

## IMPORTANT NOTICE

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

**Confirmation and your representation:** In order to be eligible to view this offering circular or make an investment decision with respect to the securities, investors must be non-U.S. persons (as defined in Regulation S under the Securities Act) outside the United States. By accepting the e-mail and accessing this offering circular, 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) you consent to delivery of such offering circular by electronic transmission.

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

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

This offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of Credit Suisse Securities (Europe) Limited, Fosun Hani Securities Limited, CLSA Limited and CNCB (Hong Kong) Capital Limited as the joint lead managers (the “Joint Lead Managers”), or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

**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.

**Fortune Star (BVI) Limited**  
*(incorporated in the British Virgin Islands with limited liability)*

**US\$300,000,000 5.375% Senior Notes Due 2020**

**UNCONDITIONALLY and IRREVOCABLY**

**GUARANTEED BY**

**FOSUN 复星**

**FOSUN INTERNATIONAL LIMITED**

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

The US\$300,000,000 5.375% Senior Notes due 2020 (the "Notes") to be issued by Fortune Star (BVI) Limited (the "Issuer") will bear interest from and including December 5, 2017 (the "Issue Date") at the rate of 5.375% per annum payable semi-annually in arrear on June 5 and December 5 of each year (each an "Interest Payment Date") commencing June 5, 2018. The Notes will mature on December 5, 2020.

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 wholly-owned subsidiary of the Parent Guarantor established to issue the Notes.

At any time and from time to time prior to December 5, 2020, 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 December 5, 2020 in whole or in part, at a price equal to 100% of the principal amount of the Notes plus (i) accrued and unpaid interest (if any) to the redemption date and (ii) a premium as set forth in this Offering Circular. Upon occurrence of a Change of Control Triggering Event (as defined in the indenture governing the Notes among the Issuer, the Parent Guarantor and The Bank of New York Mellon, London Branch, as Trustee, (the "Indenture")), the Issuer must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. The Issuer may redeem all but not some of the Notes upon the occurrence of certain changes in applicable tax laws at 100% of their principal amount plus accrued and unpaid interest.

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 of the Parent Guarantor, other than the 1.5% Convertible Bonds due 2018 of Logo Star Limited (the "2013 Convertible Bonds"), the 3.3% Senior Notes due 2022 of Xingtiao Assets Limited (the "2014 Notes"), the 5.5% Senior Notes due 2023 of Wealth Driven Limited (the "2016 Notes") and the 5.25% Senior Notes due 2022 of Fortune Star (BVI) Limited (the "2017 Notes", together with the 2013 Convertible Bonds, the 2014 Notes and the 2016 Notes, the "Existing Indebtedness"), to the extent 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 142.

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知, the "NDRC Circular") on September 14, 2015, which came into effect on the same day, we have registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC dated November 2, 2017 evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the New Notes to be reported to the NDRC within 10 PRC working days after the issue date of the New Notes.

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**Investing in the Notes involves risks. See "Risk Factors" beginning on page 12.**

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. Approval in-principle from, admission to the Official List of, and the listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, our subsidiaries, associated companies or the Notes.

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**Issue Price: 100%**

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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 the securities law of any other jurisdiction. The Notes are being offered and sold only to non-U.S. persons outside the United States in offshore transactions in reliance upon Regulation S under the Securities Act. For a description of certain restrictions on resale or transfer, see "Transfer Restrictions" beginning on page 181.

It is expected that the delivery of the Notes will be made on or about December 5, 2017 through the book-entry facilities of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream") against payment therefor in immediately available funds.

**Joint Global Coordinators**

**Credit Suisse**

**Fosun Hani**

**Joint Lead Managers and Joint Bookrunners**

**Credit Suisse**

**Fosun Hani**

**CITIC CLSA Securities**

**CNCB HK Capital**

The date of this Offering Circular is November 28, 2017.

This Offering Circular does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction.

Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this Offering Circular or that the information contained in this Offering Circular is correct as of any time after that date.

In making your investment decision, you should rely only on the information contained in this Offering Circular. We have not authorized any person to provide you with any information or represent anything about us or this offering that is not contained in this Offering Circular. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the Initial Purchasers or the Trustee.

You should not assume that the information contained in this Offering Circular is accurate as of any date other than the date of this Offering Circular. Our business, financial condition, results of operations and prospects may have changed since that date.

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

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

None of the Trustee, the Paying Agent, the Transfer Agent, the Registrar or the Collateral Agent makes any express or implied representation or warranty as to the accuracy or completeness of the information set forth herein, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Trustee, the Paying Agent, Transfer Agent, the Registrar or the Collateral Agent whether as to the past or the future. The Trustee, the Paying Agent, Transfer Agent, the Registrar and the Collateral Agent have not independently verified such information and assume no responsibility for its accuracy or completeness. Each person receiving this Offering Circular 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 Trustee, the Paying Agent, 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 Trustee, the Paying Agent, Transfer Agent, the Registrar or the Collateral Agent. Notwithstanding anything herein to the contrary, the Paying Agent, Transfer Agent and the Collateral Agent are solely agents for the Issuer 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 Offering Circular. Any representation to the contrary is a criminal offense in the United States.**

We are not making an offer to sell the Notes in any jurisdiction except where an offer or sale is permitted. The distribution of this Offering Circular and the offering of the Notes may in certain jurisdictions be restricted by law. Persons into whose possession this Offering Circular comes are required by us to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the Notes and distribution of this Offering Circular, see “Transfer Restrictions.” This Offering Circular summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this Offering Circular. In making an investment decision, you must rely on your own examination of us and our subsidiaries and affiliates, as well as the terms of the offering, including the merits and risks involved. We are not making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this Offering Circular to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Notes.

We and the Initial Purchasers reserve the right to reject any offer to purchase any of the Notes for any reason, or to sell less than the principal amount of the Notes for which any prospective purchaser has subscribed. The Paying Agent, Transfer Agent, the Trustee, the Registrar, the Collateral Agent and certain related entities may acquire a portion of the Notes for their own account.

You must comply with all laws that apply to you in any place in which you buy, offer or sell any Notes or possess this Offering Circular. You must also obtain any consents or approvals that you need in order to purchase the Notes. None of us, the Initial Purchasers, the Trustee, the Transfer Agent, the Registrar, the Collateral Agent and the Paying Agent is responsible for your compliance with these legal requirements.

The Notes are subject to restrictions on transfer and resale that are described under “Transfer Restrictions.” By purchasing any Notes, you represent and agree to all of the provisions contained in that section of this Offering Circular. You may have to bear the financial risks of investing in our Notes for an indefinite period of time.

In connection with the offering of the Notes, Credit Suisse Securities (Europe) Limited, as the stabilizing manager, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, it may overallocate the offering, creating a syndicate short position. In addition, it may bid for, and purchase, the Notes in the open market to cover syndicate shorts or to stabilize the price of the Notes. Any of these activities may stabilize or maintain the market price of the Notes above independent market levels. Credit Suisse Securities (Europe) Limited, as the stabilizing manager, is not required to engage in these activities, and may end any of these activities at any time. For a description of these activities, see “Plan of Distribution.”

## CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this Offering Circular 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) by itself or to Fosun International Limited (復星國際有限公司) and all of its subsidiaries and joint ventures collectively as the context requires.

#### ***Fosun High Technology***

When we use the term “Fosun High Technology” 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 High Technology is a direct wholly-owned subsidiary of Fosun International.

### ***Our Business***

We currently develop three core ecosystems: health, happiness and wealth. The health ecosystem business includes three major parts: Fosun Pharma, medical services and health products; the happiness ecosystem business includes two major parts: tourism and leisure, consumer and lifestyle while the wealth ecosystem business includes three major segments: insurance and finance, investment and real property.

### ***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 High Technology.

### ***Our Parent Companies***

“Fosun Holdings” means Fosun Holdings Limited, a company incorporated in Hong Kong and the owner of 71.65% of our outstanding share capital as of June 30, 2017. The remaining 28.35% of our share capital 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.

### ***Countries and Regions***

“BVI” means the British Virgin Islands.

“China” and the “PRC” mean the People’s Republic of China. References to “China” or the “PRC,” for purposes of this Offering Circular, 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

References in this Offering Circular to “U.S. dollars” and “US\$” are to United States dollars; references to “H.K. dollars” and “HK\$” are to Hong Kong dollars, the lawful currency of Hong Kong; and references to “RMB” or “Renminbi” are to Renminbi, the lawful currency of the PRC.

Solely for the convenience of the reader, this Offering Circular 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\$7.8055 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, 2017. All translations from RMB to U.S. dollars have been made at a rate of RMB6.7793 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, 2017.

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

## FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements, including those regarding our future financial condition 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 statements that include the words “believe,” “expect,” “aim,” “intend,” “plan,” “will,” “may,” “anticipate,” “seek,” “should” or similar expressions. 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. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include the following:

- disruption in the global capital markets;
- volatility in the markets for 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 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 health and resources businesses;
- our ability to develop, or otherwise obtain the right to use, technologies and intellectual properties and to develop new products so as to maintain our competitiveness in the pharmaceutical industry;
- our ability to obtain, maintain, renew and comply with the requirements of licenses, permits and other governmental authorizations required to conduct our operations; and
- other operating risks and factors identified in this Offering Circular.

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

## **ENFORCEMENT OF CIVIL LIABILITIES**

The Issuer is incorporated in the BVI. Any final and conclusive monetary judgment for a definite sum obtained against the Issuer in a competent foreign court in respect of the Notes would be treated by the courts of the BVI as a cause of action in itself and sued upon as a debt at common law so that no retrial of the issues would be necessary 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;
- (ii) the judgment given by the foreign court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations;
- (iii) in obtaining judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of the foreign court;
- (iv) recognition or enforcement of the judgment would not be contrary to BVI public policy; and
- (v) the proceedings pursuant to which judgment was obtained were not contrary to the principles of 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 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 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 have appointed Fosun Management (US) Inc. 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, in relation to the indenture governing the Notes.

## **PRESENTATION OF FINANCIAL INFORMATION**

We have prepared our 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, have audited our consolidated financial statements as of and for each of the years ended December 31, 2015 and 2016, including the notes thereto, appearing elsewhere in this Offering Circular 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, 2017, including the notes thereto, appearing elsewhere in this Offering Circular 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.

The comparative information as of December 31, 2016 and for the six months ended June 30, 2016 have been restated in our interim condensed consolidated financial statements as of and for the six months ended June 30, 2017. In addition, the comparative segment information has been restated to reflect the change of reporting segments of the Group as of and for the six months ended June 30, 2017. Please refer to Note 4 starting on page F-14 and Note 22 on page F-41 of this Offering Circular. Due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the year ended December 31, 2015 and the change of reporting segments of the Group, the presentation and disclosures of certain items and balances in our consolidated financial statements as of and for the year ended December 31, 2015 have been revised to comply with the new requirements under the Hong Kong Companies Ordinance (Cap. 622) and the comparative segment information contained therein has been restated to reflect the change of reporting segments. Please refer to Note 2.2 starting on page F-235, Note 5 starting on page F-269 and Note 65 on page F-366 of this Offering Circular. Investors are advised to exercise caution when reviewing our financial statements.

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## SUMMARY

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

### Overview

We are a leading investment group taking roots in China with a global foothold and 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 integrated financial capability and global industrial integration capability rooted in China.

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 the Company's sustainable development.

We currently develop three core ecosystems: health, happiness and wealth. The health ecosystem business includes three major parts: Fosun Pharma, medical services and health products; the happiness ecosystem business includes two major parts: tourism and leisure, consumer and lifestyle while the wealth ecosystem business includes three major segments: insurance and finance, investment and hive property. We believe that our principal portfolio companies enjoy competitive advantages within their respective industries and significant growth potential. For the years ended December 31, 2015 and 2016, our consolidated revenue was RMB78,796.9 million and RMB73,966.6 million, respectively, and our profit was RMB10,953.5 million and RMB12,686.2 million, respectively. For the six months ended June 30, 2016 and 2017, our consolidated revenue was RMB32,505.0 million and RMB36,272.8 million, respectively, and our profit was RMB5,573.8 million and RMB7,595.1 million, respectively.

### Recent Developments

#### ***St-Hubert***

In July 2017, we announced our joint acquisition of St-Hubert SAS, a leading manufacturer of healthy spreads in France and Italy, with Sanyuan Foods for €625 million. The proposed acquisition is subject to regulatory approval.

### ***Koller***

In August 2017, Nanjing Nangang completed its acquisition of a majority stake in leading German automotive supplier Koller Beteiligungs GmbH (“Koller”), a lightweight automotive specialist headquartered in Dietfurt, Germany.

### ***Gland Pharma Limited***

In October 2017, we completed the acquisition of the controlling interest in Gland Pharma Limited, an Indian company principally engaged in the manufacture of injectable drugs. Following the completion, Gland Pharma Limited becomes an indirect non-wholly owned subsidiary of Fosun Pharma and Fosun International (Fosun Pharma and Fosun International (via Fosun Pharma) indirectly hold approximately 74% equity interest in Gland Pharma Limited), and the financial results of Gland Pharma Limited will be consolidated into the financial statements of Fosun Pharma and Fosun International.

### ***Sisram***

In June 2017, Fosun Pharma and our Company announced an application was made to the Hong Kong Stock Exchange for the approval of the proposed spin-off and separate listing of Sisram Medical Ltd. (“Sisram”), a non wholly-owned subsidiary of Fosun Pharma, on the Main Board of the Hong Kong Stock Exchange.

Sisram was incorporated in the State of Israel in 2013. It is a leading global provider of energy-based medical aesthetic treatment systems bringing state of the art solutions to millions around the world. Sisram has comprehensive in-house capabilities to design, develop and produce innovative and proprietary technologies. It is also the largest provider of energy-based medical aesthetic treatment systems in the PRC market and one of the top five leaders in the medical aesthetic treatment system market globally, in terms of revenue in 2016, according to the Medical Insight Report. It sells its treatment systems in approximately 80 countries and jurisdictions worldwide.

On September 19, 2017, Sisram was successfully listed on the Hong Kong Stock Exchange with stock code of 1696. As at the date of this Offering Circular, our Company has over 70% deemed interest in Sisram in aggregate.

