)	(873,396)
	51,764,746	56,816,215

6. REVENUE, OTHER INCOME AND GAINS *(Continued)*

	2012 RMB'000	2011 RMB'000
Other income		
Interest income	473,102	380,574
Dividends from available-for-sale investments	112,354	284,434
Dividends from equity investments at fair value through profit or loss	343,462	160,254
Rental income	35,447	52,890
Sale of scrap materials	9,053	17,037
Government grants	227,140	132,978
Consultancy and other service income	20,822	71,465
Exchange gains, net	—	163,480
Others	126,747	107,626
	1,348,127	1,370,738
Gains		
Gain on disposal of subsidiaries (note 45(b))	85,041	59,304
Gain on bargain purchase (note 45(a))	3,645	33,337
Gain on disposal of jointly-controlled entities	—	169,416
Gain on disposal of associates	315,347	—
Gain on disposal of partial interests in associates	10,859	34,696
Gain on deemed disposal of interests in associates	—	910,864
Gain on disposal of items of property, plant and equipment	66	13,710
Gain on disposal of available-for-sale investments	747,843	843,588
Gain on disposal of equity investments at fair value through profit or loss	194,645	578,606
Gain on fair value adjustment of investment properties (note 15)	140,484	97,524
Gain on fair value adjustment of equity investments at fair value through profit or loss	2,449,706	—
	3,947,636	2,741,045
Other income and gains	5,295,763	4,111,783
Total revenue, other income and gains	57,060,509	60,927,998

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2012 RMB'000	2011 RMB'000
Interest on bank and other borrowings wholly repayable within five years	**3,091,522**	2,623,484
Interest on bank and other borrowings not wholly repayable within five years	**270,568**	202,717
Incremental interest on other long term payables (note 42)	**27,416**	24,926
	3,389,506	2,851,127
Less: Interest capitalised, in respect of bank and other borrowings (notes 14 and 25)	**(736,598)**	(577,350)
Interest expenses, net	**2,652,908**	2,273,777
Interest on discounted bills	**62,499**	42,089
Interest on finance leases	**12,408**	12,818
Bank charges and other financial costs	**45,846**	53,064
Total finance costs	**2,773,661**	2,381,748

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2012 RMB'000	2011 RMB'000
Cost of sales	**42,439,678**	46,249,903
Staff costs (including directors' and senior management's remuneration as set out in note 9):		
Wages and salaries	**2,690,599**	2,287,193
Accommodation benefits:		
Defined contribution fund	**150,819**	120,102
Retirement costs:		
Defined contribution fund	**406,866**	371,758
Equity-settled share-based payments (note 46)	**6,065**	7,712
Total staff costs	**3,254,349**	2,786,765

8. PROFIT BEFORE TAX *(Continued)*

The Group's profit before tax is arrived at after charging/(crediting): *(Continued)*

	2012 RMB'000	2011 RMB'000
Research and development costs	**363,444**	301,073
Auditors' remuneration	**14,200**	13,750
Depreciation of items of property, plant and equipment (note 14)	**1,567,161**	2,088,457
Amortisation of prepaid land lease payments (note 16)	**33,688**	33,400
Amortisation of mining rights (note 18)	**91,403**	100,468
Amortisation of intangible assets (note 19)	**50,853**	26,431
Provision for impairment of receivables	**66,653**	45,019
Provision for inventories	**182,273**	222,016
Provision for impairment of completed properties for sale	**17,935**	116,709
Provision for impairment of items of property, plant and equipment (note 14)	**65,839**	473
Provision for impairment of non-current assets held for sale	**—**	148,049
Provision for impairment of an investment in an associate	**102,359**	—
Provision for impairment of available-for-sale investments	**20,000**	—
Operating lease rentals	**140,259**	92,903
(Gain)/loss on disposal of items of property, plant and equipment	**(66)**	4,945
(Gain)/loss of fair value change on equity investments at fair value through profit or loss	**(2,449,706)**	759,883
Loss of fair value change on derivative financial instruments	**—**	9,228
Loss on the settlement of derivative financial instruments	**—**	52,555
Exchange loss/(gains), net	**32,844**	(163,480)
Provision for indemnity of LAT	**—**	51

9. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(a) Director's remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2012 RMB'000	2011 RMB'000
Fees	**8,675**	8,462
Salaries, allowances and benefits in kind	**19,592**	18,043
Performance related bonus*	**18,470**	24,030
Pension scheme contributions	**315**	280
	47,052	50,815

*The executive directors of the Company are entitled to performance related bonus which are determined based on internal appraisal of various performance indicators.

There were no emoluments paid by the Group to the directors as an inducement to join the Group, or upon joining the Group, or as compensation for loss of office during the year.

9. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)*

(a) Directors' remuneration *(Continued)*

(i) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2012 RMB'000	2011 RMB'000
Zhang Shengman	407	331
Andrew Y. Yan	407	331
Zhang Huaqiao	309	—
David T. Zhang	215	—
Chen Kaixian (resigned on 28 March 2012)	133	400
	1,471	1,062

There were no other remuneration payable to the independent non-executive directors during the year (2011: Nil).

(ii) Executive directors and a non-executive director

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonus RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2012					
Executive directors:					
Guo Guangchang	1,000	3,056	3,150	45	7,251
Liang Xinjun	1,000	3,056	3,020	45	7,121
Wang Qunbin	1,000	3,056	3,010	45	7,111
Fan Wei	1,000	3,056	3,010	45	7,111
Ding Guoqi	1,000	2,456	2,270	45	5,771
Qin Xuetang	1,000	2,456	2,120	45	5,621
Wu Ping	1,000	2,456	1,890	45	5,391
	7,000	19,592	18,470	315	45,377
Non-executive director:					
Liu Benren (retired on 21 June 2012)	204	—	—	—	204
	7,204	19,592	18,470	315	45,581

9. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)*

(a) Directors' remuneration *(Continued)*

(ii) Executive directors and a non-executive director *(Continued)*

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonus RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2011					
Executive directors:					
Guo Guangchang	1,000	3,049	3,900	40	7,989
Liang Xinjun	1,000	3,049	3,750	40	7,839
Wang Qunbin	1,000	3,049	3,750	40	7,839
Fan Wei	1,000	3,049	3,750	40	7,839
Ding Guoqi	1,000	1,949	3,100	40	6,089
Qin Xuetang	1,000	1,949	2,780	40	5,769
Wu Ping	1,000	1,949	3,000	40	5,989
	7,000	18,043	24,030	280	49,353
Non-executive director:					
Liu Benren (retired on 21 June 2012)	400	—	—	—	400
	7,400	18,043	24,030	280	49,753

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

(b) Five highest paid employees

The five highest paid employees of the Company include five directors for the years ended 31 December 2012 and 2011. Information relating to their remuneration is disclosed above.

(c) Senior management's remuneration

The number of senior management whose remuneration fell within the following bands is as follows:

	Number of employees 2012
Nil to RMB1,000,000	2
RMB1,000,001 to RMB2,000,000	7
RMB2,000,001 to RMB4,000,000	1
RMB4,000,001 to RMB6,000,000	2
RMB6,000,001 to RMB8,000,000	1
	13

10. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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% (2011: 25%) of the assessable profit of the Group as determined in accordance with the Enterprise Income Tax Law of the People's Republic of China 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 15%.

The major components of tax expenses for the years ended 31 December 2012 and 2011 are as follows:

	2012 RMB'000	2011 RMB'000
Group:		
Current – Hong Kong	92,032	21,594
Current – Mainland China		
– Income tax in Mainland China for the year	1,589,877	1,783,700
– LAT in Mainland China for the year	285,857	566,287
Deferred tax (note 28)	(633,681)	(553,211)
Tax expenses for the year	1,334,085	1,818,370

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
2012 Group			
Profit before tax excluding share of profits and losses of associates and jointly-controlled entities	1,877,799	3,156,340	5,034,139
Tax at the applicable tax rate	309,837	789,085	1,098,922
Lower tax rate for specific entities	—	(99,127)	(99,127)
Tax effect of:			
Income not subject to tax	(301,072)	(88,121)	(389,193)
Expenses not deductible for tax	74,201	118,905	193,106
Tax losses not recognised	17,439	411,425	428,864
Tax losses utilised	—	(49,965)	(49,965)
Written off of deferred tax assets	—	31,888	31,888
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries (note 28)	—	33,359	33,359
Overprovision in prior years	(6,898)	(21,135)	(28,033)
Tax incentives on eligible expenditures	—	(22,980)	(22,980)
Subtotal	93,507	1,103,334	1,196,841
Reversal of LAT provision for the year	—	(146,743)	(146,743)
Prepaid LAT for the year	—	432,600	432,600
Deferred tax effect of reversal of LAT provision (note 28)	—	36,684	36,684
Tax effect of prepaid LAT	—	(108,150)	(108,150)
Deferred LAT (note 28)	—	(77,147)	(77,147)
Tax expenses	93,507	1,240,578	1,334,085

10. TAX *(Continued)*

	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 the 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 28)	—	33,577	33,577
Overprovision 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 28)	—	(61,370)	(61,370)
Tax effect of prepaid LAT	—	(80,202)	(80,202)
Tax effect of LAT indemnity (note 28)	—	(109,270)	(109,270)
Deferred LAT (note 28)	—	(21,537)	(21,537)
Tax expenses	23,540	1,794,830	1,818,370

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 year, the prepaid LAT of the Group amounted to RMB432,600,000 (2011: RMB320,807,000).

In addition, based on the latest understanding of the LAT regulations from the State Administration of Taxation, the Group made an additional LAT provision in the amount of RMB338,000,000 (2011: RMB324,125,000) in respect of the sales of properties in the year in accordance with the requirements set forth in the relevant PRC tax laws and regulations. During the year, unpaid LAT provision in the amount of RMB484,743,000 (2011: RMB78,645,000) was reversed to the consolidated income statement upon the completion of the liquidation and clearance with the local tax authorities by certain subsidiaries of the Group. The net reversal of LAT provision for the year is RMB146,743,000 (2011: net provision of RMB245,480,000).

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2012 includes a profit of RMB1,654,729,000 (2011: loss of RMB458,139,000) which has been dealt with in the financial statements of the Company (note 44).

12. DIVIDENDS

	2012 RMB'000	2011 RMB'000
Proposed final – HKD0.17 (2011: HKD0.157) per ordinary share	885,181	817,340

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.

On 26 March 2013, the board of directors of the Company resolved to propose a final dividend for the year ended 31 December 2012 of HKD0.17 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	
	2012	2011
Profit attributable to owners of the parent (RMB thousands)	3,707,201	3,403,605
Weighted average number of ordinary shares in issue (thousands)	6,421,595	6,421,595
Basic and diluted earnings per share (RMB)	0.58	0.53

The calculation of the 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 (2011: 6,421,595,000) in issue during the year.