### ***BCP***

On November 20, 2017, UnionPay and BCP reached strategic cooperation at the Bund Global Financial Summit in Shanghai. The strategic partnership will allow BCP to become the first non-Chinese issuer of UnionPay cards in Europe.

### ***Yuyuan***

On November 20, 2017, we and Yuyuan agreed to terminate the initial sale and purchase agreement entered into on May 25, 2017, and replace it with a formal sale and purchase agreement. Pursuant to the formal sale and purchase agreement, the vendors in our Group have conditionally agreed to sell and Yuyuan has conditionally agreed to purchase the entire equity interest held by the vendors in 26 target companies with a total consideration of approximately RMB24.23 billion (subject to adjustments, if any), which will be settled by way of issue of shares by Yuyuan to us. Upon the completion of the transaction, we will hold approximately 69.73% of the equity interest in Yuyuan. See “Business — Our Businesses — Happiness Ecosystem — Tourism and Leisure — Yuyuan” for a detailed description of the business of Yuyuan.

## **Competitive Strengths**

We believe we have the following competitive strengths:

- Successful business strategies and diversified investment portfolio;
- Proven track record in achieving significant investment returns;
- Multi-channel and sustainable funding sources to raise capital;
- Disciplined investment approach and strict investment management procedures; and
- Experienced and visionary leadership team.

## **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:

- Further develop our insurance and finance business and strengthen our insurance-oriented comprehensive financial capabilities;
- Continue to focus on developing health and happiness ecosystems;
- Invest in C2M ecosystems and help traditional enterprises transit into a C2M business model;
- Continue to optimize our network-based and expert-based organizational structure, and launch a global partnership scheme, to flatten organizational structure and improve efficiency; and
- Continue to optimize our debt profile, enhance asset liquidity and improve rating management.

## **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 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 February 28, 2017 under the laws of the BVI (BVI Company Number: 1938036). Its registered address is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The telephone number of the Issuer is +852 2509 3228. The Issuer is incorporated solely for purpose of financing activities, including the issuance of the 2017 Notes and 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 Offering Circular.



## THE OFFERING

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

Issuer.....	Fortune Star (BVI) Limited.
Parent Guarantor.....	Fosun International Limited (the “Company” or the “Parent Guarantor”).
Notes Offered .....	US\$300,000,000 aggregate principal amount of 5.375% Senior Notes due 2020 (the “Notes”).
Offering Price .....	100% of the principal amount of the Notes.
Issue Date .....	December 5, 2017.
Maturity Date .....	December 5, 2020.
Interest .....	The Notes bear interest at a rate of 5.375% per annum, payable semi-annually in arrear on June 5 and December 5 of each year, commencing June 5, 2018.
Ranking of the Notes .....	<p>The Notes are:</p> <ul style="list-style-type: none"><li>• general obligations of the Issuer;</li><li>• senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes;</li><li>• at least <i>pari passu</i> 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);</li><li>• guaranteed by the Parent Guarantor on a senior basis, subject to the limitations described “Description of the Notes — The Parent Guarantee” and “Risk Factors — Risks Relating to the Notes and the Parent Guarantee”;</li><li>• effectively subordinated to certain secured obligations of the Parent Guarantor other than the Existing Indebtedness, to the extent of the assets serving as security therefor; and</li><li>• effectively subordinated to all secured obligations of the Issuer, to the extent of the assets serving as security therefor.</li></ul>

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 Existing Indebtedness 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 — Risks Relating to the Notes and the Parent Guarantee.”

Collateral ..... The Parent Guarantor has pledged or will pledge, for the benefit of the Holders, or has caused or will 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, the holders of the Existing Indebtedness and the holders of other Permitted *Pari Passu* Secured Indebtedness.

Intercreditor Agreement.....	On the Original Issue Date, the Trustee shall accede to an intercreditor agreement (as amended, supplemented or modified from time to time, the “Intercreditor Agreement”) among (i) the Parent Guarantor, (ii) the initial Subsidiary Pledgors, (iii) The Bank of New York Mellon, as collateral agent (the “Collateral Agent”), (iv) The Bank of New York Mellon, London Branch, as trustee with respect to the 2013 Convertible Bonds, the 2014 Notes, the 2016 Notes and the 2017 Notes; and (v) other parties thereto. 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 some of our existing indebtedness and for working capital and general corporate purposes.
Optional Redemption of the Notes .....	<p>At any time prior to December 5, 2020, 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.</p> <p>At any time and from time to time prior to December 5, 2020, 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; <i>provided</i> that at least 65% of the aggregate principal amount of the Notes issued remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.</p>
Repurchase of Notes Upon a Change of Control Triggering Event.....	Upon the occurrence of a Change of Control Triggering Event, the Issuer or the Parent Guarantor will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date. See “Description of the Notes — Repurchase of Notes Upon a Change of Control Triggering Event.”

Redemption for Taxation Reason .....	Subject to certain exceptions and as more fully described herein, the Issuer or Parent Guarantor 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 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 .....	<p>The Notes and the Indenture limit the Parent Guarantor’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.</p> <p>These covenants are subject to a number of important qualifications and exceptions described in “Description of the Notes — Certain Covenants.”</p>
Transfer Restrictions .....	The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to restrictions on transfer and resale. See “Transfer Restrictions.”
Form, Denomination and Registration.....	The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof and will be initially represented by a global note registered in the name of the common depository or its nominee for the accounts of Euroclear and Clearstream.
Book-Entry Only .....	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see “Description of the Notes — Book-Entry; Delivery and Form.”
Delivery of the Notes .....	The Issuer expects to make delivery of the Note, against payment in same-day funds on or about December 5, 2017.
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 SA/NV, Luxembourg Branch
Listing .....	Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$200,000.

Governing Law ..... The Notes and the Indenture are governed by and construed in accordance with the laws of the State of New York.

Risk Factors ..... For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see “Risk Factors.”

ISIN/Common Code .....	ISIN	Common Code
	XS1728444131	172844413

## SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The summary financial data as of and for the years ended December 31, 2015 and 2016 set forth below have been derived from our consolidated financial statements for the years ended December 31, 2015 and 2016, which have been audited by Ernst & Young, independent auditors, and are included elsewhere in this Offering Circular. The selected financial data as of and for the six months ended June 30, 2016 and 2017 have been derived from our unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2017, which have been reviewed by Ernst & Young, independent auditors, 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 and are included elsewhere in this Offering Circular.

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 our consolidated financial statements and the notes to those statements included elsewhere in this Offering Circular.

The comparative information as of December 31, 2016 and for the six months ended June 30, 2016 have been restated in our interim condensed consolidated financial statements as of and for the six months ended June 30, 2017. In addition, the comparative segment information has been restated to reflect the change of reporting segments of the Group as of and for the six months ended June 30, 2017. Please refer to Note 4 starting on page F-14 and Note 22 on page F-41 of this Offering Circular. Due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the year ended December 31, 2015 and the change of reporting segments of the Group, the presentation and disclosures of certain items and balances in our consolidated financial statements as of and for the year ended December 31, 2015 have been revised to comply with the requirements under the Hong Kong Companies Ordinance (Cap. 622) and the comparative segment information contained therein has been restated to reflect the change of reporting segments. Please refer to Note 2.2 starting on page F-235, Note 5 starting on page F-269 and Note 65 on page F-366 of this Offering Circular. Investors are advised to exercise caution when reviewing our financial statements.



## Consolidated Statement of Profit or Loss Data

	Year ended December 31,			Six months ended June 30,		
	2015	2016		2016	2017	
	RMB (audited) (restated)	RMB (audited)	US\$	RMB (unaudited)	RMB (unaudited)	US\$
	(in millions)					
Revenue .....	78,796.9	73,966.6	10,910.6	32,505.0	36,272.8	5,350.5
Cost of sales .....	(61,135.3)	(48,094.1)	(7,094.3)	(21,049.9)	(22,627.0)	(3,337.7)
Gross profit .....	17,661.6	25,872.5	3,816.3	11,455.1	13,645.8	2,012.8
Other income and gains .....	25,864.0	22,609.5	3,335.1	11,268.4	11,057.6	1,631.1
<b>Operating expenses</b>						
Selling and distribution expenses .....	(7,680.2)	(11,007.7)	(1,623.7)	(5,156.5)	(5,935.4)	(875.5)
Administrative expenses .....	(8,767.1)	(12,365.1)	(1,824.0)	(5,891.9)	(6,600.0)	(973.5)
Other expenses .....	(9,312.8)	(6,710.0)	(989.8)	(3,637.7)	(2,815.7)	(415.3)
Finance costs .....	(4,724.0)	(4,845.4)	(714.7)	(2,250.0)	(2,690.4)	(396.9)
Share of profits and losses of:						
Joint ventures .....	1,067.0	106.8	15.8	154.2	924.8	136.4
Associates .....	2,074.1	2,620.2	386.5	975.7	1,716.7	253.2
<b>Profit before tax</b> .....	<u>16,182.6</u>	<u>16,280.8</u>	<u>2,401.5</u>	<u>6,917.3</u>	<u>9,303.4</u>	<u>1,372.3</u>
Tax .....	(5,229.1)	(3,594.6)	(530.2)	(1,343.5)	(1,708.3)	(252.0)
<b>Profit for the year/period</b> .....	<u>10,953.5</u>	<u>12,686.2</u>	<u>1,871.3</u>	<u>5,573.8</u>	<u>7,595.1</u>	<u>1,120.3</u>
Attributable to:						
Owners of the parent .....	8,038.3	10,268.2	1,514.6	4,390.6	5,864.5	865.1
Non-controlling interests .....	2,915.2	2,418.0	356.7	1,183.2	1,730.6	255.2
	<u>10,953.5</u>	<u>12,686.2</u>	<u>1,871.3</u>	<u>5,573.8</u>	<u>7,595.1</u>	<u>1,120.3</u>

## Consolidated Statement of Financial Position Data

	As of December 31,			As of June 30,	
	2015	2016		2017	
	RMB (audited) (restated)	RMB (audited)	US\$	RMB (unaudited)	US\$
	(in millions)				
Total non-current assets .....	264,497.7	265,431.3	39,153.2	298,793.4	44,074.4
Cash and bank .....	46,754.0	51,807.7	7,642.0	76,233.5	11,245.0
Total current assets .....	142,920.3	221,348.1	32,650.6	202,294.0	29,840.0
Total current liabilities .....	131,408.8	178,245.5	26,292.6	171,914.4	25,358.8
Net current assets .....	11,511.5	43,102.6	6,358.0	30,379.6	4,481.2
Total non-current liabilities .....	176,456.1	185,660.1	27,386.3	196,119.7	28,929.2
Equity attributable to owners of the parent .....	75,744.3	92,367.0	13,624.9	98,760.3	14,567.9
Non-controlling interests .....	23,808.8	30,506.8	4,500.0	34,293.0	5,058.5
Total equity .....	99,553.1	122,873.8	18,124.9	133,053.3	19,626.4

## EBITDA Data:

	Year ended December 31,		Six months ended June 30,	
	2015	2016	2016	2017
EBITDA <sup>(1)</sup> (RMB in millions) .....	24,422.5	23,891.3	10,819.0	13,093.6
EBITDA to net interest expenses ratio .....	5.4x	5.4x	5.1x	5.3x

*Note:*

- (1) EBITDA for the year/period is defined as profit before tax for the year/period plus net interest expenses, depreciation and amortization. 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. EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit 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. EBITDA does not account for taxes, interest expense, depreciation and amortisation. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA and the amount by which EBITDA exceeds capital expenditures and other charges. 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 service debt and pay taxes. EBITDA presented in this Offering Circular may not be comparable to similarly titled measures presented by other companies. You should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Set forth below is a reconciliation of EBITDA for the year/period to the most directly comparable HKFRS measure, profit before tax for the year/period.

	Year ended December 31,		Six months ended June 30,	
	2015	2016	2016	2017
(RMB in millions)				
Profit before tax .....	16,182.6	16,280.8	6,917.3	9,303.4
Adjustments:				
Add:				
Net interest expenses .....	4,492.7	4,433.5	2,125.4	2,488.9
Depreciation .....	2,746.2	1,644.5	776.2	863.3
Amortization .....	1,001.0	1,532.5	1,000.1	438.0
EBITDA .....	24,422.5	23,891.3	10,819.0	13,093.6

## RISK FACTORS

*Before making an investment decision, prospective investors should carefully consider all of the information set out in this Offering Circular, including the risk factors set forth below. The risks and uncertainties described below are not the only ones we face. Prospective investors should be aware that our business is located almost exclusively in the PRC and we are governed by a legal and regulatory environment that in some respects differs from that which prevails in other countries. Additional risks and uncertainties not presently known to us or that we currently deem immaterial could also harm our business. If any of the following risks actually materializes, our business, financial condition or results of operations could be materially adversely affected, the trading price of the Notes could decline, our ability to pay pursuant to the terms of the Notes could be adversely affected and you may lose all or part of your investment. You should also refer to the other information contained in this Offering Circular, 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. 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 the Company. In a number of portfolio companies, there are other major shareholders holding significant portions of equity interests and have great influence in their management. We may not be able to ensure that the Company'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 the Company, 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 mining industry have been reduced or eliminated. We expect more competition from international mining groups as a result. Further, as domestic production capacities increase, the mining industry in China may become increasingly competitive, which may exert downward pressure on prices for our 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.

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, 2017, we had total interest-bearing bank and other borrowings of RMB141,055.0 million and our ratio of total interest-bearing bank and other borrowings to total assets was 0.28.

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 recent years, the PBOC has adjusted the bank deposit and lending rates a number of times and 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 RMB25,440.9 million as of June 30, 2017. We also have a significant amount of income expenses, respectively, to pay interest. 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 S&P Global Ratings and “Ba3” from Moody’s Investors Service Hong Kong Ltd. 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. For example, on May 31, 2016, S&P Global Ratings announced that it had placed our credit rating of “BB” on a negative outlook, and on December 15, 2016, Moody’s Investors Service Hong Kong Ltd has changed the outlook on our corporate rating of “Ba3” from stable to positive. On May 31, 2017, S&P Global Ratings revised the outlook on us to stable from negative. At the same time, S&P affirmed our “BB” long-term corporate credit rating and all outstanding senior notes that we guarantee. On August 2, 2017, Moody’s Investors Service issued an updated report on our positive rating 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 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 Offering Circular. 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.



- We may fail to consolidate some of our existing subsidiaries if our voting interests in them are diluted further. See “— Our voting interests in our portfolio companies may be diluted.”
- We have recognized substantial other income from interest income, revenues generated by our subsidiaries outside their core business activities, dividends from available-for-sale investments, dividends from equity investments at fair value through profit or loss, government grants and exchange gains, 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 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.***

The Company 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 the Company 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 High Technology. 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 High Technology. This may result in a funding shortage at the holding company level and adversely affect the financial support that Fosun High Technology 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.***

We currently develop three core ecosystems: health, happiness and wealth. Our wealth ecosystem consists of three major segments: insurance and finance, investment and hive property. There are a number of portfolio companies under each of the segments. 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. As such, the financial information of each segment may change from time to time. For example, we changed our reportable segments during the six months ended June 30, 2017. As a result, we have restated the comparative segment information for the six months ended June 30, 2016 in our interim condensed consolidated financial statements as of and for the six months ended June 30, 2017. Therefore, the financial information of our business segments 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 the Company, 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 the Company as a whole. For details concerning our Directors, see “Directors and Senior Management” in this Offering Circular. 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 the Company 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.

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.

Our voting interests in our portfolio companies could also be diluted as a result of the exercise, redemption or conversion of stock options or equity-linked instruments. 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.***

We depend on cash from disposal of investments held by our Company and our receipt of cash dividends from Fosun High Technology for our cash flow and ability to satisfy our debt obligations. 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 High Technology are dependent on dividends and distributions from our other portfolio companies. If our other portfolio companies fail to pay cash dividends to Fosun High Technology, our ability to receive cash dividends from Fosun High Technology 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 High Technology 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.***

As of June 30, 2017, Messrs. Guo Guangchang, Liang Xinjun and Wang Qunbin were Fosun International's controlling shareholders, who together beneficially owned 71.65% of its share capital through Fosun International Holdings and Fosun Holdings. See "Principal Shareholders." 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 health, property, resources and mining, financial 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 ratios; 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 the Company has all permits, licenses, qualifications and other government authorizations necessary to conduct its business as specified in its business license and to use its properties in the manner described in this Offering Circular. 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. We do not have valid and enforceable title certificates, such as land use rights certificates ("LURCs"), building ownership certificates ("BOCs"), real estate title certificates ("RECs") or required government approvals, for certain properties we occupy. 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 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 (建設工程質量管理條例) in relation to properties we use or have under construction.

Similarly, there are also some properties occupied and leased by us for which the lessors have not provided us with the relevant BOCs or documentary evidence of the property owners' consent to sublease, as a result of which the leases have 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 or investment relates to mining operations, steel production and real estate development. Mining operations and steel production 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 mining operations or steel production facilities of companies we invest in, personal injury or death, environmental damage, asset write-downs, monetary losses and legal liability. In addition, working at mining facilities or steel production 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.

***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:

- 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 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.***

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.

Also, as the “復星” “Fosun” brand name is used by ourselves and other members of Fosun Holdings, if we or these entities or the respective directors, management personnel or other employees take any action that damages the “復星” “Fosun” brand name or our corporate image, or if any material negative publicity is associated with any of them, for example, as a result of regulatory investigations into, or other proceedings involving, wrongdoing or malpractices engaged by any directors, management personnel or employees, our brand image and reputation as well as our market value may be adversely affected.

***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 account 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 and the other jurisdictions we operate in. For instance, 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.

***We have business operations in Europe, which may be subject to economic uncertainty in the region, including the results of the United Kingdom's referendum on withdrawal from the European Union that in turn may have a negative effect on global economic conditions, financial markets and our business.***

In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last at least two years after the government of the United Kingdom formally initiates a withdrawal process. Nevertheless, the referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union, including with respect to the laws and regulations that will apply as the United Kingdom determines which European Union laws to replace or replicate in the event of a withdrawal. The referendum has also given rise to calls for the governments of other European Union member states to consider withdrawal. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict our access to capital, which could have a material adverse effect on our business, financial condition and results of operations and reduce the price of the Notes.

In addition, 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. 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. The continuing credit crisis in Europe has caused widespread concern about the ability of several European governments to repay their debt. The weak economy has had, and will continue to have, a number of negative impacts on our insurance business in Portugal. Most significantly, it has resulted in a reduction in insurance premiums in the Portuguese insurance market. 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.

## **Risks Relating to Our Health Business**

***Our health business is strictly regulated, which limits our flexibility managing our operations.***

As the health 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.

***Our health 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. Pursuant to the Circular on Promoting the Reform of Drug Prices (關於印發《推進藥品價格改革意見》的通知), since June 1, 2015, the pharmaceutical products listed in the National Medical Insurance Drugs Catalogue and paid by the social medical insurance fund shall follow the price guidelines promulgated by relevant government agencies, and psychological drugs are subject to strict price controls, which involve the imposition of retail price ceilings. As of the date of this Offering Circular, some provinces have been making different guidelines as to the price mechanism on drugs paid by the social medical insurance fund, while other provinces have not yet. 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. We derived a substantial portion of our revenue from sales of pharmaceutical products that were subject to price controls. Retail price controls imposed by the PRC Government significantly impact 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 health business may be adversely affected.

In China, regulations and policies relating to the health 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 ensure that this will continue to be the case. If we fail to comply with the latest standards, our health 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 in the National Medical Insurance Drugs Catalogue and the Provincial Medical Insurance Drugs Catalogues. Many of the pharmaceutical products that we manufacture are 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 health business. Also see “— Product liability claims or product recalls could result in substantial damages” 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.***

In recent years 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. 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. We incur a significant amount of research and development expenses. 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 health 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.

***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 is derived from sales of generic drugs. 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 nonproprietary 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 proved 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 had conducted its own investigation into the production of Shaduolika, including the examination of our procurement, manufacturing, quality control and product evaluation procedures for Shaduolika.

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 health business. We do not have product liability insurance for all of the products manufactured or sold by us. We maintain product liability insurance for most of the products manufactured or sold by our subsidiaries, including Guilin Pharma, Jiangsu Wanbang Biopharmaceutical Company Limited, Sichuan Hexin Pharmaceutical Company Limited, 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 health business. Our health 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 health 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 health business may be adversely affected.

***Disputes over intellectual property rights may adversely affect our health 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 health 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 health 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 Happiness Business**

***The hospitality industry is highly competitive, which may impact our ability to compete successfully with other hotel properties and home and apartment sharing services for customers.***

Club Med operates in markets that have many competitors. Club Med competes with major hotel chains, as well as home and apartment sharing services, in national and international venues and with independent companies in regional markets. Club Med's ability to remain competitive and to attract and retain business and leisure travelers depends on its success in distinguishing the quality, value, and efficiency of its lodging products and services from those offered by its competitors. If Club Med cannot compete successfully in these areas, its hospitality operations may be materially and adversely affected. Further, new lodging supply in individual markets could have a negative impact on the hospitality industry and hamper Club Med's ability to increase room rates or occupancy in those markets.

***Yuyuan may suffer adverse impact to its business and competitive position due to failure to promote and maintain its brand.***

The growth in the business and operations of Yuyuan continue to rely on, among others, its brand name as one of the key factors for a customer to make his or her purchase decision. While Yuyuan continues to maintain and promote its brand by marketing and ensuring effective quality control over its merchandises, it could not guarantee the presentation of its brand and merchandises would be competitive and popular. In the event that Yuyuan could not promote its brand or maintain its goodwill, it may not be able to attract existing and new customers to purchase its goods.

***The success of our investment in the film companies is dependent on a limited number of film releases each year and factors in the film industry that are difficult to predict, and accordingly our results of operations may vary widely from period to period.***

The film companies in which we have invested, Bona and Studio 8, distribute a limited number of films, and as such, the success or failure of a small number of these films could have a significant impact on our business, financial condition and results of operations in both the year of release and in the future.

In general, the economic success of a film is largely determined by the appeal of the film to a broad audience and by the effectiveness of the marketing of the film. We cannot precisely predict the economic success of any of the films distributed by the film companies in which we have invested because a film's acceptance by the public cannot be predicted with certainty. In addition, the economic success of a film depends upon the public's acceptance of competing films, the availability of alternative forms of entertainment and leisure-time activities, general economic conditions and other



tangible and intangible factors, all of which can change and none of which can be predicted with certainty. Accordingly, the performance of the film companies in which we have invested may fluctuate significantly from period to period, and the results of any one period may not be indicative of the results for any future periods.

## **Risks Relating to Our Wealth Business**

Our wealth ecosystem consists of three major segments: insurance and finance, investment and hedge property. Risks relating to each of these segments are described below.

## **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 in 2012, and we acquired 80% of Fosun Insurance Portugal in 2014. We completed our acquisition of MIG (currently known as AmeriTrust Group Inc.) in July 2015 and it was delisted and ceased trading on the New York Stock Exchange. It is an American professional property and casualty insurer and an insurance administration services company focusing on niche markets. Also in 2015, we acquired 100% of Ironshore, a global specialty insurance company operating principally in Bermuda, the United States, Lloyd's and Ireland. 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 can be no assurance that their experience and connections can be applied in a new business entity as fast as we anticipate. As such, there can be no assurance that we will 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.

### ***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 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 Depository & 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 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 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.

We price our insurance products based on our estimates of probability of loss and various costs and the judgment of our management. We establish claim reserves and unearned premium reserves for property and casualty insurance products 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 of 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 relatively 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 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 and in line with general market practice, 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 generally 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 in the countries and territories in which they do business including regulations imposed by the CIRC, Office of the Commissioner of Insurance, Autoridade de Supervisao, the National Association of Insurance Commissioners and the Bermuda Monetary Authority. Our U.S. insurance operations are subject to extensive state regulatory oversight in the U.S. jurisdictions in which they do business. State insurance laws and regulations are administered by agencies that have broad powers. The terms and premium rates of certain insurance products offered by our insurance portfolio companies are subject to regulation. Changes in these regulations may affect the profitability of these insurance products. In addition, local insurance regulations generally require insurance companies to maintain strong capital positions and minimum solvency margin ratios. These capital and solvency requirements were designed to evaluate the adequacy of statutory capital and surplus in relation to investment and insurance risks associated with asset quality, mortality and morbidity, asset and liability matching and other business factors. The requirements are used by local insurance regulators as an early warning tool to discover companies that may be weakly-capitalized for the purpose of initiating regulatory action. Generally, if an insurer's solvency margin ratio falls below specified levels, the insurer is subject to different degrees of regulatory action depending upon the magnitude of the deficiency.



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 to are still 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 in turn have a material adverse effect on our business, financial condition and results of operations.

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

Under normal circumstances, it is generally possible for insurance companies to anticipate the overall level of policy surrenders in a given period. However, the occurrence of unusual events that have significant or lasting impact, such as sharp declines in customer income due to a severe deterioration in economic conditions, radical changes in applicable government policies, or loss of customer confidence in the insurance industry due to the severe or perceived weakening of the financial strength of one or more insurance companies, may trigger concentrated surrenders of insurance policies. If this were to occur, our business, financial condition and results of operations may be materially 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 typically 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 and we may be subject to market conditions, foreign exchange risks and regulatory approvals when exiting the investments.
- 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 may need to 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, or may need to be sold via a block trade at a discount to the market price. 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 which we are not familiar with, or we are not currently 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, insurance, 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 which is not in our best interest. 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 could potentially 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 beyond 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 Finance Company.***

The CSRC has put in place stringent requirements in relation to depositing funds in related parties by listed companies. As some companies within the Company are PRC listed companies, business transactions involving depositing funds by such listed companies with Fosun Finance Company are to a 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 Finance Company may be adversely affected.

***Business of Nanjing Nangang 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, steel products of Nanjing

Nangang 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. Nanjing Nangang's business may be affected indirectly by supply and demand changes within these downstream industries. All these factors have significant impacts on our economic efficiency.

Nanjing Nangang's 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.

***Intensified competition among domestic and foreign steel producers may saturate the market and adversely affect Nanjing Nangang's profit margin and other financial results.***

The steel industry is highly competitive. 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. Nanjing Nangang 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 the existing and future markets of Nanjing Nangang may lead to further decreases in the sales volume and selling prices of its products, which may have an adverse effect on our return of investment.

***Our ability to retain clients and increase our 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, may result in clients withdrawing assets and in prospective clients choosing to invest with our competitors. The resulting lower AUM levels may lead to lower investment management fees and minimal or no performance-based fees, which could have a material adverse effect on our financial results.

***Our investment in financial institutions is significantly affected by the ability of borrowers to repay their loans and the adequacy of our loan loss reserves.***

Volatile or adverse economic conditions may adversely affect the ability of borrowers to repay their indebtedness, and this may result in an increase in non-performing loans and provisioning, allowances for loan losses and charge-offs. There is no precise method of predicting loan and credit loss across its loan portfolio. There is no assurance that the non-performing loans extended by the financial institutions we invested in will not increase or that their loan loss reserve is or will be sufficient to absorb actual losses. An increase in non-performing loans could have a material adverse effect on our investment in such financial institutions.

***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 wealth 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.

***Our wealth management business is relatively new.***

We entered into the wealth management business in 2014 and we have a relatively limited operating history in this business. Although we have experienced revenue growth since its establishment, we cannot assure you that our revenue from this business will continue to increase at previous rates or at all, or that we will be able to operate profitably in future periods. As the prediction of future results of operations from our wealth management business would largely be based on our relatively limited operating history in the wealth management business, past revenue growth experienced by us should not be taken as indicative of our future performance. You should consider our wealth management business and prospects in light of the risks, uncertainties, expenses and challenges that we will face as an early-stage wealth management company operating in new, rapidly evolving and challenging markets such as the wealth management industry.

***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 wealth management business. In a wealth 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.



***The gross profit margin of Hainan Mining may decrease.***

The volume of raw iron ore extracted by Hainan Mining through open-pit mining has gradually decreased. 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. As a result, the gross profit margin of Hainan Mining may decrease.

***The mining industry is highly susceptible to the economic cyclical 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 resources 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 resources 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 resources 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. On October 9, 2014, the MOF and the SAT further jointly issued the Circular on the Adjustment in the Resource Tax of Oil and National Gas (財政部、國家稅務總局關於調整原油、天然氣資源稅和有關政策的通知) to lift the resource tax to 6% for crude oil and natural gas. 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.