The diluted earnings per share amount is equal to the basic earnings per share amount for the years ended 31 December 2012 and 2011, 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 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	106,574	71,965	13,854	8,717	—	—	158,872	359,982
Disposal of subsidiaries (note 45(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	(24,441)	(23,751)	(2,400)	(1,042)	—	—	(1,882)	(53,516)
Reclassification	(122,789)	122,789	—	—	—	—	—	—
At 31 December 2011 and 1 January 2012	**10,209,967**	**16,269,271**	**517,811**	**426,540**	**10,525**	**580,499**	**4,084,499**	**32,099,112**
Additions	**65,854**	**204,607**	**41,731**	**45,867**	**20,184**	**38,854**	**3,921,619**	**4,338,716**
Transferred from construction in progress	**365,563**	**2,213,767**	**55,274**	**43,132**	**—**	**—**	**(2,677,736)**	**—**
Acquisition of subsidiaries (note 45(a))	**111,623**	**27,596**	**692**	**666**	**—**	**—**	**—**	**140,577**
Disposals	**(82,482)**	**(264,632)**	**(15,793)**	**(14,878)**	**—**	**(228)**	**—**	**(378,013)**
At 31 December 2012	**10,670,525**	**18,450,609**	**599,715**	**501,327**	**30,709**	**619,125**	**5,328,382**	**36,200,392**
Accumulated depreciation:								
At 1 January 2011	2,081,696	6,072,092	195,557	165,807	1,068	134,531	—	8,650,751
Charge for the year (note 8)	517,085	1,428,250	66,125	44,220	1,920	30,857	—	2,088,457
Disposal of subsidiaries (note 45(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	(8,020)	(13,176)	(1,865)	(120)	—	—	—	(23,181)
At 31 December 2011 and 1 January 2012	**2,540,317**	**7,302,728**	**248,556**	**195,741**	**2,988**	**165,388**	**—**	**10,455,718**
Charge for the year (note 8)	**437,824**	**970,253**	**89,601**	**54,683**	**11,850**	**2,950**	**—**	**1,567,161**
Disposals	**(59,660)**	**(227,487)**	**(12,571)**	**(11,691)**	**—**	**(58)**	**—**	**(311,467)**
At 31 December 2012	**2,918,481**	**8,045,494**	**325,586**	**238,733**	**14,838**	**168,280**	**—**	**11,711,412**

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 2011	60,990	73,993	138	335	—	—	6,575	142,031
Charge for the year (note 8)	—	422	—	51	—	—	—	473
Disposals	—	(811)	(2)	—	—	—	(6,500)	(7,313)
Included in assets of a disposal group classified as held for sale	(4,389)	(581)	(68)	(6)	—	—	—	(5,044)
At 31 December 2011 and 1 January 2012	56,601	73,023	68	380	—	—	75	130,147
Charge for the year (note 8)	—	65,839	—	—	—	—	—	65,839
Disposals	(52)	(2,776)	(10)	(55)	—	—	—	(2,893)
At 31 December 2012	56,549	136,086	58	325	—	—	75	193,093
Net book value:								
At 31 December 2012	7,695,495	10,269,029	274,071	262,269	15,871	450,845	5,328,307	24,295,887
At 31 December 2011	7,613,049	8,893,520	269,187	230,419	7,537	415,111	4,084,424	21,513,247

(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 36):

	2012 RMB'000	2011 RMB'000
Buildings	1,240,368	744,219
Plant and machinery	1,594,585	1,785,795
	2,834,953	2,530,014

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

(2) Capitalised interest expenses included in construction in progress of the Group are as follows (note 7):

	2012 RMB'000	2011 RMB'000
Interest expenses capitalised	**75,108**	26,782

(3) As at 31 December 2012, the Group was in the process of applying for property certificates for plant and office buildings with a net book value of approximately RMB809,831,000 (2011: RMB2,746,000).

(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 2012 amounted to RMB155,822,000 (2011: RMB175,163,000).

15. INVESTMENT PROPERTIES

	2012 RMB'000	2011 RMB'000
Carrying amount at 1 January	**3,026,000**	2,551,167
Acquisition of subsidiaries (note 45(a))	**731,000**	—
Additional development cost	**—**	377,309
Transfer from properties under development	**87,516**	—
Gain from fair value adjustments (note 6)	**140,484**	97,524
Carrying amount at 31 December	**3,985,000**	3,026,000

The Group's investment properties are situated in Beijing, Shanghai, Hangzhou and Dongyang, the PRC.

The Group's investment properties were revalued on 31 December 2012 by DTZ International Property Advisers (Shanghai) Co., Ltd., an independent professionally qualified valuer at RMB3,985,000,000 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 2012, the Group's investment properties with a net carrying amount of approximately RMB3,863,000,000 (2011: RMB3,026,000,000) were pledged to secure bank loans, as set out in note 36 to the financial statements.

16. PREPAID LAND LEASE PAYMENTS

	2012 RMB'000	2011 RMB'000
Cost:		
At 1 January	1,547,078	1,387,075
Additions	409,562	83,757
Acquisition of subsidiaries (note 45(a))	19,426	148,382
Disposal of subsidiaries (note 45(b))	—	(5,317)
Disposals	—	(3,616)
Included in assets of a disposal group classified as held for sale	—	(2,668)
Other changes	—	(60,535)
At 31 December	1,976,066	1,547,078
Accumulated amortisation:		
At 1 January	141,141	109,009
Amortisation for the year (note 8)	33,688	33,400
Disposal of subsidiaries (note 45(b))	—	(725)
Disposals	—	(527)
Included in assets of a disposal group classified as held for sale	—	(16)
At 31 December	174,829	141,141
Net book value:		
At 31 December	1,801,237	1,405,937
At 1 January	1,405,937	1,278,066
Net book value pledged as security for bank loans (note 36)	162,666	407,954

The leasehold land is held under long term leases and is situated in Mainland China.

As at 31 December 2012, the Group was in the process of applying for the land use certificates for leasehold land with a net book value of approximately RMB6,258,000 (2011: RMB176,672,000).

17. EXPLORATION AND EVALUATION ASSETS

	2012 RMB'000	2011 RMB'000
Cost:		
At 1 January	**456,722**	437,762
Additions	**31,946**	23,960
Transfer to mining rights (note 18)	**(487,048)**	—
Included in assets of a disposal group classified as held for sale	**—**	(5,000)
At 31 December	**1,620**	456,722

18. MINING RIGHTS

	2012 RMB'000	2011 RMB'000
Cost:		
At 1 January	**1,001,152**	1,277,371
Additions	**4,331**	4,349
Transfer from exploration and evaluation assets (note 17)	**487,048**	—
Included in assets of a disposal group classified as held for sale	**—**	(280,568)
At 31 December	**1,492,531**	1,001,152
Accumulated amortisation:		
At 1 January	**393,001**	293,129
Amortisation for the year (note 8)	**91,403**	100,468
Included in assets of a disposal group classified as held for sale	**—**	(596)
At 31 December	**484,404**	393,001
Impairment loss:		
At 1 January	**186,562**	266,562
Included in assets of a disposal group classified as held for sale	**—**	(80,000)
At 31 December	**186,562**	186,562
Net book value:		
At 31 December	**821,565**	421,589
At 1 January	**421,589**	717,680

19. INTANGIBLE ASSETS

	Medicine licenses RMB'000	Trademarks RMB'000	Business network RMB'000	Patent and technical know-how RMB'000	Others RMB'000	Total RMB'000
Cost:						
At 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	201,000	8,000	206,000	567,058	—	982,058
Disposals of subsidiaries (note 45(b))	—	—	—	—	(5,829)	(5,829)
Disposals	—	—	—	—	(11,710)	(11,710)
At 31 December 2011 and 1 January 2012	**265,000**	**116,035**	**206,000**	**615,659**	**77,992**	**1,280,686**
Additions	**—**	**—**	**—**	**39,365**	**8,043**	**47,408**
Disposals	**—**	**(3,647)**	**—**	**(80)**	**(48)**	**(3,775)**
At 31 December 2012	**265,000**	**112,388**	**206,000**	**654,944**	**85,987**	**1,324,319**
Accumulated amortisation:						
At 1 January 2011	—	—	—	1,930	10,542	12,472
Provided during the year (note 8)	—	2,293	4,578	17,914	1,646	26,431
Disposal of subsidiaries (note 45(b))	—	—	—	—	(1,749)	(1,749)
Disposals	—	—	—	—	(6,434)	(6,434)
At 31 December 2011 and 1 January 2012	**—**	**2,293**	**4,578**	**19,844**	**4,005**	**30,720**
Provided during the year (note 8)	**—**	**10**	**13,733**	**31,907**	**5,203**	**50,853**
Disposals	**—**	**(2,224)**	**—**	**(80)**	**(48)**	**(2,352)**
At 31 December 2012	**—**	**79**	**18,311**	**51,671**	**9,160**	**79,221**
Impairment loss:						
At 1 January 2011, 31 December 2011 and 31 December 2012	**—**	**—**	**—**	**622**	**472**	**1,094**
Net book value:						
At 31 December 2012	**265,000**	**112,309**	**187,689**	**602,651**	**76,355**	**1,244,004**
At 31 December 2011	265,000	113,742	201,422	595,193	73,515	1,248,872

20. GOODWILL

	2012 RMB'000	2011 RMB'000
Cost:		
At 1 January	**1,902,233**	619,683
Acquisition of other subsidiaries (note 45(a))	**69,125**	1,282,550
Others	**7,510**	—
At 31 December	**1,978,868**	1,902,233
Accumulated impairment:		
At 31 December	**(242,808)**	(242,808)
Net book value:		
At 31 December	**1,736,060**	1,659,425

Impairment testing of goodwill

Goodwill acquired through business combinations has been primarily allocated to the following reportable cash-generating units ("CGUs") for impairment testing:

– Manufacture and sale of pharmaceuticals and healthcare products;

– Property; and

– Investment.

The carrying amounts of goodwill are as follows:

	Manufacture and sale of pharmaceuticals and healthcare products RMB'000	**Property RMB'000**	**Investment RMB'000**	**Total RMB'000**
Carrying amount of goodwill				
2012	**1,661,771**	**70,526**	**3,763**	**1,736,060**
2011	1,585,136	70,526	3,763	1,659,425

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 12% to 15% (2011: 11% 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)*

Assumptions were used in the value-in-use calculation of the CGUs for 31 December 2012 and 2011. 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

Company

	Notes	2012 RMB'000	2011 RMB'000
Unlisted shares, at cost	(1)	**4,406,051**	3,478,315
Loans to a subsidiary	(2)	**162,170**	162,140
		4,568,221	3,640,455

(1) Investment in unlisted shares of a subsidiary represents the investment in Forte and the cost of acquisition of the entire interest in Shanghai Fosun High Technology (Group) Co., Ltd. ("Fosun Group"), which is the immediate holding company of the other subsidiaries now comprising the Group.

(2) 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

	2012 RMB'000	2011 RMB'000
Share of net assets	**3,555,009**	1,053,737
Loans to jointly-controlled entities	**3,205,764**	356,000
	6,760,773	1,409,737

Loans to jointly-controlled entities of RMB3,205,764,000 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 34 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:

	2012 RMB'000	2011 RMB'000
Share of the jointly-controlled entities' assets and liabilities		
Current assets	**9,277,877**	3,987,963
Non-current assets	**1,677,076**	515,549
Current liabilities	**(5,690,515)**	(2,908,267)
Non-current liabilities	**(1,709,429)**	(541,508)
Net assets	**3,555,009**	1,053,737
Share of the jointly-controlled entities' results:		
Revenue	**759,148**	538,195
Other income	**10,475**	5,969
	769,623	544,164
Total expenses	**(685,183)**	(496,925)
Tax	**(15,363)**	(15,163)
Profit after tax	**69,077**	32,076

23. INVESTMENTS IN ASSOCIATES

Group

	2012 RMB'000	2011 RMB'000
Share of net assets	**14,759,971**	13,833,987
Goodwill on acquisitions	**601,950**	407,459
	15,361,921	14,241,446
Loan to associates	**—**	3,035,050
Provision for impairment	**(103,244)**	(885)
	15,258,677	17,275,611

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 34 to the financial statements.

Company

	2012 RMB'000	2011 RMB'000
Unlisted shares, at cost	**82,421**	82,421

The Company's investment in an associate represents a 26.67% (2011: 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 :

	2012 RMB'000	2011 RMB'000
Assets	**227,841,327**	166,456,681
Liabilities	**(155,215,323)**	(109,447,790)
Revenues	**152,384,379**	147,949,739
Profit	**4,843,728**	4,087,839

As at 31 December 2012, Fosun Group through its subsidiaries, held 19.93% equity interests in Yong'an Insurance Co., Ltd. ("Yong'an Insurance"). On 13 December 2012, Fosun Group nominated a new director to the board of Yong'an Insurance and the Group commenced to account for Yong'an Insurance as an associate under the equity method because the Group started to exercise significant influence over Yong'an Insurance by way of presentation on the board of directors and participation in the policy-making process.

The impairment loss of RMB166,023,000 provided in the prior year for Yong'an Insurance was reversed against retained earnings as an opening adjustment.

24. AVAILABLE-FOR-SALE INVESTMENTS

	2012 RMB'000	2011 RMB'000
Listed equity investments, at fair value		
Hong Kong	**172,498**	98,914
United States	**273,063**	218,400
Mainland China	**2,228,620**	2,767,589
	2,674,181	3,084,903
Unlisted equity investments	**4,708,710**	5,352,362
	7,382,891	8,437,265

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB49,321,000 (2011: gross gain of RMB569,121,000), of which RMB543,799,000 (2011: RMB835,022,000) 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.

25. PROPERTIES UNDER DEVELOPMENT

	2012 RMB'000	2011 RMB'000
Land costs	**25,074,660**	23,009,062
Construction costs	**9,200,602**	5,456,516
Capitalised financial costs	**1,025,606**	848,326
	35,300,868	29,313,904
Portion classified as current assets	**(27,333,872)**	(22,428,345)
	7,966,996	6,885,559

The properties pledged to banks to secure bank loans and other borrowings are as follows:

	2012 RMB'000	2011 RMB'000
Net book value pledged (note 36)	**12,214,212**	6,693,504
Additions to properties under development include:		
Interest expense capitalised in respect of bank and other borrowings (note 7)	**661,490**	550,568

The Group's properties under development are all situated in Mainland China.

26. LOANS RECEIVABLE

	Notes	2012 RMB'000	2011 RMB'000
Loans receivable		**2,751,338**	2,366,682
Portion classified as current	(1)	**(807,102)**	(132,250)
Long term portion	(2)	**1,944,236**	2,234,432

(1) As at 31 December 2012, the current portion of loans receivable comprised of:

– an entrusted bank loan of RMB500,000,000 provided to Shanxi Jianqin Real Estate Development Co., Ltd., 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;

– an entrusted bank loan of RMB160,000,000 provided to Harbin Xinhao Real Estate Development Co., Ltd., a jointly-controlled entity, which is unsecured, bears interest at a fixed interest rate of 8.9% per annum and is repayable on 31 July 2013; and

– entrusted bank loans of RMB125,080,000 provided to a third party. These loans are unsecured, bear interest at a fixed interest rate of 10.0% and 12.0% and are repayable in 2013.

(2) As at 31 December 2012, the non-current portion of loans receivable comprised of:

– a shareholders' loan of RMB1,887,084,000 provided to Shanghai Haizhimen Property Investment and Management Co., Ltd. ("Haizhimen"), which is unsecured, bears interest at a fixed interest rate of 13.8% per annum and has no fixed terms of repayment; and

– an entrusted bank loan of RMB57,152,000 provided to a third party. This loan is unsecured, bears interest at a fixed interest rate of 8.0% per annum and is repayable on 10 October 2015.

27. PREPAYMENTS

	Note	2012 RMB'000	2011 RMB'000
Prepayments for the proposed acquisition of equity interests in			
– Shanghai Dijie Real Estate Limited ("Dijie")	(i)	**616,313**	616,313
– Ningbo Baolai Property Co., Ltd. and Ningbo Xucheng Property Co., Ltd.		**—**	60,000
– Xinjiang Boze investment limited Partnership Equity		**33,000**	—
– Xi'an Yuanchuang Chemical Technology Co., Ltd.		**21,410**	—
		670,723	676,313

(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, 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 2012, the Group had advanced RMB616,313,000 (31 December 2011: RMB616,313,000) to Shanghai Vanke. The remaining capital commitment not paid as at 31 December 2012 amounting to RMB587,959,000 (31 December 2011: RMB587,959,000) is set out in note 48 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 profits RMB'000	Accruals and provisions RMB'000	Post-employment benefits RMB'000	Additional Repairs and maintenance RMB'000	LAT provisions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2011	184,320	193,237	3,306	2,040	408,006	214,900	1,005,809
Acquisition of subsidiaries	—	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 and 1 January 2012	534,933	286,895	773	3,522	469,376	225,632	1,521,131
Acquisition of subsidiaries (note 45(a))	—	—	—	—	22,319	26,002	48,321
Deferred tax credited/(charged) during the year	653,376	(9,008)	(773)	4,462	(36,684)	31,753	643,126
Gross deferred tax assets at 31 December 2012	1,188,309	277,887	—	7,984	455,011	283,387	2,212,578

28. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Fair value adjustments arising from equity investments at fair value through profit or loss 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 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	42,230	(272,718)	24,381	(109,270)	227,086	(21,537)	33,577	31,116	(41,008)
Deferred tax charged to reserve during the year	—	—	241,808	—	—	—	—	—	—	241,808
Disposal of subsidiaries (note 45(b))	(1,020)	—	—	—	—	—	—	—	—	(1,020)
Acquisition of subsidiaries	266,312	—	—	—	—	—	—	—	—	266,312
Gross deferred tax liabilities at 31 December 2011 and 1 January 2012	**749,318**	**42,230**	**686,030**	**111,825**	**—**	**896,584**	**192,927**	**195,729**	**68,094**	**2,942,737**
Deferred tax charged/(credited) to the consolidated income statement during the year	**(66,546)**	**142,957**	**(181,379)**	**35,120**	**—**	**(17,187)**	**(77,147)**	**33,359**	**140,268**	**9,445**
Deferred tax credited to reserve during the year	**—**	**—**	**(44,476)**	**—**	**—**	**—**	**—**	**—**	**—**	**(44,476)**
Acquisition of subsidiaries (note 45(a))	**174,034**	**—**	**—**	**—**	**—**	**—**	**104,009**	**—**	**—**	**278,043**
Gross deferred tax liabilities at 31 December 2012	**856,806**	**185,187**	**460,175**	**146,945**	**—**	**879,397**	**219,789**	**229,088**	**208,362**	**3,185,749**

28. DEFERRED TAX *(Continued)*

As at 31 December 2012, the deferred tax assets were recognised for certain entities within the Group which suffered accumulated losses as at the end of 2012. The directors are of the opinion that these entities could generate sufficient future taxable profits to utilise the deferred tax assets recognised as at 31 December 2012.

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

	2012 RMB'000	2011 RMB'000
Tax losses	**3,689,837**	2,138,306
Deductible temporary differences	**298,448**	296,748
	3,988,285	2,435,054

Company

	2012 RMB'000	2011 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 consequences attaching to the payment of dividends by the company to its shareholders.

29. CASH AND BANK BALANCES

Group

	Notes	2012 RMB'000	2011 RMB'000
Cash on hand		**10,466**	44,521
Cash at banks, unrestricted		**19,186,137**	13,863,862
Cash and cash equivalents		**19,196,603**	13,908,383
Pledged bank balances	(1)	**2,042,516**	824,020
Time deposits with original maturity of more than three months	(2)	**6,785**	1,645,610
Restricted presale proceeds	(3)	**304,939**	382,657
Restricted cash in escrow account for an investment	(4)	**420,016**	—
Required reserve deposits	(5)	**117,609**	17,083
		22,088,468	16,777,753

Notes:

It mainly comprises as follows:

		2012 RMB'000	2011 RMB'000
(1)	Pledged bank balances to secure notes payable	**1,697,491**	538,105
	Pledged bank balances to secure bank loans (note 36)	—	160,691
	Bank balances as various deposits	**280,997**	124,115
(2)	Time deposits with original maturity of more than three months pledged to secure bank loans (note 36)	**3,291**	1,411,452

(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 amounts 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 the PRC State-Owned Land and Resource Bureau is obtained.

(4) The amount represents a deposit placed by Billion Infinity Investment Limited, an indirect subsidiary of the Company, into an escrow account for a potential investment in a third party. This deposit in the escrow account is not available for use in the Group's daily operation.

(5) Required reserve deposits amounting to RMB117,609,000 (2011: RMB17,083,000) are placed by Shanghai Fosun High Technology Group Finance Co., Ltd. ("Finance Company"), an indirect subsidiary of the Company, with the People's Bank of China ("PBC"). The reserve deposits with the PBC are not available for use in the Group's daily operations.

In the preparation of the consolidated statement of cash flows, pledged bank balances, time deposits with original maturity of more than three months, restricted presale proceeds of properties, restricted cash in an escrow account for an investment and required reserve deposits 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.

29. CASH AND BANK BALANCES *(Continued)*

Company

	2012 RMB'000	2011 RMB'000
Cash at banks, unrestricted	176,428	2,223,886

30. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 RMB'000	2011 RMB'000
Group		
Listed equity investments, at market value		
Hong Kong	2,599,442	1,682,234
United States	4,626,351	3,256,871
Mainland China	2,304,364	1,707,393
Europe	1,125,918	760,229
	10,656,075	7,406,727
Company		
Listed equity investments, at market value		
Hong Kong	2,058,249	1,275,537
United States	4,396,344	3,018,330
Europe	716,762	391,874
	7,171,355	4,685,741

The above equity investments at 31 December 2012 and 2011 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.