***Our petroleum and natural gas business is subject to risks, some of which are not within our control.***

The petroleum and natural gas business is fundamentally a commodity business, meaning the operations and earnings may be significantly affected by changes in oil, gas, and petrochemical prices and by changes in margins on refined products. Oil and natural gas product prices and margins in turn depend on local, regional, and global events or conditions that affect supply and demand for the relevant commodity. Any material decline in petroleum and natural gas prices could have a material adverse effect on certain of our operations. Some factors that may affect the demand for petroleum and natural gas products, and therefore impact our results, include technological improvements in energy efficiency; seasonal weather patterns, which affect the demand for energy associated with heating and cooling; increased competitiveness of alternative energy sources that have so far generally not been competitive with oil and gas without the benefit of government subsidies or mandates; and changes in technology or consumer preferences that alter fuel choices, such as toward alternative fueled or electric vehicles.

In addition, our results from the petroleum and natural gas business can be adversely affected by political or regulatory developments affecting our operations. Even in countries with well-developed legal systems where we do business, we could be exposed to changes in law that could adversely affect our results, such as increases in taxes or government royalty rates; price controls; changes in environmental regulations or other laws that increase our cost of compliance or reduce or delay available business opportunities; and adoption of regulations mandating the use of alternative fuels or uncompetitive fuel components.

## **Risks Relating to Our Hive Property Business**

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

Our property development and sales 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 development and sales business may be adversely affected.

The Forte Entities have property development operations in major cities and provinces across China, including Beijing, Shanghai, 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 wealth 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 hive 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. 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 two 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; and
- revoking the approvals for projects not in compliance with the planning permits.

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 (where the implementation rules issued by the government of Chongqing were amended on January



13, 2017 and became effective on January 14, 2017). 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.

On September 29, 2014, the PBOC and the CBRC jointly issued the Notice on Further Improving Housing Financial Services (關於進一步做好住房金融服務工作的通知), which requires that: (i) For a household that purchases the first ordinary housing unit for its own use with loans, the minimum down payment ratio is 30%, the lower limit for loan rate is 70% of the benchmark loan rate; and (ii) Where a household that owns a housing unit and has paid off the relevant housing loans applies for loans to purchase another ordinary commodity housing unit to improve its living conditions, the banking financial institution shall implement the policy for the purchase of the first housing unit with loans.

On March 30, 2015, the MOF and the State Administration of Taxation jointly issued the Notice on Adjusting the Business Tax Policies on Individual Housing Transfers (關於調整個人住房轉讓營業稅政策的通知), which provides that: (i) where any individual sells a residential property held for less than two years after the day of purchase, the business tax thereon shall be collected in full amount; (ii) where any individual sells a non-ordinary residential property held for two years or more after the date of purchase, the business tax thereon shall be collected on the basis of the balance between the sales income and the purchase price of the house; and (iii) where any individual sells an ordinary residential property held for two years or more after the day of purchase, the business tax will be exempted.

On February 1, 2016, the PBOC and the CBRC jointly issued the Notice on Issues concerning Adjusting the Individual Housing Loan Policies (關於調整個人住房貸款政策有關問題的通知), which provides that: (i) In cities where “housing purchase restriction” measures are not implemented, the minimum down payment ratio for commercial individual housing loans granted to households of residents for purchasing ordinary housing units for the first time shall generally be 25%, and may be lowered by 5% by local governments; and where a household which owns one housing unit but has not paid off the relevant housing loan applies again for a commercial individual housing loan to purchase an ordinary housing unit to improve living conditions, the minimum down payment ratio shall not be less than 30%; and (ii) In cities where “housing purchase restriction” measures are implemented, the individual housing loan policies shall remain unchanged.

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

On April 1, 2017, the MLR and the MOHURD issued the Circular on Tightening the Management and Control over Intermediate Residential Properties and Land Supply (《關於加強近期住房及用地供應管理和調控有關工作的通知》) urging reasonable arrangement for the supply of housing land, including reasonable increase of land supply in cities under great pressure of housing prices. Cities such as Beijing, Shanghai, Guangzhou, Chengdu and Shenzhen have promulgated regulatory policies in the control of commercial office projects. On May 18, 2017, Shanghai has issued regulation that explicitly stopped the issuance of approval for projects of apartment-style office (公寓式辦公項目), and the commercial office use land transfer contracts are not allowed for constructing apartment-style office buildings. It also requires that the owners of commercial office properties are not allowed to receive similar treatment as the residential housing owners in terms of permanent residence registration, school enrollment or public utility fees.

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 development and sales 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 development and sales business.

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

The property development and sales 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 offerings of the domestic corporate bonds in 2009 and 2016. 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.

Since 2011, PBOC has revised the benchmark lending rates and adjusted the reserve requirement ratio for commercial banks several times.

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 development and sales 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.

On April 25, 2016, the MOF and SAT jointly promulgated the Notice on Issues Relating to Tax Computation Bases for Deed Tax, Real Estate Tax, Land Appreciation Tax and Individual Income Tax following Implementation of the Pilot Scheme of Levying VAT in place of Business Tax (關於營改增後契稅、房產稅、土地增值稅、個人所得稅計稅依據問題的通知), effective on May 1, 2016, which provides that (1) income derived by taxpayer of LAT for transfer of real estate shall be income excluding VAT; (2) VAT input tax pertaining to deductible items of LAT stipulated in 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), which is allowed to be deducted from the output tax, shall be excluded from the deductible items; and (3) where such VAT input tax is not allowed to be deducted from the output tax, it may be included in the deductible items.

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 development and sales business is actually collected by the PRC tax authorities, the cash flow and financial position of our property development and sales 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 development and sales business will be adversely affected.

**We may not be able to use our experience from developed markets when expanding our property development and sales 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 development and sales 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 development and sales business to other cities in China.

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

Our property development and sales 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. In November 2009, the MOF, the MLR, the PBOC, PRC Ministry of Supervision and PRC National Audit Office jointly issued the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (關於進一步加強土地出讓收支管理的通知), which raises the minimum down payment on land premiums to 50% of the total premium and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. On May 13, 2011, the Ministry of Land and Resources Promulgated the Opinions on Upholding and Improving the System for the Transfer of Land by Tender, Auction and Listing (關於堅持和完善土地招標拍賣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, states 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. On 26 February 2013, the General Office of the State Council issued the Notice on the Continuous Effective Regulation of the Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which provides that land developers that hold idle land shall be prohibited from participating in land bidding, acquiring loans from commercial banks, obtaining relevant approvals from the CSRC for public listings, refinancing and major assets restructuring and relevant approvals from the CBRC for trust financing.

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 development and sales business may fluctuate due to revaluation gains on investment properties.***

In our property development and sales 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. The fair value of our investment properties is likely to fluctuate, and our historical results should not be regarded as an indicator of the future profits of our property development and sales 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 development and sales business.

***The valuation attached to our property interests contains assumptions that 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 development and sales 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 development and sales 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 development and sales 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 development and sales 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 demolition, 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 development and sales 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 directly affects the property mortgage rates offered by commercial banks in the PRC. 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 in cities where property purchase are not restricted generally must pay at least 25% of the purchase price of the properties before they can finance their purchases through mortgages and the local governments may lower the ratio of down payment to 20%. The minimum down payment for commercial property buyers has increased to 50% 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 development and sales business may be adversely affected.

***Customers of our property development and sales 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.

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 development and sales 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 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. 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 High Technology 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. In addition, pursuant to the Notice on Further Simplifying and Improving Foreign Exchange Administration Policies for Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) ("Circular 13") which was promulgated by SAFE on February 13, 2015 and became effective on June 1, 2015, PRC domestic residents who have contributed their domestic assets or equity interests must conduct foreign



exchange registration with local bank 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 bank which locates at the registration place of the domestic enterprise or at the place of domicile of PRC residents.

Pursuant to the above PRC regulations, the existing ultimate shareholders of our Company, Messrs. Guo Guangchang, Liang Xinjun and Wang Qunbin, were required to apply to the designated bank of 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, AllBright Law Offices has confirmed that as of the date hereof these existing ultimate shareholders completed the foreign exchange registration under Article 2.5 of the Schedule 1 to Circular 13, and the existing ultimate shareholders will update their foreign exchange registration as required by the above PRC regulations.

***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 (where certain provisions thereof were amended and became effective on February 24, 2017) (the “EIT Law”) (企業所得稅法), 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 the Notes.***

Under the EIT Law amended in 2017 and the implementation rules which 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 issued a notice to specify certain criteria for the determination of the “de facto management bodies” for foreign enterprises that are controlled by PRC enterprises. In January 2014, the State Administration of Taxation issued an announcement to address issues concerning the accreditation of resident enterprises based on the places of effective management criteria.

We hold our shareholders’ meetings and most of the board meetings in Hong Kong and keep our shareholders’ list and board resolutions in Hong Kong. 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 redemption amounts on the Notes to investors that are qualified Hong Kong residents, 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 redemption amounts on the Notes to investors who are non-PRC individuals, because the interest and other amounts may be regarded as being derived from sources within the PRC. 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. These tax rates may be reduced by an applicable tax treaty.

If we are required under the EIT Law to withhold PRC income tax from interest payments made to our non-PRC 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 the 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 (外商投資產業指導目錄), which became effective on July 28, 2017, 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, AllBright Law Offices, 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 Notes will be used by members of the Company in accordance with the intent set forth in "Use of Proceeds." 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 derives 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, 2017, our subsidiaries had total debt (excluding debt due to the Company) of RMB125,009.7 million, capital commitments of RMB25,440.9 million and contingent liabilities of RMB6,641.2 million. The Notes and the Indenture do not restrict the ability of our subsidiaries to issue certain categories of guarantee in the ordinary course of business. In addition, our secured creditors 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, 2017, our total consolidated debt including interest-bearing bank and other borrowings, convertible bonds and loans from related companies, amounted to RMB141,294.8 million and, our total contingent liabilities amounted to RMB6,641.2 million. Our substantial indebtedness could have important consequences to you. For example, it could:

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

In the future, we may from time to time incur additional indebtedness. 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.

We have mortgaged or pledged certain assets, including but not limited to shares and properties of our subsidiaries, to secure some of our borrowings. If we default on such borrowings, the relevant mortgagees or pledgees may foreclose such assets we mortgage or pledge. 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.”



***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 or offshore banks or other financing instruments. See “Description of Other Material Indebtedness.” 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%. However, pursuant to a tax circular issued by the SAT in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity could otherwise be eligible. The PRC tax authorities might not grant approvals on the 5% withholding tax rate on dividends received by Parent Guarantee from our PRC subsidiaries. In addition, pursuant to the Notice of State Administration of Foreign Exchange on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知) promulgated on January 26, 2017, when conducting outward remittance of profit equivalent to more than USD 50,000 for a domestic institution, the bank shall, under the principle of genuine transaction, check the profit distribution resolution made by the board of directors (or profit distribution resolution made by partners), original of tax filing form and audited financial statements, and stamp with the outward remittance sum and date on the original of tax filing form. In addition, the domestic institution shall make up its losses of previous years in accordance with laws. 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.

***The Notes do not contain restrictive financial or operating covenants.***

The Indenture will contain covenants intended to benefit the interests of holders of the Notes and that limit our ability to, among other things:

- incur liens; and
- consolidate or merge with or into, or sell substantially all of our assets to, another person.

These covenants are subject to a number of important exceptions and qualifications. For more details, see "Description of the Notes." The Indenture, however, does not contain any significant 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 or enter into transactions with affiliates. 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."

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

The Notes are denominated in U.S. dollars, 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 U.S. dollar, such a devaluation could adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy the Issuer's obligations under the Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between Renminbi and other currencies. Any hedging transaction that we may enter into from time to time may not be sufficient to reduce our exposure to such risks. Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging arrangements in respect of

our U.S. dollar-denominated liabilities under the Notes. These hedging arrangements may require us to pledge or transfer cash and other collateral to secure our obligations under the arrangements, and the amount of collateral required may increase as a result of mark-to-market adjustments. 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 Trust Deed governing the 2013 Convertible Bonds or the indentures governing the 2014 Notes, the 2016 Notes and the 2017 Notes, there could be a default under the terms of these agreements or the Indenture, which could cause repayment of our debt to be accelerated.***

If we are unable to comply with the covenants in the Trust Deed governing the 2013 Convertible Bonds and the indentures governing the 2014 Notes, the 2016 Notes and the 2017 Notes, 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 the Notes.

***We may not be able to repurchase the Notes upon a Change of Control Triggering Event and we may not be able to repurchase the Existing Indebtedness upon a change of control triggering event as defined thereunder.***

Upon a Change of Control Triggering Event (as defined in “Description of the Notes — Definitions”), the Issuer must make an offer to purchase all outstanding Notes. Similarly, Xingtiao Assets Limited, another financing company of ours, must make an offer to purchase all outstanding 2014 Notes, Wealth Driven Limited, another financing company of ours, must make an offer to purchase all outstanding 2016 Notes and the Issuer must make an offer to purchase all outstanding 2017 Notes upon a change of control triggering event under the terms of the 2014 Notes, the 2016 Notes and the 2017 Notes, respectively. Pursuant to these offers, we must repurchase the tendered 2014 Notes, 2016 Notes and 2017 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 to make purchases of tendered outstanding Notes and the Existing Indebtedness. Our failure to make the offer to purchase or purchase tendered Notes and the Existing Indebtedness would constitute an Event of Default (as defined in “Description of the Notes — Definitions”) under the Notes and on event of default under the Existing Indebtedness. 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, refinancing, 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.

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

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

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

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

***The Notes may initially be sold to a small number of investors, and a liquid trading market for the Notes may not develop.***

The Notes may initially be sold to a small number of investors. A liquid trading market for the Notes 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. 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.

***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.

***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.

***If and for so long as the Notes are listed on the SGX-ST, we will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to debt securities listed in certain other countries.***

If and for so long as the Notes are listed on the SGX-ST, we will be subject to continuing listing obligations in respect of the Notes. The disclosure standards imposed by the SGX-ST 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 Notes are accustomed to.

## **Risks Relating to the Collateral**

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

The collateral 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 or Hong Kong at any time within six months of the perfection of the pledge or, under some circumstances, within a longer period. In addition, the pledge of certain Collateral may be voided. 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 adversely 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, the holders of the Existing Indebtedness 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 Existing Indebtedness 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 and the Existing Indebtedness unless such holders have offered to the Collateral Agent indemnity and/or security satisfactory to the Collateral against any loss, liability or expense.