31. TRADE AND NOTES RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade receivables	2,517,820	1,959,313
Notes receivable	3,082,298	4,546,799
	5,600,118	6,506,112

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2012 RMB'000	2011 RMB'000
Outstanding balances with ages:		
Within 90 days	2,092,631	1,721,241
91 to 180 days	287,190	94,314
181 to 365 days	102,365	163,317
1 to 2 years	72,839	17,718
2 to 3 years	9,419	4,885
Over 3 years	30,390	32,173
	2,594,834	2,033,648
Less: Provision for impairment of trade receivables	(77,014)	(74,335)
	2,517,820	1,959,313

The movements in the provision for impairment of trade receivables are as follows:

	2012 RMB'000	2011 RMB'000
At 1 January	74,335	59,826
Amount written off as uncollectible	(25,325)	(31,002)
Provision for impairment losses	28,004	30,311
Acquisition of subsidiaries	—	15,200
At 31 December	77,014	74,335

31. TRADE AND NOTES RECEIVABLES *(Continued)*

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2012 RMB'000	2011 RMB'000
Neither past due nor impaired	**1,066,927**	824,018
Within 90 days past due	**306,841**	323,403
91 to 180 days past due	**66,473**	32,458
Over 180 days past due	**56,219**	10,928
	1,496,460	1,190,807

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.

At 31 December 2012, the Group's trade and notes receivables with a carrying amount of approximately RMB1,483,857,000 (2011: RMB509,613,000) were pledged to secure bank loans, as set out in note 36 to the financial statements.

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

32. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	2012 RMB'000	2011 RMB'000
Prepayments consist of:		
Prepayments for purchase of raw materials of steel	**881,957**	758,687
Prepayments for purchase of pharmaceutical materials	**238,500**	212,951
Prepayments for purchase of construction materials	**120,496**	82,876
Prepayments for purchase of equipment and others	**587,909**	397,601
Deposits	**811,518**	577,247
Other receivables consist of:		
Funding provided to third parties	**168,591**	288,949
Tax recoverable	**572,244**	258,614
Receivable for disposal of subsidiaries (note 45(b))	**126,200**	10,241
Others	**1,468,297**	1,266,798
	4,975,712	3,853,964

Company

	2012 RMB'000	2011 RMB'000
Interest receivables	**—**	112
Deposits	**3,387**	5,608
Other	**2,171**	—
	5,558	5,720

33. INVENTORIES

	2012 RMB'000	2011 RMB'000
Raw materials	**2,943,902**	3,738,902
Work in progress	**1,260,325**	966,520
Finished goods	**1,942,280**	2,007,616
Spare parts and consumables	**867,226**	723,855
	7,013,733	7,436,893
Less: Provision for inventories	**(269,912)**	(317,345)
	6,743,821	7,119,548
Portion classified as non-current assets	**(372,222)**	—
	6,371,599	7,119,548
Net book value of inventories pledged as security for bank loans (note 36)	**320,000**	733,876

34. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES

	Notes	2012 RMB'000	2011 RMB'000
Group			
Due from related companies:			
Associates	(i)	970,805	860,611
Jointly-controlled entities	(ii)	1,850,145	962,460
Non-controlling shareholders of subsidiaries	(iii)	294,413	481,730
Other related companies	(iv)	3,087	—
		3,118,450	2,304,801
Portion classified as current		(3,118,450)	(1,856,159)
		—	448,642
Company			
Due from subsidiaries	(iv)	11,561,761	11,244,793
Due from other related companies	(iv)	3,087	—
		11,564,848	11,244,793

Notes:

(i) As at 31 December 2012, the balances due from associates included the amount of RMB635,038,000 (2011: RMB498,850,000), which is unsecured, interest-free and repayable on demand. The remaining balances due from associates are trade in nature, interest-free and repayable on demand.

(ii) As at 31 December 2012, the balances due from jointly-controlled entities included the amount of RMB1,842,201,000 (2011: RMB961,269,000), 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 2012, the balances due from non-controlling shareholders included the amount of RMB186,407,000 (2011: 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 2012, the balances due from subsidiaries and other related companies are unsecured, interest-free and repayable on demand.

	Notes	2012 RMB'000	2011 RMB'000
Group			
Due to the holding company	(v)	2,440,986	1,431,144
Due to related companies:			
Associates	(vi)	571,378	323,077
Non-controlling shareholders of subsidiaries	(vii)	2,140,405	1,848,367
Jointly-controlled entities	(viii)	1,563,582	567,113
Other related companies		31,589	—
		4,306,954	2,738,557
Portion classified as current		(3,293,834)	(1,914,420)
	(vii)	1,013,120	824,137
Company			
Due to the holding company	(v)	2,440,986	1,431,144

34. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES

(Continued)

Notes:

(v) The balances due to the holding company are unsecured, interest-free and repayable on demand.

(vi) As at 31 December 2012, the balances due to associates included the amount of RMB349,727,000 (2011: RMB275,791,000), which is unsecured, interest-free and repayable on demand. As at 31 December 2012, the balance due to associates comprised of an amount of RMB149,488,000 which is the deposits received by the Finance Company from Shanghai Yuyuan Tourist Mart Co., Ltd.. The deposits are unsecured, interest-bearing 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 2012, the balance due to non-controlling shareholders of subsidiaries comprised of:

– an amount of RMB345,800,000 is the contingent consideration for acquisition of Jinzhou Aohong Pharmaceutical Co., Ltd. which is estimated to be repayable during the years of 2013 to 2015. As at 31 December 2012, the fair value of the contingent consideration was RMB323,691,000 of which RMB247,251,000 was classified as a non-current liability. 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. which is estimated to be repayable in 2014. As at 31 December 2012, the fair value of the contingent consideration was RMB255,000,000. The amount is unsecured and interest-free;

– an entrusted bank loan provided by Zhejiang Jiawen Industrial Investment Co., Ltd. of RMB196,994,000, which is unsecured, interest-bearing and is repayable in 2014;

– an amount of RMB366,226,000 represented the payables for purchase of low grade ore products from Hainan Iron and Steel Co., Ltd., which is interest-free and is estimated to be repayable during the years of 2014 to 2015. Subsequent to its initial recognition, the amount due to a non-controlling shareholder of a subsidiary is measured using the effective interest method. As at 31 December 2012, the amortised cost of the amount due to a non-controlling shareholder of a subsidiary was RMB313,875,000;

– 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 a non-controlling shareholder of a subsidiary is measured using the effective interest method. As at 31 December 2012, the amortised cost of the amount due to a non-controlling shareholder of a subsidiary was RMB141,897,000; and

– an amount of RMB300,000,000 provided by a non-controlling shareholder of a subsidiary 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) As at 31 December 2012, the balance due to jointly-controlled entities comprised of an amount of RMB789,726,000 which is the deposits received by the Finance Company from Shanghai Xingjue Investment Management Co., Ltd.. The deposits are unsecured, interest-bearing and repayable on demand.

The remaining balances due to jointly-controlled entities are unsecured, interest-free and repayable on demand.

35. NON-CURRENT ASSET/ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	Notes	2012 RMB'000	2011 RMB'000
Carrying amount of the assets of a disposal group	(i)	—	253,132
Carrying amount of available-for-sale investments before classification as held for sale	(ii)	212,293	—
Carrying amount after impairment		212,293	253,132
Liabilities directly associated with the assets classified as held for sale		—	57,048

(i) On 21 March 2012, the Group through its wholly-owned subsidiary, Shanghai Fosun Industrial Investment Co., Ltd. entered into an equity transfer agreement with Jiangsu Diyuan Qiuqiuye Mining Engineering Co., Ltd. for the disposal of the entire shareholding of 70% in Tuoli Hongshan Mining Co., Ltd. ("Hongshan Mining"). 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. As at 31 December 2012, the disposal was competed. Hongshan Mining was disposed of by the Group as set out in note 45(b) to the financial statements..

(ii) As at 31 December 2012, the non-current asset held for sale represents the carrying amount of the Group's available-for-sale investments in Inner Mongolia Sunry Construction Group Co., Ltd. ("Inner Mongolia Sunry") and Zhejiang Yoyu Bamboo Industry Co., Ltd. ("Zhejiang Yoyu") amounted to RMB202,500,000 and RMB9,793,000 respectively.

In August 2012, the Group through its subsidiary, Fosun Venture Capital Investment Management Co., Ltd. ("Fosun Venture") entered into a disposal agreement with the original shareholder of Inner Mongolia Sunry, an independent third party, for the disposal of the Group's entire equity interest of 11.8% in Inner Mongolia Sunry at a cash consideration of RMB250,732,000. The consideration will be received by instalments in 2013 and the disposal is expected to be completed in 2013.

In November 2012, the Group through its subsidiaries, Fosun Venture Capital Investment Management Co., Ltd. entered into a disposal agreement with the original shareholder of Zhejiang Yoyu, an independent third party, for the disposal of the Group's entire equity interest of 6.9% in Zhejiang Yoyu at a cash consideration of RMB13,786,000. The consideration will be received by instalments from 2013 to 2014 and the disposal is expected to be completed in 2013.

36. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	Notes	2012 RMB'000	2011 RMB'000
Bank loans:	(1)		
Guaranteed		—	35,000
Secured		15,787,735	11,505,854
Unsecured		22,735,950	26,358,931
		38,523,685	37,899,785
Corporate bonds and enterprise bonds	(2)	10,922,024	9,417,071
Senior notes	(3)	1,864,518	1,863,716
Medium-term notes	(4)	2,574,807	2,568,056
Short-term commercial papers	(5)	499,375	—
Other borrowings, secured	(6)	901,420	681,936
Other borrowings, unsecured	(6)	1,411,517	1,459,074
Total		56,697,346	53,889,638
Repayable:			
Within one year		26,917,695	23,532,459
In the second year		8,643,729	6,558,772
In the third to fifth years, inclusive		15,203,470	18,038,884
Over five years		5,932,452	5,759,523
		56,697,346	53,889,638
Portion classified as current liabilities		(26,917,695)	(23,532,459)
Long-term portion		29,779,651	30,357,179

36. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Group *(Continued)*

Notes:

(1) Certain of the Group's bank loans are secured by:

the pledge of certain of the Group's buildings amounting to RMB1,240,368,000 (2011: RMB744,219,000), plant and machinery amounting to RMB1,594,585,000 (2011: RMB1,785,795,000), investment properties situated in Mainland China amounting to RMB3,863,000,000 (2011: RMB3,026,000,000), prepaid land lease payments amounting to RMB162,666,000 (2011: RMB407,954,000), properties under development amounting to RMB12,214,212,000 (2011: RMB6,693,504,000), completed properties for sale amounting to RMB2,196,131,000 (2011: RMB281,087,000), time deposits with original maturity of more than three months amounting to RMB3,291,000 (2011: RMB1,411,452,000), trade and notes receivables amounting to RMB1,483,857,000 (2011: RMB509,613,000), inventories amounting to RMB320,000,000 (2011: RMB733,876,000) and an investment in an associate amounting to RMB320,886,000 (2011: RMB303,832,000), an investment in a jointly-controlled entity amounting to RMB540,070,000 (2011: Nil), and investment in subsidiaries.

None of the Group's bank balances (2011: RMB160,691,000) was pledged to secure the interest-bearing bank and other borrowings.

None of the Group's interest-bearing bank and other borrowings was guaranteed by the related parties of the Group (2011: RMB35,000,000).