### ***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, the holders of the Existing Indebtedness 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, the holders of the Existing Indebtedness 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 Notes or other *pari passu* indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture.



## **USE OF PROCEEDS**

The gross proceeds from this offering, before deducting underwriting discounts and commissions and estimated expenses payable in connection with the offering, will be US\$300 million.

We intend to use the net proceeds of this offering for the following purposes:

- to refinance some of our existing indebtedness; and
- for working capital and general corporate purposes.

## CAPITALIZATION

The following table sets forth our consolidated cash and bank balances and capitalization as of June 30, 2017 (i) on an actual basis and (ii) as adjusted to give effect to the Notes offered hereby (before deducting underwriting discounts and commissions and estimated expenses).

	As of June 30, 2017			
	Actual		As adjusted	
	RMB	US\$	RMB	US\$
	(in millions)			
<b>Cash and bank and term deposits</b> .....	78,241.6	11,541.3	80,275.4	11,841.3
<b>Interest-bearing bank and other borrowings</b>				
Bank loans .....	76,018.4	11,213.3	76,018.4	11,213.3
Corporate bonds and enterprise bonds .....	20,665.2	3,048.3	20,665.2	3,048.3
Private placement note .....	2,986.9	440.6	2,986.9	440.6
Private placement bond .....	5,988.8	883.4	5,988.8	883.4
Senior notes .....	18,397.1	2,713.7	18,397.1	2,713.7
Medium-term notes .....	4,394.2	648.2	4,394.2	648.2
Notes offered hereby .....	—	—	2,033.8	300.0
Super short-term commercial paper .....	4,060.8	599.0	4,060.8	599.0
Other borrowings, secured .....	2,520.2	371.7	2,520.2	371.7
Other borrowings, unsecured .....	6,023.4	888.5	6,023.4	888.5
Total interest-bearing bank and other borrowings .....	141,055.0	20,806.7	143,088.8	21,106.7
Convertible bonds .....	239.8	35.4	239.8	35.4
Portion classified as:				
Short-term debt .....	52,645.7	7,765.7	52,645.6	7,765.7
Long-term portion .....	88,649.2	13,076.5	90,683.0	13,376.5
	<u>141,294.8</u>	<u>20,842.1</u>	<u>143,328.6</u>	<u>21,142.1</u>
<b>Equity</b>				
Share capital .....	36,293.7	5,353.6	36,293.7	5,353.6
Treasury shares .....	(109.1)	(16.1)	(109.1)	(16.1)
Reserves .....	62,575.7	9,230.4	62,575.7	9,230.4
Non-controlling interests .....	34,293.0	5,058.5	34,293.0	5,058.5
Total equity .....	<u>133,053.3</u>	<u>19,626.4</u>	<u>133,053.3</u>	<u>19,626.4</u>
Total capitalization <sup>(1)</sup> .....	<u>221,702.4</u>	<u>32,702.8</u>	<u>223,736.2</u>	<u>33,002.8</u>

Note:

(1) Total capitalization comprises total long-term debt plus total equity.

In addition, we have incurred, and will continue to incur, indebtedness from time to time for general corporate purposes, including but not limited to refinancing of existing indebtedness and funding our operations in the ordinary course of business. Except as otherwise disclosed in this Offering Circular, there has been no material change in our indebtedness and capitalization since June 30, 2017.

## EXCHANGE RATE INFORMATION

Our financial statements are published in Renminbi. This Offering Circular contains translations of H.K. dollar amounts and Renminbi amounts to U.S. dollars at specific rates solely for the convenience of the reader. Unless otherwise noted, all translations from H.K. dollars to U.S. dollars in this Offering Circular were made at the rate of HK\$7.8055 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, 2017, and translations of Renminbi amounts into U.S. dollars were made at RMB6.7793 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, 2017. You should not assume that Renminbi or Hong Kong dollar amounts could actually be converted into U.S. dollars at these rates or at all.

### Hong Kong Dollar Exchange Rates

The Hong Kong dollar is freely convertible into the U.S. 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. 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 U.S. 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 U.S. 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 noon buying rate for U.S. dollars in the City of New York for cable transfers in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York.

Period	Noon buying rate			
	Period end	Average <sup>(1)</sup>	Low	High
		(HK\$ per US\$1.00)		
2012 .....	7.7507	7.7556	7.7699	7.7493
2013 .....	7.7539	7.7565	7.7654	7.7503
2014 .....	7.7531	7.7554	7.7669	7.7495
2015 .....	7.7507	7.7519	7.7686	7.7495
2016 .....	7.7534	7.7620	7.8270	7.7505
2017				
May .....	7.7929	7.7864	7.7933	7.7775
June .....	7.8055	7.7984	7.8055	7.7908
July .....	7.8100	7.8091	7.8128	7.8034
August .....	7.8267	7.8217	7.8267	7.8121
September .....	7.8110	7.8127	7.8256	7.7995
October .....	7.8015	7.8053	7.8106	7.7996
November (through November 17) .....	7.8116	7.8034	7.8116	7.7955

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*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%. 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 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.

Period	Noon buying rate			
	Period end	Average <sup>(1)</sup>	Low	High
		(RMB per US\$1.00)		
2012 .....	6.2301	6.2990	6.3879	6.2221
2013 .....	6.0537	6.1478	6.2438	6.0537
2014 .....	6.2046	6.1620	6.2591	6.0402
2015 .....	6.4778	6.2827	6.4896	6.1870
2016 .....	6.9430	6.6549	6.9580	6.4480
2017				
May .....	6.8098	6.8843	6.9060	6.8098
June .....	6.7793	6.8066	6.8382	6.7793
July .....	6.7240	6.7694	6.8039	6.7240
August .....	6.5888	6.6670	6.7272	6.5888
September .....	6.6533	6.5690	6.6591	6.4773
October .....	6.6328	6.6254	6.6533	6.5712
November (through November 17) .....	6.6245	6.6268	6.6385	6.6018

*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.

## THE ISSUER

### General

The Issuer of the Notes, Fortune Star (BVI) Limited, was incorporated on February 28, 2017 as a business company with limited liability under the laws of the BVI (BVI Company Number: 1938036). Its registered office is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

### 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.

### Business Activity

The Issuer has no business operations. It was solely established for the purpose of financing activities, including the issuance of the 2017 Notes and the Notes.

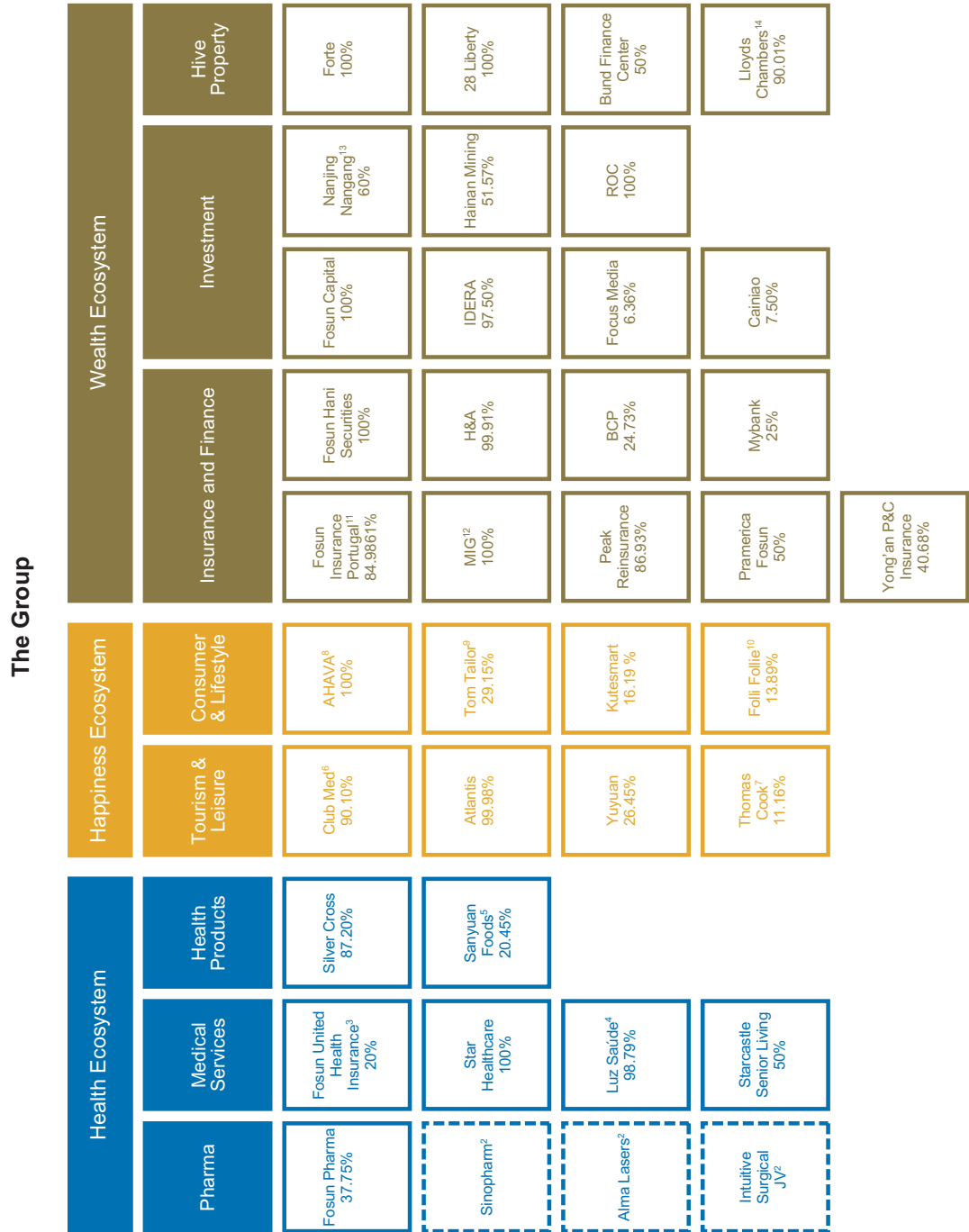
As of the date of this Offering Circular, except for the 2017 Notes, the Issuer has no borrowings or indebtedness in the nature of borrowings, term loans, liabilities under acceptance or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.





## Core Ecosystems

The following simplified chart illustrates the key investments of our Group as at June 30, 2017:



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*Notes:*

1. Simplified chart illustrates the key investments of our Group. The equity percentage reflects the total direct shareholdings held by our Group, associates, joint ventures and funds managed by our Group as of June 30, 2017.
2. The companies marked in the dotted boxes are invested by Fosun Pharma.
3. It is listed under the segment of "Insurance and Finance" when accounting treatment is processed.
4. Fidelidade, a subsidiary of our Group, held 98.79% equity interest in Luz Saúde. Therefore, our Group held 83.96% effective equity interest in Luz Saúde.
5. Our Group through its wholly-owned subsidiary, and Fosun Chuanghong, a fund under management of our Group held 16.67% and 3.78% equity interest, respectively, in Sanyuan Foods. Our Group held Fosun Chuanghong general partnership interest and limited partnership interest of totally 36.22%, thus, our Group held Sanyuan Foods 18.04% effective equity interest.  
Co-investment in July 2017 with Sanyuan Foods in St-Hubert SAS which such transaction is subject to regulatory approvals and has not yet been completed.
6. Club Med is held as to 68.99% by a wholly-owned subsidiary of our Group, as to 19.53% by Fidelidade, a subsidiary of our Group, and as to 1.58% by a subsidiary (our Group held 61.88% equity interest in such subsidiary). Therefore, our Group held 86.57% effective equity interest in Club Med.
7. Our Company and Fidelidade, a subsidiary of our Group held 3.938% and 7.225% equity interest in Thomas Cook, respectively. Therefore, our Group held 10.08% effective equity interest in Thomas Cook.
8. A 99% owned subsidiary of our Group held 100% equity interest in AHAVA. Therefore, our Group held 99% effective equity interest in AHAVA.
9. Tom Tailor was held as to 14.33% by our Company, as to 10.49% by Fidelidade, a subsidiary of our Group, and as to 4.33% by a company of Fidelidade (Fidelidade held 51% equity interest in such company). Therefore, our Group held 25.12% effective equity interest in Tom Tailor.
10. Our Group held 10% equity interest in Folli Follie through its wholly-owned subsidiary. In addition, Pramerica-Fosun China Opportunity Fund managed by our Group held 3.89% equity interest through its wholly-owned subsidiary.
11. Our Group held 84.9861% equity interest in Fidelidade, 80% equity interest in Multicare and 80% equity interest in Fidelidade Assistência through its wholly-owned subsidiary.
12. MIG was renamed as AmeriTrust Group Inc. in October 2017.
13. Nanjing Nangang has ceased to be a subsidiary of our Company since the end of 2015.
14. Our Group held 90% effective equity interest in Lloyds Chambers as a limited partner and 0.005% effective equity interest as a general partner.