The bank loans bear interest at rates ranging from 1.44% to 8.53% (2011: 1.00% to 8.28%) per annum.

(2) Corporate bonds and enterprise bonds

On 27 February 2009, Nanjing Nangang 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 (the "2009 Nangang Bond"). The principal of the enterprise bonds will be repaid equally on 27 February 2015 and 27 February 2016. The interest will be paid annually in arrears. According to the offering memorandum of the 2009 Nangang Bond, the bond holders are entitled to redeem the bonds at a redemption price equal to the principal amount by the end of the fourth year since issuance, i.e., 27 February 2013. As at 31 December 2012, the carrying amount of the 2009 Nangang Bond of RMB2,482,589,000 was classified as current liabilities in the consolidated financial statements of the Group because Nanjing Nangang Iron & Steel United Co., Ltd. did not have an unconditional right to defer settlement of the liability for at least twelve months after 31 December 2012. On 27 February 2013, the redemption was completed by the bond holders as set out in Note 55 to the financial statements.

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.

On 25 April 2012, Fosun Pharma issued five-year domestic corporate bonds with a 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) 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) Short-term commercial papers

On 18 December 2012, Fosun Pharma issued short-term commercial papers with a par value of RMB500,000,000 at an interest rate of 4.75% per annum. The interest is payable at the maturity date which is 17 June 2013.

(6) The other borrowings represent borrowings from third parties, which bear interest at rates ranging from 2.55% to 15.0% (2011: 2.55% to 12.18%) per annum.

36. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Company

	2012 RMB'000	2011 RMB'000
Bank loans:		
Unsecured	**4,766,662**	4,996,745
Senior notes	**1,864,518**	1,863,716
Total	**6,631,180**	6,860,461
Repayable:		
Within one year	**866,773**	441,063
In the second year	**1,725,380**	598,586
In the third to fifth years, inclusive	**4,039,027**	5,820,812
	6,631,180	6,860,461
Portion classified as current liabilities	**(866,773)**	(441,063)
Long-term portion	**5,764,407**	6,419,398

The bank loans bear interest at rates ranging from 1.71% to 7.5% (2011: 1.76% to 7.5%) per annum.

37. LOANS FROM RELATED COMPANIES

	2012 RMB'000	2011 RMB'000
Loans from		
– a jointly-controlled entity	**155,250**	157,830
– an associate	**—**	10,000
– non-controlling shareholder of a subsidiary	**50,000**	—
	205,250	167,830
Repayable:		
Within one year	**115,000**	167,830
In the second to fourth years, inclusive	**90,250**	—
	205,250	167,830
Portion classified as current liabilities	**(115,000)**	(167,830)
Non-current portion	**90,250**	—

Loans from related companies are unsecured among which the current portion amounting to RMB115,000,000 bears interest and the non-current portion amounting to RMB90,250,000 is interest-free. 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

	2012 RMB'000	2011 RMB'000
Trade payables	**11,358,235**	9,276,590
Notes payable	**4,268,530**	2,054,392
	15,626,765	11,330,982

An aged analysis of the trade payables as at the end of the reporting period is as follows:

	2012 RMB'000	2011 RMB'000
Outstanding balances with ages:		
Within 90 days	**8,020,451**	7,843,926
91 to 180 days	**363,423**	416,198
181 to 365 days	**535,122**	264,919
1 to 2 years	**2,186,239**	624,690
2 to 3 years	**238,837**	48,344
Over 3 years	**14,163**	78,513
	11,358,235	9,276,590

The trade and notes payables are non-interest-bearing and 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

39. ACCRUED LIABILITIES AND OTHER PAYABLES

Group

	2012 RMB'000	2011 RMB'000
Advances from customers	**7,989,879**	6,870,762
Payables related to:		
Purchases of property, plant and equipment	**1,213,726**	940,102
Deposits received	**1,337,757**	656,367
Payroll	**620,706**	613,709
Business tax	**224,200**	154,773
Accrued interest expenses	**597,409**	519,342
Value-added tax	**55,847**	45,951
Accrued utilities	**190,920**	377,676
Acquisition of subsidiaries (note 45(a))	**689,788**	—
Acquisition of a jointly-controlled entity	**270,000**	—
Current portion of other long term payables (note 42)	**76,933**	46,521
Financial support for the property development	**1,718,491**	409,122
Others	**3,832,964**	2,400,901
	18,818,620	13,035,226

Company

	2012 RMB'000	2011 RMB'000
Other payables	**53,376**	49,900

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:

	2012 RMB'000	2011 RMB'000
Repayable:		
Within one year	53,842	49,614
In the second year	41,811	47,029
In the third to fifth years, inclusive	41,630	89,910
Total minimum finance lease payments	137,283	186,553
Less: Future finance charges	(11,861)	(22,589)
	125,422	163,964
Portion classified as current finance lease payables	(41,981)	(43,966)
Long-term portion	83,441	119,998

For the year ended 31 December 2012, interest was charged at a rate of 5.60% per annum (2011: 5.60%).

41. DEFERRED INCOME

Deferred income represents government grants received related to assets.

	2012 RMB'000	2011 RMB'000
Special purpose fund for technology improvement	193,592	213,060

42. OTHER LONG TERM PAYABLES

	Notes	2012 RMB'000	2011 RMB'000
Payables for rehabilitation	(i)	**36,432**	40,908
Payables for retirement benefits	(ii)	**171,870**	293,956
Payables for acquisition of a subsidiary (note 45(a))		**68,138**	—
Loans from a non-controlling shareholder of a subsidiary		**356,000**	—
Others		**19,662**	—
		652,102	334,864

Notes:

(i) The movements of payables for rehabilitation are set out below:

	2012 RMB'000	2011 RMB'000
At 1 January	**40,908**	37,374
Additions	**1,299**	3,534
Payment made	**(5,775)**	—
At 31 December	**36,432**	40,908

Payables for rehabilitation are in relation to the costs of the Group's obligations for land reclamation.

(ii) The movements of payables for retirement benefits are set out below:

	2012 RMB'000	2011 RMB'000
At 1 January	**293,956**	437,092
Additions	**—**	15,322
Interest increment (note 7)	**27,416**	24,926
Payments made	**(72,569)**	(136,863)
Classified as current portion (note 39)	**(76,933)**	(46,521)
At 31 December	**171,870**	293,956

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% (2011: 5.70% to 7.83%).

43. SHARE CAPITAL

Shares

	2012 RMB'000	2011 RMB'000
Authorised:		
100,000,000,000 (2011: 100,000,000,000) ordinary shares of HKD0.1 each	**9,746,013**	9,746,013
Issued and fully paid:		
6,421,594,500 (2011: 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 2012 to 31 December 2012 are as follows:

	Number of ordinary shares	Nominal value of ordinary shares RMB'000
Authorised:		
As at 31 December 2011 and 31 December 2012	100,000,000,000	9,746,013
Issued and fully paid:		
As at 31 December 2011 and 31 December 2012 (6,421,594,500 shares of HKD0.1 each)	6,421,594,500	621,497

44. 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 43)	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Capital redemption reserve RMB'000	Proposed Retained earnings RMB'000	final dividend RMB'000 (note 12)	Total equity RMB'000
At 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 and 1 January 2012	**621,497**	**11,785,713**	**(2,334,585)**	**1,465**	**2,648,840**	**817,340**	**13,540,270**
Final dividend declared	**—**	**—**	**—**	**—**	**—**	**(817,340)**	**(817,340)**
Proposed final dividend	**—**	**—**	**—**	**—**	**(885,181)**	**885,181**	**—**
Exchange realignment	**—**	**—**	**(3,531)**	**—**	**—**	**—**	**(3,531)**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**1,654,729**	**—**	**1,654,729**
At 31 December 2012	**621,497**	**11,785,713**	**(2,338,116)**	**1,465**	**3,418,388**	**885,181**	**14,374,128**

(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 the 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 profit 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.

45. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries

(i) Acquisition of subsidiaries accounted for as business combination

The major acquisition of subsidiaries accounted for as business combination is set out 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.

– In November 2012, Shanghai Yicheng Hospital Investment Management Co., Ltd. ("Yicheng Management"), a wholly-owned subsidiary of Fosun Pharma entered into an agreement with the shareholders of Suqian Zhongwu Hospital Co., Ltd. ("Zhongwu Hospital"), all of which are independent third parties, to acquire a 55% equity interest in Zhongwu Hospital at consideration not exceeding RMB110,138,000, satisfied by cash. The acquisition was undertaken under the Fosun Pharma's strategy to expand the healthcare service business in the PRC. The first instalment amounting to RMB42,000,000 was paid in February 2013. The remaining cash consideration amounting to RMB68,138,000 shall be paid in two instalments in 2014 and 2015, respectively. The finalised consideration is capped at RMB110,138,000 and will be adjusted based on the actual operating profits of Zhongwu Hospital of 2012 and 2013 according to the terms and conditions set out in the acquisition agreement. The acquisition was completed in December 2012 when Fosun Pharma obtained control of the operating and financial policies of Zhongwu Hospital.

45. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

(i) Acquisition of subsidiaries accounted for as business combination *(Continued)*

The fair values of the identifiable assets and liabilities of all the subsidiaries acquired during the year were as follows:

	2012 Fair value recognised on acquisition RMB'000
Property, plant and equipment	139,914
Investment in an associate	4,651
Prepaid land lease payments (note 16)	19,426
Investment properties (note 15)	731,000
Deferred tax assets (note 28)	48,321
Completed properties for sale	386,199
Cash and bank balances	45,097
Trade and notes receivables	9,418
Prepayments, deposits and other receivables	55,761
Inventories	6,368
Interest-bearing bank and other borrowings	(192,500)
Trade and notes payables	(176,474)
Accrued liabilities and other payables	(114,832)
Tax payable	(145,635)
Deferred tax liabilities (note 28)	(278,043)
Non-controlling interests	(90,022)
Total identifiable net assets at fair value	448,649
Gain on disposal of investments in an associate and a joint-controlled entity	(273)
Gain on bargain purchase of subsidiaries (note 6)	(3,645)
Goodwill on acquisition (note 20)	69,125
	513,856
Satisfied by:	
Cash	401,007
Investments in an associate and a joint-controlled entity	2,711
Cash consideration unpaid	110,138
	513,856

45. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

(i) Acquisition of subsidiaries accounted for as business combination *(Continued)*

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB9,418,000 and RMB55,761,000 respectively. The gross contractual amounts of trade receivables and other receivables were RMB9,418,000 and RMB55,761,000, respectively, of which no trade receivables and other receivables expected to be uncollectible, respectively.

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.

Since the acquisition, the acquired subsidiaries contributed RMB230,412,000 to the Group's turnover and net loss of RMB12,213,000 to the consolidated profit for the year ended 31 December 2012.

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 2012 would have been RMB51,891,280,000 and RMB4,907,966,000, respectively.