## Our Major Subsidiaries, Joint Ventures and Associates

As of June 30, 2017, our Company's ownership interests in its major subsidiaries, joint ventures and associates were as follows:

Name of company	Place of incorporation/ registration and place of business	Effective equity interest attributable to our Company	Principal activities
<b>Subsidiaries</b>			
上海復星高科技(集團)有限公司 (Shanghai Fosun High Technology (Group) Co., Ltd.) .....	PRC/Mainland China	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	100.0%	Investment holding
復星金融控股有限公司 (Fosun Financial Holdings Limited) .....	Hong Kong	100.0%	Investment holding
復星地產控股有限公司 (Fosun Property Holdings Limited) .....	Hong Kong	100.0%	Investment holding
上海復星醫藥(集團)股份有限公司* (Shanghai Fosun Pharmaceutical (Group) Co., Ltd.) .....	PRC/Mainland China	37.75%	Investment holding
上海復星醫藥產業發展有限公司 (Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.) .....	PRC/Mainland China	37.75%	Investment holding
錦州奧鴻藥業有限責任公司 (Jinzhou Aohong Pharmaceutical Co., Ltd.) .....	PRC/Mainland China	36.1%	Manufacture and sale of pharmaceutical products
江蘇萬邦生化醫藥集團有限責任公司 (Jiangsu Wanbang Biopharmaceutical Co., Ltd.) .....	PRC/Mainland China	35.9%	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	19.3%	Manufacture and sale of pharmaceutical products
重慶藥友製藥有限責任公司 (Chongqing Yao Pharmaceutical Co., Ltd.) .....	PRC/Mainland China	19.3%	Manufacture and sale of pharmaceutical products
桂林南藥股份有限公司 (Guilin South Pharma Co., Ltd.) .....	PRC/Mainland China	36.2%	Manufacture and sale of pharmaceutical products
復星實業(香港)有限公司 (Fosun Industrial Co., Limited) .....	Hong Kong	37.75%	Investment holding
美中互利醫療有限公司 (Chindex Medical Limited) .....	Hong Kong	27.2%	Manufacture and sale of medical devices
上海復星醫院投資(集團)有限公司 (Shanghai Fosun Hospital Investment (Group) Co., Ltd.) .....	PRC/Mainland China	37.75%	Investment holding
佛山市禪城區中心醫院有限公司 (Foshan City Chancheng District Central Hospital Co., Ltd.) .....	PRC/Mainland China	24.16%	Provision of medical services
Luz Saúde, S.A .....	Portugal	84.0%	Provision of healthcare services

<b>Name of company</b>	<b>Place of incorporation/ registration and place of business</b>	<b>Effective equity interest attributable to our Company</b>	<b>Principal activities</b>
復地(集團)股份有限公司 (Shanghai Forte Land Co., Ltd.) .....	PRC/Mainland China	100%	Property development
上海復地投資管理有限公司 (Shanghai Forte Investment Management Co., Ltd.).....	PRC/Mainland China	100%	Investment holding
天津湖濱廣場置業發展有限公司 (Tianjin Hubin Plaza Property Development Co., Ltd.) .....	PRC/Mainland China	85.5%	Property development
南京復地明珠置業有限公司 (Nanjing Forte Pearl Property Co., Ltd) .....	PRC/Mainland China	66%	Property development
海南礦業股份有限公司 (Hainan Mining Co., Ltd.) .....	PRC/Mainland China	51.57%	Mining and ore processing
ROC Oil Company Limited .....	Australia	100%	Oil and gas exploration
Club Med SAS.....	France	86.6%	Tourism
上海復星創富投資管理有限公司 (Fosun Capital Investment & Management Co., Ltd.).....	PRC/Mainland China	100.0%	Capital investment and management
IDERA Capital Management Ltd. ....	Japan	98.0%	Capital investment and management
Hauck & Aufhäuser Privatbankiers KGaA .....	Germany	99.9%	Private banking and financial service
鼎睿再保險有限公司 (Peak Reinsurance Company Limited) .....	Hong Kong	86.9%	Reinsurance
Fidelidade - Companhia de Seguros, S.A. ....	Portugal	85.0%	Underwriting of life and non-life insurance
Meadowbrook Insurance Group, Inc. ....	United States of America	100%	Underwriting of non-life insurance
<b>Associates</b>			
國藥產業投資有限公司 (Sinopharm Industrial Investment Co., Ltd.) .....	PRC/Mainland China	18.5%	Distribution 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	26.45%	Retail
天津建龍鋼鐵實業有限公司 (Tianjin Jianlong Iron & Steel Industrial Co., Ltd.) .....	PRC/Mainland China	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	14.73%	Property investment and management
上海地傑置業有限公司 (Shanghai Dijie Real Estate Limited) .....	PRC/Mainland China	40%	Property investment and management
永安財產保險股份有限公司® (Yong'an Property Insurance Company Limited) .....	PRC/Mainland China	40.7%	Property insurance
Banco Comercial Português, S.A.@ .....	Portugal	24.73%	Banking and financial service

<b>Name of company</b>	<b>Place of incorporation/ registration and place of business</b>	<b>Effective equity interest attributable to our Company</b>	<b>Principal activities</b>
<b>Joint ventures</b>			
南京南鋼鋼鐵聯合有限公司 <sup>#</sup> (Nanjing Nangang Iron & Steel United Co., Ltd.) .....	PRC/Mainland China	60.0%	Manufacture and sale of iron and steel products
上海証大外灘國際金融服務中心置業有限公司 Shanghai Zendai Bund International Finance Services Centre Real Estate Company Limited .....	PRC/Mainland China	50.0%	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 December 31, 2016 or formed a substantial portion of the net assets of the Group as of that date. 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 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 37.75% as of June 30, 2017.
- @ 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 six months ended June 30, 2017.
- # Due to the delegation of 10% voting rights in Nanjing Nangang by the Group to Nanjing Steel Group as of December 31, 2016, the Group lost control of Nanjing Nangang and Nanjing Nangang was accounted for as a joint venture of the Group. Details are set out in note 54(b) to the Company's consolidated financial statements for the year ended December 31, 2016.



## 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 Trustee, the Paying Agent, 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 a leading investment group taking roots in China with a global foothold and 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 integrated financial capability and global industrial integration capability rooted in China.

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 the Company's sustainable development.

We currently develop three core ecosystems: health, happiness and wealth. The health ecosystem business includes three major parts: Fosun Pharma, medical services and health products; the happiness ecosystem business includes two major parts: tourism and leisure, consumer and lifestyle while the wealth ecosystem business includes three major segments: insurance and finance, investment and hive property. We believe that our principal portfolio companies enjoy competitive advantages within their respective industries and significant growth potential. For the years ended December 31, 2015 and 2016, our consolidated revenue was RMB78,796.9 million and RMB73,966.6 million, respectively, and our profit was RMB10,953.5 million and RMB12,686.2 million, respectively. For the six months ended June 30, 2016 and 2017, our consolidated revenue was RMB32,505.0 million and RMB36,272.8 million, respectively, and our profit was RMB5,573.8 million and RMB7,595.1 million, respectively.

The following table sets forth our revenues by segments for each period indicated.

	Year ended December 31,				
	2015		2016		
	RMB	%	RMB	US\$	%
	(audited)		(audited)		
	(in millions, except percentages)				
Revenue .....	78,796.9	100.0	73,966.6	10,910.6	100.0
Integrated Finance (Wealth).....	15,615.8	19.8	30,469.3	4,494.5	41.2
Insurance .....	14,667.4	18.6	27,640.7	4,077.2	37.4
Investment .....	442.5	0.6	1,200.4	177.1	1.6
Wealth Management and Innovative Finance .....	505.9	0.6	1,628.2	240.2	2.2
Industrial Operations .....	63,563.8	80.6	43,967.7	6,485.5	59.5
Health .....	15,614.9	19.8	18,260.2	2,693.5	24.7
Happiness.....	7,441.6	9.4	10,355.5	1,527.5	14.0
Property Development and Sales .....	16,893.7	21.4	13,898.2	2,050.1	18.8
Resources .....	1,627.6	2.1	1,453.8	214.4	2.0
Steel <sup>(1)</sup> .....	21,986.0	27.9	—	—	—
Eliminations.....	(382.7)	(0.4)	(470.4)	(69.4)	(0.7)

Note:

- (1) As Nanjing Nangang Iron & Steel United Co., Ltd. ceased to be a subsidiary of the Company at the end of 2015, the Group's investments in the steel industry were classified into the investment segment beginning on January 1, 2016.

We changed our reportable segments during the six months ended June 30, 2017. As a result, we have restated the comparative segment information for the six months ended June 30, 2016 in our interim condensed consolidated financial statements as of and for the six months ended June 30, 2017. The following table sets forth our revenues, as restated, by segments for each period indicated.

	Six months ended June 30,				
	2016		2017		
	RMB	%	RMB	US\$	%
	(unaudited)		(unaudited)		
	(restated)				
	(in millions, except percentages)				
Revenue .....	32,505.0	100.0	36,272.8	5,350.5	100.0
Health Ecosystem .....	8,753.8	26.9	10,294.6	1,518.5	28.4
Happiness Ecosystem.....	5,809.9	17.9	6,525.7	962.6	18.0
Wealth Ecosystem .....	18,112.0	55.7	19,756.8	2,914.3	54.4
Insurance and Finance .....	13,109.1	40.3	14,286.9	2,107.4	39.4
Investment .....	818.6	2.5	1,721.2	253.9	4.7
Hive Property .....	4,184.3	12.9	3,748.7	553.0	10.3
Eliminations.....	(170.7)	(0.5)	(304.3)	(44.9)	(0.8)

Messrs. Guo Guangchang, Liang Xinjun and Wang Qunbin are founders of our Company, owning a 64.45%, 24.44% and 11.11% equity interest in Fosun International Holdings, respectively, which through its wholly-owned subsidiary, Fosun Holdings, held a 71.65% equity interest in our Company as of June 30, 2017.

## Competitive Strengths

We believe we have the following competitive strengths:

### ***Successful business strategies and diversified investment portfolio***

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 believe is a testament to the success of our business strategies and our strong execution capabilities. We have achieved and maintained what we believe to be a portfolio of well-diversified, high-quality investments, which help generate steady income streams and reduce our exposure to economic downturn and fluctuations and effectively prevent potential concentration risk. We also believe that our investment portfolio allow us to achieve synergies among our investments across industries, which contributes to our competitive strengths in business sourcing, project execution, sales and marketing, and improve operational efficiency.

We currently develop three core ecosystems: health, happiness and wealth. The health ecosystem business includes three major parts: Fosun Pharma, medical services and health products; the happiness ecosystem business includes two major parts: tourism and leisure, consumer and lifestyle while the wealth ecosystem business includes three major segments: insurance and finance, investment and hive property. In our wealth ecosystem, we own an 84.986% equity interest in Fidelidade and an 80.0% equity interest in each of Multicare and Fidelidade Assistência. We also hold H&A, one of the largest private banks in Germany, and Rio Bravo, the second largest independent asset management company in Brazil based on the size of AUM. In our health ecosystem, Fosun Pharma is a leading healthcare company in China listed on the Shanghai Stock Exchange (Stock Code: 600196) and the Hong Kong Stock Exchange (Stock Code: 02196). We completed the acquisition of Gland Pharma Limited in India in October 2017 and expected it to become Fosun Pharma's important registration and sales platform targeted towards major international markets, such as Europe and U.S. We continue to improve our medical care service capabilities, construct senior living community, and initiate healthcare finance business. In our happiness ecosystem, we hold Club Med, a global brand for high-end tourism chain. We target to commence the trial operation of Atlantis Resort Hotel in Sanya, Hainan at the end of 2017. We have further diversified our investment portfolio and improved our ability to balance turbulence from more cyclical industries.

We are a pro-active shareholder and aim to 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. For example, in connection with Chinese domestic commercial property operations, we were able to help Folli Follie rapidly expand its retail network in China, leading to the company's significant sales growth in China since our investment in this company. Similarly, Luz Saúde, our subsidiary in the healthcare services sector in Portugal has been able to take advantage of synergies generated with the insurance business of Fidelidade. Club Med has accelerated its pace of development in China and attracted more tourists from China with our help since our investment and acquisition. Club Med has two new resorts in the China region opening in 2017.

### ***Proven track record in achieving significant investment returns***

We have a proven track record of strategically and tactically 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.

Over the past two decades, we have carried out a number of successful investment projects, such as Fosun Pharma in 1994, Forte in 1998, Yuyuan in 2002, Zhaojin Mining in 2004, Hainan Mining in 2007 and Zhongshan Public Utilities in 2014. These projects have provided high double-digit IRR over the investment period. There are numerous other examples of our successful investment generating significant returns such as:

- We began our investment in Focus Media in 2008, a then NASDAQ-listed company, when we paid an aggregate of US\$315.6 million for not more than 30% interest in the company. The company was privatized in 2013 and entered the A-share market via reverse takeover of Hedy Holding Co., Ltd. in 2015. As of June 30, 2017, we held 6.36% of equity interests in Focus Media (002027.SZ). As of June 30, 2017, the market value of our equity interest in Focus Media was RMB7.65 billion.
- From April 2014 to completion of privatization in April 2016, we had invested a total of US\$157 million for the 4.85% equity interest in Youku.com. During the same period, our investment return from Youku.com was US\$92.3 million with an annualized IRR of 82%.
- Our investment cost in Lianjia.com was RMB50 million, and we cashed out RMB510 million from Lianjia.com in 2016.

As part of our investment business, we have invested in a number of pre-IPO projects and listed companies. During January 1, 2017 to September 30, 2017, we have seven successful A-share initial public offerings and three international initial public offerings. In recent years, we have also invested in Club Med, Folli Follie, Bona, Atlantis, Cirque du Soleil and other companies with the goal of generating high cash flow from investment returns over the next few years. Taking the value of Fosun International as a whole, we have achieved a five-year CAGR of 21% in book value during the period ended June 30, 2017.

### ***Multi-channel and sustainable funding sources to raise capital***

Our corporate structure and asset allocation allow us to raise capital from multiple platforms, including our holding company, listed operating subsidiaries, insurance companies and various funds managed by us. These platforms give us access to multiple capital sources and increases our financial flexibility.

At our holding company and subsidiaries levels, we have the flexibility to use multiple equity and debt instruments to raise capital from public and private markets and optimize our capital structure. We actively promote our portfolio companies to acquire better liquidity and stronger financing capabilities through initial public offering or follow-on offerings at appropriate times.

- 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 November 2013, a wholly-owned subsidiary of Fosun International Limited issued convertible bonds in an aggregate principal amount of HK\$3,875.0 million convertible into ordinary shares of Fosun International Limited. In April 2014, Fosun Pharma issued 67,214,000 H shares pursuant to a placing agreement, raising net proceeds of HK\$1,760.89 million. In May 2014, Fosun International Limited 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\$4,870.8 million. In November 2014, Hainan Mining successfully completed an A share offering, raising net proceeds of RMB1,758.8 million. In May 2015, Fosun International Limited issued 465,000,000 shares pursuant to a placing and subscription agreement, raising net proceeds of HK\$9,243 million. In October 2015, Fosun International completed another rights issue of 867,182,273 rights shares at a subscription price of HK\$13.42 per right shares on the basis of 56 right shares for every 500 shares, raising net proceeds of HK\$11,614 million.
- We and our subsidiaries had entered into financing agreements with various financial institutions. A number of our subsidiaries, such as Fosun High Technology, Fosun Pharma, Forte and Hainan Mining, have completed issuances of corporate bonds, medium-term notes, private placement notes and senior notes.