(ii) Acquisition of subsidiaries not accounted for as business combination

The major acquisition of subsidiaries not accounted for as business combination is set out as follows:

In January 2012, Forte, through its wholly-owned subsidiaries acquired 100% equity interests in Ningbo Zhongrui Investment Co., Ltd. ("Ningbo Zhongrui") and 46.25% equity interests in Ningbo Baolai Property Co., Ltd. and Ningbo Xucheng Property Co., Ltd. ("Ningbo Project Companies") at a total consideration of RMB1,155,742,000. The major assets of Ningbo Zhongrui are its 23.75% equity interests in Ningbo Project Companies. After the completion of the acquisition, Forte held an indirect 70% equity interests in Ningbo Project Companies. The major assets of Ningbo Project Companies are a piece of land in Ningbo, Zhejiang Province, the PRC.

The above acquisition has been accounted for as acquisition of assets in the Group's consolidated financial statements. The purchase cost of the Group is allocated to the assets and liabilities, respectively on the basis of their relative fair values at the date of purchase. As at 31 December 2012, among the total consideration, RMB576,184,000 was settled by cash, RMB304,558,000 was settled by netting off the balance of other receivables and the remaining RMB275,000,000 will be paid in 2013.

45. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

(ii) Acquisition of subsidiaries not accounted for as business combination *(Continued)*

The allocation of the purchase cost on the basis of the relative fair values of the assets and liabilities acquired as at the date of the purchase are as follows:

	2012 Allocation of purchase cost RMB'000
Property, plant and equipment	663
Properties under development	2,174,875
Cash and bank balances	2,291
Prepayments, deposits and other receivables	355,978
Accrued liabilities and other payables	(341,052)
Tax payable	(32)
	2,192,723
Non-controlling interests	(619,349)
Total purchase costs	1,573,374
Satisfied by:	
Cash	685,184
Investment in an associate	3,982
Other receivables	304,558
Cash consideration unpaid	579,650
	1,573,374

45. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

(iii) An analysis of the cash flows in respect of the acquisition of subsidiaries as set out in (i) and (ii) above are as follows :

	RMB'000
Consideration settled by cash	(1,086,191)
Cash and bank balances acquired	47,388
	(1,038,803)
Payment of unpaid cash consideration as at 31 December 2011	(408,403)
Prepayment of cash consideration as at 31 December 2011	60,000
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,387,206)
Transaction costs of these acquisitions included in cash flows from operating activities	176
	(1,387,030)

(iv) Acquisition of subsidiaries accounted for as a business combination subsequent to 31 December 2012

In December 2012, Fosun Pharma, through its subsidiary, entered into an agreement with the shareholders of Hunan Dongting Pharmaceutical Co., Ltd. ("Dongting Pharma"), which are independent third parties, to acquire 77.78% equity interest in Dongting Pharma at a consideration of RMB586,120,000. Dongting Pharma is engaged in the manufacture and sale of hemostatic and psychotropic medicines. The acquisition was undertaken under Fosun Pharma's strategy to penetrate the market of hemostatic and psychotropic medicines. The acquisition was completed in early January 2013 when Fosun Pharma obtained control of the operating and financial policies of Dongting Pharma.

The information of the fair values of the identifiable assets and liabilities of the above subsidiary as at the date of acquisition is not available at the date of this report, which will be disclosed in the consolidated financial statements of the Group for the year ended 31 December 2013.

45. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of subsidiaries

The major disposal during the year is set out as follows:

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 the entire shareholding of 70% in Hongshan Mining for a consideration amounting 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. As at 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 set out in note 35. The disposal transaction was completed at the end of March 2013.

The total net assets disposed of in respect of the disposal of the subsidiaries during the year were as follows:

	2012 RMB'000	2011 RMB'000
Net assets disposed of:		
Property, plant and equipment (note 14)	**25,291**	28,979
Prepaid land lease payments (note 16)	**2,652**	4,592
Exploration and evaluation assets	**5,000**	—
Mining rights	**199,972**	—
Intangible assets (note 19)	**—**	4,080
Investment in an associate	**—**	3,720
Available-for-sale investments	**—**	500
Cash and bank balances	**127**	35,191
Trade and notes receivables	**1,680**	69,435
Properties under development	**—**	753,239
Prepayments, deposits and other receivables	**1,963**	18,489
Inventories	**16,447**	50,818
Interest-bearing bank and other borrowings	**—**	(24,000)
Trade and notes payables	**(82)**	(81,823)
Accrued liabilities and other payables	**(56,966)**	(118,447)
Tax payable	**—**	(46)
Deferred tax liabilities	**—**	(1,020)
Non-controlling interests	**(59,925)**	(14,175)
	136,159	729,532
Fair value of the retained interests in subsidiaries disposed of	**—**	(443,064)
Net gain on disposal of subsidiaries (note 6)	**85,041**	59,304
	221,200	345,772

45. ACQUISITION 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:

	2012 RMB'000	2011 RMB'000
Satisfied by:		
Cash	**95,000**	335,531
Other receivables (note 32)	**126,200**	10,241
	221,200	345,772
Cash consideration	**95,000**	335,531
Cash and bank balances disposed of	**(127)**	(35,191)
Net inflow of cash and cash equivalents included in cash flows from investing activities	**94,873**	300,340

46. SHARE-BASED PAYMENTS

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 for 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 2012, the equity-settled share-based payment expenses amounting to RMB6,065,000 (2011: RMB7,712,000) were recognised in the consolidated income statements as set out in note 8 to the financial statements.

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, 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

	2012 RMB'000	2011 RMB'000
Within one year	90,325	70,796
In the second to fifth years, inclusive	123,316	91,870
Over five years	6,942	16,508
	220,583	179,174

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

	2012 RMB'000	2011 RMB'000
Within one year	114,500	117,851
In the second to fifth years, inclusive	227,319	319,196
Over five years	587,558	529,478
	929,377	966,525

Company

	2012 RMB'000	2011 RMB'000
Within one year	5,425	5,760
In the second to fifth years, inclusive	1,999	2,638
	7,424	8,398

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

	2012 RMB'000	2011 RMB'000
Contracted, but not provided for:		
In respect of:		
Plant and machinery	**1,369,301**	2,653,036
Properties under development	**5,489,243**	5,421,951
Intangible assets	**239**	—
Investments	**1,124,079**	765,346
	7,982,862	8,840,333

	2012 RMB'000	2011 RMB'000
Authorised, but not contracted for:		
In respect of:		
Plant and machinery	**158,705**	71,115
Investments	**474,321**	458,467
	633,026	529,582

In addition, the Group's share of the jointly-controlled entities' own capital commitments, which are not included in the above, is as follows:

Group

	2012 RMB'000	2011 RMB'000
Contracted but not provided for:		
Properties under development	**203,374**	404,249

Company

	2012 RMB'000	2011 RMB'000
Authorised, but not contracted for:		
Investments	**474,321**	458,467

49. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the end of the reporting period:

	2012 RMB'000	2011 RMB'000
Guaranteed bank loans of:		
Related parties (note 50)	**1,318,000**	956,800
Third parties	**123,400**	123,400
	1,441,400	1,080,200
Qualified buyers' mortgage loans*	**2,823,560**	2,511,362
	4,264,960	3,591,562

* As at 31 December 2012, the Group provided guarantees of approximately RMB2,823,560,000 (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 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	2012 RMB'000	2011 RMB'000
Sales of goods			
Sinopharm Group Co. Ltd. (Note 5)	Sales of pharmaceutical products	385,567	316,474
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd. (Notes 3 & 5)	Sales of utility	67,553	51,482
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd. (Notes 3 & 5)	Sales of scrap material	59,333	64,067
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (Notes 2 & 5)	Sales of pharmaceutical products	19,222	22,182
Shanghai Lianhua Fosun Pharmacy Chain Operation Co., Ltd. (Notes 2 & 5)	Sales of pharmaceutical products	18,821	24,834
Suzhou Laishi Transfusion Equipment Co., Ltd. (Notes 2 & 5)	Sales of pharmaceutical products	9,291	—
Shanghai Yaofang Co., Ltd. (Notes 2 & 5)	Sales of pharmaceutical products	7,580	12,205
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd. (Notes 2 & 5)	Sales of pharmaceutical products	6,492	7,694
Shanghai Huifeng Forme Pharmacy Co., Ltd. (Notes 3 & 5)	Sales of pharmaceutical products	4,962	4,651
Shanghai Liyi Pharmacy Co., Ltd. (Notes 2 & 5)	Sales of pharmaceutical products	2,158	3,386
Guilin Auspicious Pharmaceutical Industrial Ltd. (Notes 2 & 5)	Sales of pharmaceutical products	1,273	1,338
Zhejiang Crystal-Optech Co., Ltd. (Notes 2 & 5)	Sales of pharmaceutical products	—	225
Total sales of goods		582,252	508,538
Purchases of goods			
Hainan Haigang Group Co., Ltd. (Notes 4, 5 & 18)	Purchases of low grade ore products	732,451	—
Hainan Haigang Group Co., Ltd. (Notes 4, 5 & 17)	Purchases of iron ore products	22,789	44,290
Sinopharm Group Co., Ltd. (Note 5)	Purchases of pharmaceutical products	165,865	119,350
Suzhou Laishi Transfusion Equipment Co., Ltd. (Notes 2 & 5)	Purchases of pharmaceutical products	21,697	—
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd. (Notes 2 & 5)	Purchases of pharmaceutical products	12,950	8,000
Tongjitang Chinese Medicines Company (Notes 2 & 5)	Purchases of pharmaceutical products	12,097	—
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (Notes 2 & 5)	Purchases of pharmaceutical products	8,749	8,136
Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd.(Notes 2 & 5)	Purchases of coking coal products	5,978	47,498
Shanghai Yaofang Co., Ltd. (Notes 2 & 5)	Purchases of pharmaceutical products	4,752	1,923
Total purchases of goods		987,328	229,197
Transfer of biological assets			
Hainan Haigang Group Co., Ltd. (Notes 4, 15 & 17)	Transfer of biological assets	12,875	—

50. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2012 RMB'000	2011 RMB'000
Service income			
Harbin Xinghao Real Estate Development Co. Ltd. (Notes 3 & 6)	Consulting services provided to the related company	29,400	—
Fuyang Furun Property Co., Ltd. (Notes 3 & 6)	Consulting services provided to the related company	—	5,325
Total service income		29,400	5,325
Interest income			
Haizhimen (Notes 3 & 8)	Interest income	451,572	—
Shanxi Jianqin Real Estate Development Co., Ltd. (Notes 3 & 8)	Interest income	56,305	45,066
Harbin Xinghao Real Estate Development Co. Ltd. (Notes 3 & 8)	Interest income	5,775	—
Nanjing Dahua Investment Development Co., Ltd. (Notes 2 & 8)	Interest income	3,471	—
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 2, 4, 8 & 17)	Interest income	367	—
Total interest income		517,490	45,066
Interest expense			
Shanghai Yuyuan Mart Real Estate Development Co., Ltd. (Notes 2, 8 & 17)	Interest expense	20,017	22,027
Interest paid for deposits from related parties			
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 2, 4, 14 & 17)	Interest paid for deposits	1,095	—
Shanghai Xingjue Investment Management Co., Ltd. (Notes 3 & 14)	Interest paid for deposits	860	—
Total interest paid for deposits from related parties		1,955	—
Other expenses			
Nanjing Xinwu Shipping Co., Ltd. (Notes 2 & 7)	Transportation fees	99,083	105,877
Hainan Haigang Group Co., Ltd.(Notes 4, 7 & 17)	Operating lease in respect of land leased from the related company	16,789	16,971
Shanghai Foreal Property Management Co., Ltd. (Notes 2, 7 & 17)	Property management services provided by the related company	15,091	28,597
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (Notes 2 & 7)	Operating lease in respect of office buildings leased from the related company	2,662	3,000
Shanghai Yinping Investment Management Co., Ltd. (Notes 2 & 7)	Operating lease in respect of office buildings leased from the related company	—	1,600
Total other expenses		133,625	156,045

50. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2012 RMB'000	2011 RMB'000
Underlying notional interest of loans from related companies			
Wuxi Forte Real Estate Development Co., Ltd. (Notes 3 & 10)	Notional interest	**5,856**	5,943
Tianjin Binhai Auto Parts Industry Base Co., Ltd. (Note 2)	Notional interest	**—**	1,322
Total notional interest		**5,856**	7,265
Loans from related companies			
Shanghai Yuyuan Mart Real Estate Development Co., Ltd. (Notes 2, 8, 11 & 17)	Loan provided by the related company	**618,000**	—
Wuxi Forte Real Estate Development Co., Ltd. (Notes 3 ,8 & 12)	Loan provided by the related company	**65,000**	65,000
Nanjing Iron & Steel (Group) Co., Ltd. (Notes 4, 8, 11 & 17)	Loan provided by the related company	**50,000**	—
Chengde Jingfukang Pharmaceutical Co., Ltd. (Notes 2 & 8)	Loan provided by the related company	**—**	10,000
Total loans from related companies		**733,000**	75,000
Deposits from related companies			
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 2, 4, 14 & 17)	Deposits from the related company	**149,488**	—
Shanghai Xingjue Investment Management Co., Ltd. (Notes 3 & 14)	Deposits from the related company	**789,726**	—
Total deposits from related companies		**939,214**	—

50. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2012 RMB'000	2011 RMB'000
Guarantees of bank loans			
Fosun Holdings Limited (Notes 1, 9 & 17)	Bank loans guaranteed by the related company	**1,382,810**	1,386,198
Nanjing Iron & Steel (Group) Co., Ltd. (Notes 4, 9 & 17)	Bank loans guaranteed by the related company	**1,110,640**	2,835,405
Beijing Hehua Property Development Co., Ltd. (Notes 2 & 9)	Guarantees granted for bank loans of the related company	**518,000**	441,000
Tianjin Jianlong Iron & Steel Industrial Co., Ltd. (Notes 2 & 9)	Guarantees granted for bank loans of the related company	**300,000**	150,000
Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd. (Notes 2 & 9)	Guarantees granted for bank loans of the related company	**150,000**	134,800
Sichuan Forte Huanglong Property Development Co., Ltd. (Notes 3 & 9)	Guarantees granted for bank loans of the related company	**150,000**	—
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd. (Notes 3 & 9)	Guarantees granted for bank loans of the related company	**140,000**	160,000
Nanjing Xinwu Shipping Co., Ltd. (Notes 2 & 9)	Guarantees granted for bank loans of the related company	**60,000**	71,000
Total loans guaranteed		**3,811,450**	5,178,403
Loans to related companies			
Harbin Xinghao Real Estate Development Co., Ltd. (Notes 3, 8 & 13)	Entrusted loan provided to the related company	**160,000**	—
Shanxi Jianqin Real Estate Development Co., Ltd. (Notes 3, 8 & 13)	Entrusted loan provided to the related company	**—**	500,000
Sinopharm Industrial Investment Co., Ltd. (Notes 2 & 8)	Entrusted loan provided to the related company	**—**	98,000
Haizhimen (Notes 2, 8 & 13)	Shareholder loan provided to the related company	**254,931**	291,000
Chengdu Meijili Business Services Co., Ltd. (Notes 3, 8 & 13)	Shareholder loan provided to the related company	**—**	66,000
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 2, 8, 13 & 17)	Loan provided to the related company	**150,000**	—
Total loans to related companies		**564,931**	955,000

50. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

(1) It is the holding company of the Group.

(2) They are associates of the Group.

(3) They are jointly-controlled entities of the Group.

(4) They are non-controlling shareholders of the subsidiaries of the Group.

(5) 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.

(6) The directors consider that the fees for consulting services and sales agency services were determined based on prices available to third party customers.

(7) The directors consider that the fees for property management services, transportation services and leasing paid to the related companies were determined based on prices available to third party customers of the related companies.

(8) 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.

(9) The bank loans were guaranteed by the related companies free of charge. The guarantees were given by the Group for bank loans of the related companies free of charge.

(10) 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 2014 as set out in note 37 to the financial statements. The corresponding notional interest for the year ended 31 December 2012 amounted to approximately RMB5,856,000 (2011: RMB5,943,000).

(11) The loan in the amount of RMB618,000,000 is provided by Shanghai Yuyuan Mart Real Estate Development Co., Ltd. which had been settled as at 31 December 2012.

The loan in the amount of RMB50,000,000 provided by Nanjing Iron &Steel (Group) Co., Ltd bears interest at a rate of 6.6% per annum and the maturity date is 25 September 2013 as set out in note 37.

(12) 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 2013.

(13) 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 2012 were RMB247,515,000 and RMB66,000,000 respectively as set out in note 22 to the financial statements.

The balances of shareholders' loans provided to Haizhimen as at 31 December 2012 were RMB2,892,249,000 and RMB1,887,084,000 as set out in note 22 and note 26 to the financial statements respectively.

The balances of entrusted loans provided to Harbin Xinghao Real Estate Development Co., Ltd. and Shaanxi Jianqin Real Estate Development Co., Ltd. as at 31 December 2012 were RMB160,000,000 and RMB500,000,000 respectively as set out in note 26 to the financial statements.

The loan provided to Shanghai Yuyuan Tourist Mart Co., Ltd. amounting to RMB150,000,000 was settled as at 31 December 2012.

(14) Interests paid for deposits from related parties represent the interests paid for deposits placed by related parties in the Finance Company, a subsidiary of the Group. The deposits from related parties carry interests which are determined in accordance with the benchmark deposit interest rate of PBC and the prevailing market deposit interest rate. The deposits will be repaid upon demand of the related parties.

(15) During 2012, Hainan Mining transferred the biological assets to Hainan Haigang Group Co., Ltd. at a consideration of RMB12,875,000. The gain on transfer amounted to RMB6,711,000.

50. RELATED PARTY TRANSACTIONS *(Continued)*

Notes: *(Continued)*

(16) Compensation of key management personnel of the Group:

	2012 RMB'000	2011 RMB'000
Short-term employee benefits	46,737	50,535
Pension scheme contributions	315	280
Total compensation paid to key management personnel	47,052	50,815

(17) These transactions constitute connected transaction or 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.

(18) This transaction constitutes connected transaction under Chapter 14A of the Listing Rules. The Group confirmed that it has compiled with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of this transaction, save for the delay in the publication of the announcement dated 8 February 2013.

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:

2012 Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading RMB'000	Loans and receivables RMB'000	Available-for-sale financial investments RMB'000	Total RMB'000
Available-for-sale investments	—	—	7,382,891	7,382,891
Loans receivable		2,751,338	—	2,751,338
Cash and bank balances	—	22,088,468	—	22,088,468
Equity investments at fair value through profit or loss	10,656,075	—	—	10,656,075
Trade and notes receivables	—	5,600,118	—	5,600,118
Financial assets included in prepayments, deposits and other receivables (note 32)	—	2,574,606	—	2,574,606
Investments in jointly-controlled entities (note 22)	—	3,205,764	—	3,205,764
Due from related companies	—	3,118,450	—	3,118,450
	10,656,075	39,338,744	7,382,891	57,377,710

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)*

2012 Group *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	**56,697,346**	**56,697,346**
Loans from related companies	**205,250**	**205,250**
Trade and notes payables	**15,626,765**	**15,626,765**
Financial liabilities included in accrued liabilities and other payables (note 39)	**10,548,694**	**10,548,694**
Due to related companies and the holding company	**6,747,940**	**6,747,940**
Other long-term payables	**652,102**	**652,102**
Finance lease payables	**125,422**	**125,422**
	90,603,519	**90,603,519**

2011 Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading 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 receivable	—	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 32)	—	2,143,235	—	2,143,235
Investments in jointly-controlled entities (note 22)	—	356,000	—	356,000
Investments in associates (note 23)	—	3,035,000	—	3,035,000
Due from related companies	—	2,304,801	—	2,304,801
	7,406,727	33,489,583	8,437,265	49,333,575

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)*

2011 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	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 39)	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
Finance lease payables	163,964	—	163,964
Derivative financial instruments	—	9,228	9,228
	76,020,719	9,228	76,029,947

2012 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	**7,171,355**	**—**	**7,171,355**
Cash and bank balances	**—**	**176,428**	**176,428**
Financial assets included in prepayments, deposits and other receivables (note 32)	**—**	**5,558**	**5,558**
Due from related companies	**—**	**3,087**	**3,087**
Due from subsidiaries	**—**	**11,561,761**	**11,561,761**
	7,171,355	**11,746,834**	**18,918,189**

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)*

2012 Company *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in accrued liabilities and other payables (note 39)	**53,376**
Interest-bearing bank and other borrowings	**6,631,180**
Due to the holding company	**2,440,986**
	9,125,542

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 32)	—	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 39)	49,900
Interest-bearing bank and other borrowings	6,860,461
Due to the holding company	1,431,144
	8,341,505

52. TRANSFERS OF FINANCIAL ASSETS

At 31 December 2012, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Endorsed Bills"), to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB10,899,777,000 (2011: RMB7,861,606,000). In addition, the Group discounted certain bills receivable accepted by banks in the PRC (the "Discounted Bills"), to certain banks to finance its operating cash flow with a carrying amount in aggregate of RMB1,274,852,000 (2011: RMB448,383,000). The Endorsed Bills and the Discounted Bills have a maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC and relevant discounting arrangement with certain banks, the holders of the Endorsed Bills and the Discounted Bills have a right of recourse against the Group if the accepting banks default (the "Continuing Involvement").

In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Endorsed Bills and the Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Endorsed Bills and the Discounted Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills and the undiscounted cash flows to repurchase these Endorsed Bills and Discounted Bills equal to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills are not significant.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Endorsed Bills and the Discounted Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement and the discount has been made evenly throughout the year.