We have strong relationships with more than 100 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, and other Chinese or overseas banks such as Ping An Bank, China Development Bank Corporation, Hong Kong Branch, and Shanghai Pudong Development Bank. We have adopted a prudent policy to maintain relationships with a wide range of lending banks in order to avoid single bank concentration risk. As of June 30, 2017, the amount borrowed by the Company from any single lending bank accounted for less than 10% of the amount of our total debts. Total debts are calculated as the sum of (i) current and non-current interest-bearing borrowings, (ii) interest-free loans from related companies, and (iii) convertible bonds. Moreover, we have completed 10 international debt and convertible bonds issuances (including tap offerings) since our debut issue in 2011. Coupon payments and principal redemptions have been punctual, if not early.

In the 2017 Notes issuance, we attracted an aggregate of over 300 accounts in order placing, which included sophisticated institutional investors across Asia and Europe among funds and asset managers, international banks, and high networth accounts. As of November 1, 2017, the 2017 Notes had been a constituent of respectable market benchmark indices such as Bloomberg Barclays Global High Yield Total Return Index, Bank of America Global High Yield Index series (including Bank of America Asian Dollar High Yield Corporate China Issuer Index).

We set up and manage various funds, such as real estate, venture capital, and private equity funds, as platform to raise capital. As of June 30, 2017, the scale of the asset management business of our Group reached RMB100,366.1 million, of which RMB12,845.8 million was managed by Fosun Capital, RMB14,908.9 million was managed by IDERA, RMB7,005.0 million was managed by Resolution Property, RMB1,355.9 million was managed by Fosun Eurasia Capital, and RMB24,314.7 million was managed by Rio Bravo. Funds managed by us actively invest in companies with high growth potential. For example, CMF and Zhejiang Growth Fund, two funds managed by us, have completed an investment in Cirque du Soleil jointly with TPG. We have also established strategic relationships with several financial firms.

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.



### ***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 reviewing investment 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 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 and relevant departments. 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 will visit the target company onsite. In discussions with our deal teams, our Executive Directors provide guidance on strategy, process and other pertinent considerations. Every investment requires the approval of our investment committee.

Our investment may take various forms, such as acquiring control of or strategically investing in a portfolio company and purchasing 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 exit strategies, such as public offerings and block trades. Disposition decisions are subject to careful review and approval by the investment committee.

### ***Experienced and visionary leadership team***

We are led by Messrs. Guo Guangchang and Wang Qunbin, both of whom are our founders. Most of our executives joined us at the early stage of our development. The team has worked together for about 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.

We have established a global multi-level partnership scheme with global partners to tackle the responsibilities and risks in our operations. The global partnership scheme optimizes the structure of



our management team and enhance and localize our overseas management team. We have a total of 200 managing directors globally, of which 100 are overseas. Our globalized, localized and professional management team enables us to cope with differences across countries, industries and the fluctuations in the capital and currency markets.

We also employ specialists and professionals in different businesses to manage our portfolio companies and identify investment opportunities. We actively consult international professionals and experts to complement the experience of our core management team and further the growth of our business.

## **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:

### ***Further develop our insurance and finance business and strengthen our insurance-oriented comprehensive financial capabilities***

Within our wealth ecosystem, we believe the insurance and finance segment and our investments in asset management companies not only improve operating results and investment returns, but also complement our diversified sources of funding to match our investment and development needs. We have strengthened our integrated financial capabilities through acquisitions of high growth potential companies, such as our acquisition of H&A, a private bank based in Germany, and our acquisition of Rio Bravo, the second largest independent asset management company in Brazil based on the size of AUM. We believe our acquisition of H&A in September 2016 will provide Chinese investors with high-end and personalized investment products and funding channels from abroad. H&A will also provide M&A advisory services to enterprises in China. We believe H&A will help generate synergy with Fosun's insurance and investment businesses. Assets under H&A's management reached €6.56 billion as of June 30, 2017. Rio Bravo is focused on the South American market with asset under management of RMB24.3 billion as of June 30, 2017, and will provide geographical diversity to our portfolio of companies in the investment segment and provide investment returns from an emerging market.

We also continually encourage our portfolio companies in the insurance industry to further strengthen their competitiveness through acquisitions. For example, in August 2016, Peak Reinsurance acquired a 50% equity interest in NAGICO Holdings Limited, a leading insurance group in the Caribbean, to expand its business to Central America.

In addition, Fosun United Health Insurance Company opened in February 2017, and has launched 32 health insurance products. We believe that it paves the way for us to expand our investment company portfolio and enjoy enhanced synergy with hospitals managed by Fosun Pharma.

### ***Continue to focus on developing health and happiness ecosystems***

We intend to continue to focus on developing our health and happiness ecosystems. In the health ecosystem, we acquired approximately 74% equity interest in Gland Pharma Limited, which we expect to become an important platform for Fosun Pharma to market and promote its pharmaceutical products to customers in Europe and America. We also plan to expand the domestic hospitals under Fosun Pharma's control and we expect to make approximately 6,000 new beds available in the next three to five years, which will increase the operating scale of Fosun Pharma's hospitals and services offered.

In the happiness segment, Atlantis Hotel is expected to commence trial operations at the end of 2017. Pre-sales of salable properties commenced in November 2016. Club Med Resort Beidahu has

opened in the second half of 2016 in Jilin, Bei Da Hu. Club Med is aiming to launch 20 resorts in China by 2020. Yuyuan invested in Tomamu in 2015, and Club Med has agreed to operate in Tomamu. By capitalizing on China's growth momentum, we expect that these additional projects will attract more tourists and generate investment returns for us.

### ***Invest in C2M ecosystems and help traditional enterprises transit into a C2M business model***

To better serve our customers and stakeholders, we plan to leverage an industry trend and invest in the customer-to-maker ("C2M") business model. C2M is a consumer oriented business model designed to connect manufacturers to consumers directly, thereby increasing efficiency, reducing costs by eliminating intermediate links, and meeting consumers' needs.

This business model emphasizes the participation of customers in the entire development process, from initial design to final presentation, of products, services and content. It allows direct links between customers and product or service providers without going through intermediaries, thereby allowing providers to respond and cater to the needs of customers quickly, systematically and cost efficiently. We plan to achieve this by:

- Upgrading traditional manufacturing and service providers using mobile internet;
- Reorganizing commercial ecosystems by integrating the flow of logistics, information, capital and human resources;
- Establishing seamless interface between customer and service or product providers without using intermediaries and improving customer connection;
- Satisfying tailored and diverse customer needs effectively and cost-efficiently.

To date, a number of our portfolio companies, such as Kutesmart, 98ep.com, Goujiawang, have successfully transformed traditional enterprises into a C2M business model. As we believe this is a developing industry trend, we plan to continue to encourage other portfolio companies to adopt this business model.

### ***Continue to optimize our network-based and expert-based organizational structure, and launch a global partnership scheme, to flatten organizational structure and improve efficiency***

In recent years, we started to adopt multiple smaller but flexible organizational structures to enable us to respond quickly to market changes. These smaller groups are usually localized and project oriented, allowing them to react to market changes efficiently. They are also organized based on a flat network structure comprised of professionals highly specialized in their respective areas of expertise with independent decision making capabilities, reducing corporate hierarchy. These groups are well supported by our middle-end and back-end functional teams that are entrenched in our business operations. We plan to continue to expand this highly tactical and responsive organizational structure to enhance our operational and managerial efficiency.

We have established a global multi-level partnership scheme with global partners to tackle the responsibilities and risks in our operations. The scheme encourages outstanding executive personnel to uphold the culture and values of Fosun, ensuring consistency in our business development strategies. The scheme allows the partners to become more entrepreneurial and take more ownership of business, operational and investment decisions concerning their areas of responsibility through sharing in the benefits and risks of their decision making. The scheme is rolled out globally and the partners are not only focused on their specialized areas, but also involved in the collective decision making process of the Group.

We plan to continue to attract driven, dedicated and talented key executives to join our global partnership ranks by providing clear and tangible incentive plans and well-defined entry and exit mechanisms to encourage excellence.

***Continue to optimize our debt profile, enhance asset liquidity and improve rating management***

Our Group possesses well-developed funding channels at the parent and subsidiary levels in the debt and equity capital markets as well as the loan markets, both onshore and offshore, which allows us to raise capital on competitive terms. Being a key beneficiary of the credit easing cycle in China, we have seized opportunities to optimize our debt structure by reducing financing costs and lengthening debt maturity.

Given the prevailing favorable market conditions and government policies, we intend to continue to optimize our debt profile and reduce funding costs by accessing the domestic and international capital markets. We plan to continue to seek out refinancing options that allow us to lower average funding costs and lengthen our debt maturity.

We plan to improve our integration with, and access to, the capital markets and continue to encourage our mature investment projects to pursue listing on stock markets to unlock their investment values and to enhance the Group's asset liquidity. In addition to completing IPOs for private equity investments as well as Hainan Mining in recent years, we plan to continue to monitor global market conditions and evaluate our portfolio companies' business fundamentals to find the optimal time and market to monetize our investments. We believe this will improve our financial flexibility and asset liquidity.

Through optimizing our capital structure and focusing on our other business strategies, we believe we can maintain our financial stability and flexibility and obtain higher credit ratings from third party rating agencies.

**Our Businesses**

We currently develop three core ecosystems: health, happiness and wealth.

***Health Ecosystem***

Our health ecosystem consists of three major segments: Fosun Pharma, medical services and health products.

Our revenue from the health segment increased by 16.9% from RMB15,614.9 million in 2015 to RMB18,260.2 million in 2016 and our profit attributable to owners of the parent from the health segment increased by 11.2% from RMB1,099.2 million in 2015 to RMB1,222.8 million in 2016. The increase in both revenue and profit attributable to owners of the parent of the health segment was mainly due to the continuous and steady business growth from manufacturing, distribution of medical devices and healthcare service segments of Fosun Pharma.

Our revenue from the health segment increased by 17.6% from RMB8,753.8 million in the first half of 2016 to RMB10,294.6 million in the first half of 2017, mainly attributable to the continuous and steady growth of Fosun Pharma's revenue. Our profit attributable to owners of the parent from the health segment increased by 49.6% from RMB679.3 million in the first half of 2016 to RMB1,016.0 million in the first half of 2017, mainly due to the increase of Fosun Pharma's profit and the gain on disposal of an available-for-sale investment.

## *Fosun Pharma*

Fosun Pharma is a leading healthcare company in China listed on the Shanghai Stock Exchange (Stock Code: 600196) and the Hong Kong Stock Exchange (Stock Code: 02196). Its main business includes pharmaceutical manufacturing, pharmaceutical distribution and retail, healthcare services and diagnosis products and medical devices. Fosun Pharma has established a leading position in the pharmaceutical distribution sector through its shareholding in Sinopharm.

In the first half of 2017, amidst the severe situation of global economic downturn and deceleration of the domestic economic growth, continuous reform of the medical system in the PRC and slowdown of pharmaceutical manufacturing industry growth have brought policy opportunities to the development of medical services. In the first half of 2017, Fosun Pharma adhered to its business philosophy of “Innovation for Good Health”, focused on its core pharmaceutical and healthcare businesses, continued to develop product innovation and improve management, actively promoted the strategies of organic growth, external expansion and integrated development, thereby maintaining the balanced growth of its principal businesses.

In the first half of 2017, Fosun Pharma realized revenue of RMB8,277 million, representing an increase of 20.3% as compared to the same period of 2016. Excluding the impacts of the new acquisition of Breas Medical Holdings AB in 2017, the new establishment of Wenzhou Geriatric Hospital Limited Company (溫州老年病醫院有限公司) (“Wenzhou Geriatric Hospital”) and the acquisition of Jinan Qilu Medical Laboratory Co., Ltd. (濟南齊魯醫學檢驗有限公司) (“Qilu Clinical Laboratory”) in 2016 as comparable factors, revenue would have increased by 17.06% as compared to the corresponding period of 2016. Of which, the revenue from pharmaceutical manufacturing and research and development segment of Fosun Pharma amounted to RMB5,706 million, representing an increase of 18.95% as compared to the corresponding period of 2016. The revenue from healthcare service business amounted to RMB1,011 million, representing an increase of 34.44% as compared to the corresponding period of 2016, and excluding the impacts of the new establishment of Wenzhou Geriatric Hospital, the acquisition of Qilu Clinical Laboratory in 2016 as comparable factors and other factors, revenue from healthcare service would have increased by 19.14% as compared to the corresponding period of 2016. Fosun Pharma recorded revenue of RMB6,808 million in the mainland China, representing an increase of 14.38% as compared to the corresponding period of 2016 and recorded revenue of RMB1,469 million in foreign countries or regions, representing an increase of 58.64% as compared to the corresponding period of 2016. The proportion of the overseas revenue of Fosun Pharma was 17.75%, representing an increase of 4.29% as compared to the corresponding period of 2016.

For the six months ended June 30, 2017, Fosun Pharma recorded profit before tax of RMB2,179 million and profit attributable to owners of the parent of RMB1,689 million, representing an increase of 12.92% and 12.58%, respectively, as compared to the corresponding period of 2016. The increase in each of the profit before tax and profit attributable to owners of the parent was mainly due to the steady growth maintained by businesses of Fosun Pharma, the further optimized sales structure, the construction of marketing system and emergence of effects arising from supply chain integration.

For the six months ended June 30, 2017, net cash flow from operating activities of Fosun Pharma continued to rise, increasing to RMB1,104 million for the first half of 2017, representing an increase of 17.90% as compared to the corresponding period of 2016. The profitability and operational quality of Fosun Pharma further enhanced.

## *Medical Services*

### Star Healthcare

Star Healthcare is our wholly-owned company, combining its internal and external outstanding medical resources, with an aim to provide one-stop and whole-process health management service and third-party insurance service for mid- to high profile customer members. Star Healthcare is our wholly-owned investment company, combining our internal and external outstanding medical resources, with an aim to provide one-stop and whole-process health management service and third-party insurance service for mid- to high-profile customers.

As of June 30, 2017, Star Healthcare has launched different one-stop healthcare management products targeting mid- to high-end member customers, with employee healthcare benefits planning products targeting corporate customers, innovative fusion products targeting insurance customers and healthcare service products targeting mothers with their children. Star Healthcare has formed a professional service team comprising insurance settlement specialists, medical experts, health managers and nutritionists to provide professional health management services to target customers through their own proprietary multimedia customer service system and healthcare management system.