53. 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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Available-for-sale investments	**7,382,891**	8,437,265	**7,382,891**	8,437,265
Loans receivable	**2,751,338**	2,366,682	**2,751,338**	2,366,682
Trade and notes receivables	**5,600,118**	6,506,112	**5,600,118**	6,506,112
Equity investments at fair value through profit or loss	**10,656,075**	7,406,727	**10,656,075**	7,406,727
Financial assets included in prepayments, deposits and other receivables (note 32)	**2,574,606**	2,143,235	**2,574,606**	2,143,235
Cash and bank balances	**22,088,468**	16,777,753	**22,088,468**	16,777,753
Investments in jointly-controlled entities (note 22)	**3,205,764**	356,000	**3,205,764**	356,000
Investments in associates (note 23)	**—**	3,035,000	**—**	3,035,000
Due from related companies	**3,118,450**	2,304,801	**3,118,450**	2,304,801
	57,377,710	49,333,575	**57,377,710**	49,333,575
Financial liabilities				
Interest-bearing bank and other borrowings	**56,697,346**	53,889,638	**56,950,813**	53,861,337
Trade and notes payables	**15,626,765**	11,330,982	**15,626,765**	11,330,982
Financial liabilities included in accrued liabilities and other payables (note 39)	**10,548,694**	5,963,740	**10,548,694**	5,963,740
Due to related companies and the holding company	**6,747,940**	4,169,701	**6,747,940**	4,169,701
Other long-term payables	**652,102**	334,864	**652,102**	334,864
Finance lease payables	**125,422**	163,964	**125,422**	163,964
Derivative financial instruments	**—**	9,228	**—**	9,228
Loans from related companies	**205,250**	167,830	**205,250**	167,830
	90,603,519	76,029,947	**90,856,986**	76,001,646

53. FAIR VALUE AND FAIR VALUE HIERARCHY *(Continued)*

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows: *(Continued)*

Company

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Equity investments at fair value through profit or loss	**7,171,355**	4,685,741	**7,171,355**	4,685,741
Financial assets included in prepayments, deposits and other receivables (note 32)	**5,558**	5,720	**5,558**	5,720
Cash and bank balances	**176,428**	2,223,886	**176,428**	2,223,886
Due from related companies	**3,087**	—	**3,087**	—
Due from subsidiaries	**11,561,761**	11,244,793	**11,561,761**	11,244,793
	18,918,189	18,160,140	**18,918,189**	18,160,140
Financial liabilities				
Interest-bearing bank and other borrowings	**6,631,180**	6,860,461	**6,789,178**	6,902,511
Financial liabilities included in accrued liabilities and other payables (note 39)	**53,376**	49,900	**53,376**	49,900
Due to the holding company	**2,440,986**	1,431,144	**2,440,986**	1,431,144
	9,125,542	8,341,505	**9,283,540**	8,383,555

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 prices. 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 2012, the derivative financial instruments are all settled.

53. 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 2012

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments:				
Equity investments (note 24)	**1,729,254**	**944,927**	**—**	**2,674,181**
Equity investments at fair value through profit or loss	**10,656,075**	**—**	**—**	**10,656,075**
	12,385,329	**944,927**	**—**	**13,330,256**

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 24)	581,257	2,503,646	—	3,084,903
Equity investments at fair value through profit or loss	7,169,861	236,866	—	7,406,727
	7,751,118	2,740,512	—	10,491,630

53. FAIR VALUE AND FAIR VALUE HIERARCHY *(Continued)*

Fair value hierarchy *(Continued)*

Assets measured at fair value: *(Continued)*

Company

As at 31 December 2012

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	**7,171,355**	**—**	**—**	**7,171,355**

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

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

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 (2011: Nil).

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and other borrowings, finance lease payables 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 2012. 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 2012, approximately 34% (2011: 37%) 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
2012	**75**	**(154,313)**
	(25)	**51,438**
2011	75	(176,440)
	(25)	58,813

54. 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
2012		
If RMB weakens against the United States dollar	**5**	**(421,239)**
If RMB strengthens against the United States dollar	**(5)**	**421,239**
If RMB weakens against the Hong Kong dollar	**5**	**(7,962)**
If RMB strengthens against the Hong Kong dollar	**(5)**	**7,962**
2011		
If RMB weakens against the United States dollar	5	(195,740)
If RMB strengthens against the United States dollar	(5)	195,740
If RMB weakens against the Hong Kong dollar	5	(77,418)
If RMB strengthens against the Hong Kong dollar	(5)	77,418

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, available-for-sale investments, equity investments at fair value through profit or loss, loan receivables, 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 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 31 to the financial statements.

54. 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 interest-bearing loans and other borrowings and loan from related companies. The Group's policy is that not more than 80% of the borrowings should mature in any 12-month period. 48% (2011: 44%) of the Group's debts would mature in less than one year as at 31 December 2012 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 payments, is as follows:

2012 Group

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	26,717,695	29,532,442	6,196,462	62,446,599
Loans from related companies	—	115,000	125,014	—	240,014
Trade and notes payables	5,136,308	10,490,457	—	—	15,626,765
Due to related companies and the holding company	5,087,999	678,088	1,087,580	—	6,853,667
Financial liabilities included in accrued liabilities and other payables	9,588,906	959,788	—	—	10,548,694
Other long-term payables	—	—	652,102	—	652,102
Finance lease payables	—	41,981	83,441	—	125,422
	19,813,213	39,003,009	31,480,579	6,196,462	96,493,263

2011 Group

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	25,138,476	25,931,819	6,175,994	57,246,289
Loans from related companies	—	168,000	—	—	168,000
Trade and notes payables	6,523,372	4,807,610	—	—	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
Finance lease payables	—	43,966	119,998	—	163,964
Derivative financial instruments	—	9,228	—	—	9,228
	15,832,676	30,167,280	27,263,486	6,175,994	79,439,436

The disclosed derivative financial instruments in the above table are stated at net-off undiscounted cash flows which approximate to their aggregate carrying amounts since almost all of the amounts will be settled in net amount.

54. 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.

2012 Company

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	866,773	6,447,161	—	7,313,934
Due to the holding company	2,440,986	—	—	—	2,440,986
Financial liabilities included in accrued liabilities and other payables	53,376	—	—	—	53,376
	2,494,362	866,773	6,447,161	—	9,808,296

2011 Company

	On demand RMB'000	Less than 1 year 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

54. 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 was exposed to equity price risk arising from individual equity investments classified as trading equity investments (note 30) and available-for-sale investments measured at fair value (note 24) as at 31 December 2012. The Group's listed investments are listed on Stock Exchange of Hong Kong, Shenzhen, Shanghai, United States and Europe 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
2012				
Investments listed in:				
Hong Kong	– Available-for-sale	**172,498**	**—**	**8,625**
	– Held-for-trading	**2,599,442**	**129,972**	**—**
Shenzhen	– Available-for-sale	**908,358**	**—**	**45,418**
	– Held-for-trading	**—**	**—**	**—**
Shanghai	– Available-for-sale	**1,320,262**	**—**	**66,013**
	– Held-for-trading	**2,304,364**	**115,218**	**—**
United States	– Available-for-sale	**273,063**	**—**	**13,653**
	– Held-for-trading	**4,626,351**	**231,318**	**—**
Europe	– Held-for-trading	**1,125,918**	**56,296**	**—**
2011				
Investments listed in:				
Hong Kong	– Available-for-sale	98,914	—	4,946
	– Held-for-trading	1,682,234	84,112	—
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	1,707,332	85,367	—
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	—

54. 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 2012 and 31 December 2011.

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 end of the reporting periods were as follows:

Group	**2012** **RMB'000**	2011 RMB'000
Interest-bearing bank and other borrowings	**56,697,346**	53,889,638
Loans from related companies	**205,250**	167,830
Less: Cash and cash equivalents	**(19,195,603)**	(13,908,383)
Net debt	**37,706,993**	40,149,085
Total equity	**57,218,396**	48,486,154
Total equity and net debt	**94,925,389**	88,635,239
Gearing ratio	**40%**	45%

55. EVENTS AFTER THE REPORTING PERIOD

(a) On 31 January 2013, Sparkle Assets Limited, which is an indirect subsidiary of the Company, issued senior notes in the aggregate principal amount of USD400,000,000 due by the year of 2020 (the "Senior Notes") guaranteed by the Company and its 8 subsidiaries. The Senior Notes bear interest at the rate of 6.875% per annum, payable semi-annually in arrears.

(b) On 27 February 2013, after the completion of the redemption as set out in note 36 to the financial statements, the principal amount of RMB30,000,000 of the 2009 Nangang Bond was redeemed by the bond holders. The remaining principal amount of RMB2,470,000,000 will be repaid by Nanjing Nangang equally on 27 February 2015 and 27 February 2016 with no further redemption option for bond holders.

(c) As set out in note 45(a) to the financial statements, in December 2012, Fosun Pharma, through its subsidiary, entered into an agreement with the shareholders of Dongting Pharma, which are independent third parties, to acquire 77.78% equity interest in Dongting Pharma at a consideration of RMB586,120,000. The acquisition was completed in early January 2013 when Fosun Pharma obtained control of the operating and financial policies of Dongting Pharma.

56. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation. 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.

57. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2013.

ISSUER

Principal office

Fuxing Commercial Tower
2 East Fu Xing Road
Shanghai 200010
People's Republic of China

Registered office

P.O. Box 957
Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands

THE COMPANY

Principal office

Fosun International Limited
Fuxing Commercial Tower
2 East Fu Xing Road
Shanghai 200010
People's Republic of China

Registered office

Fosun International Limited
Room 808 ICBC Tower
3 Garden Road
Central
Hong Kong

COLLATERAL AGENT

The Bank of New York Mellon
101 Barclay Street
New York, NY 10286
United States of America

TRUSTEE AND PRINCIPAL PAYING AGENT

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL, United Kingdom

REGISTRAR AND TRANSFER AGENT

The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building – Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

LEGAL ADVISORS

To the Company as to
BVI law

Maples and Calder
53rd Floor, The Center
99 Queen's Road
Central
Hong Kong

To the Company as to
U.S. federal and New York state law and Hong Kong law

Latham & Watkins
18/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

To the Initial Purchaser as to
U.S. federal and New York state law

Davis Polk & Wardwell
The Hong Kong Club Building
3A Chater Road, 18/F
Hong Kong

To the Initial Purchaser as to
PRC law

Grandall Law Firm (Shanghai)
45/F, Nanzheng Building
580 Nanjing Road West
Shanghai
People's Republic of China

INDEPENDENT AUDITORS

Ernst & Young
22nd Floor CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

ISE LISTING AGENT

Maples and Calder
75 St. Stephen's Green
Dublin 2
Ireland

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 Prospectus following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of this Prospectus. In accessing the Prospectus, 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 PROSPECTUS 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.

Confirmation and your representation: In order to be eligible to view this Prospectus 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 Prospectus, 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 Prospectus by electronic transmission.

Within the United Kingdom, the Prospectus 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 Prospectus 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 Prospectus relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. The Prospectus and its contents 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 Prospectus or any of its contents.

You are reminded that this Prospectus has been delivered to you on the basis that you are a person into whose possession this Prospectus 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 Prospectus 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 purchaser or any affiliate of the initial purchaser is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchaser or such affiliate on behalf of the issuer in such jurisdiction.

This Prospectus 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, Morgan Stanley & Co. International plc, as the Sole Bookrunner and Lead Arranger (the "Sole Bookrunner and Lead Arranger"), or any person who controls it or any of its director, officer, employee or agent or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Sole Bookrunner and Lead Arranger.

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.