In the first half of 2017, the direct billing network resources of Star Healthcare in China mainly concentrated on 30 provinces, including 119 cities with approximately 500 cooperative medical checkup institutions. By leveraging the leading insurance settlement core system within the industry, Star Healthcare provided professional direct payment of medical management and settlement services for insurance companies.

### Luz Saúde

Luz Saúde is a leading private healthcare provider group in Portugal which owns eleven private hospitals, one national health service hospital under a public private partnership, eight private ambulatory clinics and two senior residences. Luz Saúde has been operating in the Madeira archipelago since the beginning of 2017. As of June 30, 2017, Fidelidade held 98.79% equity interest in Luz Saúde. In the first half of 2017, Luz Saúde provided 1,430 beds and recorded good operational and financial results due to the growth in the Portuguese private healthcare market and the achievement of some synergies with the insurance business of Fidelidade.

In the first half of 2017, consolidated operational revenues of Luz Saúde reached €241.2 million, an increase of 4.3% year-on-year, mainly driven by the 4.9% growth in the private health segment. In the first half of 2017, its profit attributable to shareholders totalled €8.7 million, as compared to €10.0 million in the same period of 2016.

### Starcastle Senior Living

Starcastle Senior Living is a joint venture established by us and Fortress Investment Group LLC, each holding 50% of its equity interest, for the purpose of developing the property market for senior citizens in China. Starcastle Senior Living's first high-end healthcare project customized for Chinese senior citizens has commenced operations in May 2013. The first phase has a total number of 218 suite units with an occupancy rate of 97% by June 30, 2017. Phase II has started the construction since April 2017 and is expected to be opened by 2019.

## *Health Products*

### Silver Cross

Silver Cross was our overseas investment and the transaction was completed in July 2015. As of June 30, 2017, we indirectly held 87.2% equity interest in Silver Cross through our wholly-owned subsidiary. Silver Cross, which was established in 1877 by William Wilson, has established itself as a leading U.K. nursery brand. The company incorporates the latest product design with engineering mechanism to offer its customers a range of multifunctional and lightweight strollers alongside its hand-built legacy prams and complemented by its nursery furniture range. Silver Cross has an international distribution network covering UK, Europe, the Middle East, Asia and Asia Pacific regions. In 2017, Silver Cross entered the US market. In U.K., it has a significant retail presence with a strong national retail footprint and an extensive network of 170 independent retailers. Silver Cross has flagship stores in Shanghai, Hong Kong and Moscow and sells through a number of high-end maternal and infant chain stores. The key growth market like Southeast Asia region has also proven to be very successful for Silver Cross. Silver Cross products have won numerous high profile awards such as Illustrious Junior Design Award and Which Best Buy Award. In the first half of 2017, its operating revenue amounted to GBP24.3 million, and profit before tax was GBP4.2 million.

### Sanyuan Foods

The private placing of Sanyuan Foods was completed in February 2015. As of June 30, 2017, we and Fosun Chuanghong, a fund managed by us, held 16.67% and 3.78% equity interest in Sanyuan Foods, respectively. Sanyuan Foods is a renowned brand in the dairy industry of China, famous for the quality and safety of its products, and enjoys significant market advantages in Beijing and the peripheral markets. After acquiring shares of Sanyuan Foods, Fosun utilized global resources to assist in formulating corporate strategies, introducing merger and acquisition targets and transforming operation mechanisms for realizing integrated development in Sanyuan Foods and enhancing its leading position in the dairy industry of China.

In response to falling international milk prices and intensive competition in the domestic dairy product market, Sanyuan Foods actively launched new products, adjusted product structure and strengthened brand publicity. In the first half of 2017, it recorded operating revenue of RMB3,088.7 million, and profit attributable to owners of the parent amounted to RMB34.5 million.

### Sun Paper

In October 2016, we, being a strategic investor, made an investment in China's leading paper enterprise, Sun Paper, with an accumulated investment of RMB1.14 billion to hold 7.49% of shares. We believe that the paper industry is picking up momentum from the further advancement of China's supply-side reform. Sun Paper is a leading enterprise in the paper industry in various aspects such as profitability, operational capacity and environmental protection. Sun Paper leads the transformation and enhancement of the traditional paper industry by devotedly using high-technologies, and has developed a number of subversive technologies and won a number of honors such as the National Science and Technology Progress Award. Sun Paper is a leader in the use of biomass, one of the new biological materials, and its scale of utilizing this material ranked first in China and third in the world. Furthermore, the fast-moving consumer goods represented by diapers have significant growth potential. Sun Paper's integrated operations, from its forestry-pulp-paper operations, upstream and downstream industrial operations, to its production of fast moving consumer goods (such as tissues and baby diapers) enable us to achieve synergies. After investing in Sun Paper, we have been actively seeking for different integrations synergies through integration within the health ecosystem. For



example, Sun Paper is now able to partner with a prominent online portal for mothers, by allowing the user data to simulate accurate analysis and research on customer demands. As of the first quarter of 2017, revenue in the amount of RMB4,410.9 million was realized and profit attributable to shareholders of the listed company amounted to RMB440.1 million.

### Juewei Food

In March 2011, we invested RMB104 million in Juewei Food to hold 8% of shares. In March 2017, Juewei Food was listed on the Shanghai Stock Exchange with stock code 603517 and we held 28.8 million shares with a diluted shareholding of 7.02% after listing. On June 30, 2017, the closing price of Juewei Food was RMB34.87 per share and its total market capitalization was approximately RMB14,297 million. Juewei Food, a company mainly engaged in the research and development, production and sales of braised foods, is the leader in the braised food products industry. Its current market share in China's leisure braised products amounts to 8.9%. Being benefited from the rapid development of the leisure fast moving consumer goods market in China, there are significant rooms for future growth in the braised food products market. Juewei Food has an established direct sale and franchise chain sales network covering 29 provinces/municipalities. As of June 30, 2017, Juewei Food had more than 3,000 franchisees and more than 8,000 offline stores nationwide, leading the market of China in terms of the number of stores and the coverage of sales networks. As of June 30, 2017, it recorded operating revenue of RMB1,851.4 million, and profit attributable to shareholders of the listed company amounted to RMB237.7 million.

### ***Happiness Ecosystem***

Our happiness ecosystem business includes two major parts: (i) tourism and leisure, and (ii) consumer and lifestyle.

Our revenue from the happiness ecosystem increased by 39.2% from RMB7,441.6 million in 2015 to RMB10,355.5 million in 2016, mainly contributed by the operating income from Club Med. Our profit attributable to owners of the parent from the happiness ecosystem increased by 136.7% from RMB175.1 million in 2015 to RMB414.4 million in 2016, mainly due to the profitability of Club Med turning from its prior losses during 2016 and the gain on disposal of partial equity interest of Bona Film Group Limited.

Our revenue from the happiness ecosystem increased by 12.3% from RMB5,809.9 million in the first half of 2016 to RMB6,525.7 million in the first half of 2017, mainly due to the revenue growth as a result of business expansion of Club Med. Our profit attributable to owners of the parent from the happiness ecosystem increased by 37.5% from RMB375.5 million in the first half of 2016 to RMB516.3 million in the first half of 2017, mainly attributable to the good performance of Club Med and Yuyuan during the first half of 2017, and also to the gain on disposal of an available-for-sale investment.

### *Tourism and Leisure*

#### Club Med

Club Med was an important investment in the “Combining China's Growth Momentum with Global Resources” investment model implemented in 2010. In 2015, by completing the public offer of €24.6 per share in December 2014, Club Med was delisted from Euronext in March 2015. For the six months ended June 30, 2017, the number of tourists at Club Med increased by 8.1% year-on-year, revenue increased by 6.4% year-on-year with villages operating profit of €73.7 million representing a year-on-year increase of 5.1%. The growth in results was mainly attributable to the outstanding performance of skiing resorts and the increase in the number of tourists for long-haul travel

destinations in Europe and Asia. Club Med will continue to accelerate its development pace in China according to its plans. For the six months ended June 30, 2017, the number of tourists in the Greater China Region increased by 15% year-on-year to 107,000, representing 15.6% of the total number of tourists.

As a pioneer of the premium all-inclusive vacation resorts service provider, Club Med continues to innovate and provide exciting new vacation experiences to its customers. Club Med has launched a new brand - Joyview, offering premium excursion resorts in China. The first two Joyview resorts, Club Med Joyview Changli Golden Coast and Club Med Joyview Anji, are expected to open by the end of 2017.

### Atlantis

The Atlantis project is located in Haitang Bay National Coast of Sanya in Hainan Province, and is a large-scale high-end theme resort hotel project with a water park and aquarium as its signature developed by us and will be operated by Kerzner International Management Limited. The scale of the project amounts to nearly RMB10 billion and it is designated as the key construction project of Hainan Province. The project commenced construction in 2013 and roof-sealing was completed in July 2016. The resort is expected to commence trial operations at the end of 2017. As of June 30, 2017, RMB5,680.6 million was invested and the second phase of this project obtained the “Commercial Housing Pre-Sale Permit” and commenced pre-sales in November 2016.

As of June 30, 2017, the particulars of the project were as follows:

Usage.....	Accommodation, food and beverage, cultural, sports and entertainment
Ownership of interest .....	99.98%
Land Cost.....	RMB2,177.4 million
Construction and Installation Costs.....	RMB3,503.2 million
Land Area .....	537,420.2 sq.m.
Total GFA .....	492,215.1 sq.m.

### Yuyuan

In 2002, our Group became the largest shareholder of Yuyuan, which is listed on the Shanghai Stock Exchange with stock code 600655. As of June 30, 2017, Yuyuan had a market capitalization of RMB16.41 billion and our Group held a total of 26.45%. Shares of Yuyuan have been suspended since December 20, 2016 for the sale of certain target companies by our Group to Yuyuan pursuant to an initial sale and purchase agreement. On November 20, 2017, we and Yuyuan agreed to terminate the initial sale and purchase agreement and replace it with a formal sale and purchase agreement. Pursuant to the formal sale and purchase agreement, the vendors in our Group have conditionally agreed to sell and Yuyuan has conditionally agreed to purchase the entire equity interest held by the vendors in 26 target companies with a total consideration of approximately RMB24.23 billion (subject to adjustments, if any), which will be settled by way of issue of shares by Yuyuan to us. Upon the completion of the transaction, we will hold approximately 69.73% of the equity interest in Yuyuan. See “— Recent Development — Yuyuan.” The transaction is currently pending regulatory approval.

Yuyuan is a major platform in our Group’s happiness ecosystem business as it has a range of industries targeting the emerging middle class consumption that all have unique competitive advantages. These include gold and jewelry, commercial and tourism real estates with commercial, tourism and cultural characteristics, and Shanghai cuisines with national and global visibility.

Shanghai Yuyuan Gold and Jewellery Group Co., Limited (上海豫園黃金珠寶集團有限公司) under Yuyuan owns two major brands of “Laomiao Gold” and “Yayi Jewellery”. As of June 30, 2017, the number of chain stores of the two brands amounted to 1,904.

For the six months ended June 30, 2017, Yuyuan recorded revenue of RMB9,185.42 million, representing a year-on-year increase of 4.53%; profit before tax of RMB406.93 million, representing a year-on-year increase of 118.78%; and profit attributable to shareholders of the listed company of RMB328.33 million, representing a year-on-year increase of 129.77%.

#### Thomas Cook

In 2015, Fidelidade made a strategic investment in the world renowned travel group Thomas Cook. As of June 30, 2017, we held 11.16% equity interest in Thomas Cook. Thomas Cook is one of the world’s leading leisure travel groups with a strong position in the European tourism market. For the six months ended March 31, 2017, Thomas Cook recorded revenue of GBP2,994 million, representing an increase of 12% over the same period of 2016. After eliminating the effects of exchange rates and oil prices, comparable revenue increased by GBP77 million. Losses for the period decreased by GBP11 million compared with the same period of 2016. For the six months ended June 30, 2017, Kuyi International Travel Agency (Shanghai) Co., Ltd. (“KUYI”), a joint venture jointly established by us and Thomas Cook had commenced its business operations to offer domestic, overseas and MICE (meetings, incentives, conferencing/conventions, exhibitions and events) travel services to the growing middle class population both inside and outside China. As of June 30, 2017, we held 51% equity interest in KUYI.

#### Albion

Shanghai Fosun Albion Tourism Development Company Limited (上海復星愛必儂旅遊發展有限公司 or “Albion”) is a hotel and tourism management company. It is primarily engaged in providing design, technical, operation and management services for popular tourism destinations in the PRC and also providing services for tourists through HO (Holiday Organizer) services. The revenue for the six months ended June 30, 2017 was around RMB4.4 million.

#### Studio 8

Studio 8 is an important investment in the film industry, a significant step for us to enter the film and television entertainment industry. As of June 30, 2017 we held 80% equity interest in the Class A investors of Studio 8. We exercise significant influence over the distribution arrangement of movies produced by Studio 8 in mainland China, Hong Kong, Macau and Taiwan, whereby we plan to build a global media entertainment investment, financing and operating platform with its base in China’s culture consumer market and focusing on the global film and television industry. In 2015 and the first half of 2016, Studio 8 and Columbia TriStar Motion Picture Group, a company under Sony, co-invested and produced Billy Lynn’s Long Halftime Walk directed by Ang Lee, which was released in November 2016 globally (including China). This movie was the first movie in the world applying 120fps 4K3D technology which changed the way how film was made. In the six months ended June 30, 2017, The Alpha and White Boy Rick (starring Matthew McConaughey), the first two projects developed independently by Studio 8, have been in post-production stage. World premiere is expected by the end of year 2017. In addition, after two and half years of research and development, Studio 8 has reserved around 40 projects, 20 of which are prepared to proceed. Its production capacity will be gradually released in the near future.

#### *Consumer and Lifestyle*

#### AHAVA

We invested RMB539 million into AHAVA in September 2016 and as of June 30, 2017, we held 100% equity interest in AHAVA. AHAVA (Hebrew for ‘love’) is a Dead Sea beauty and wellness brand. It

is the only cosmetics brand licensed by the Israeli government to sustainably mine natural mud from the Dead Sea, which has the highest mineral concentration in the world. Globally recognized, AHAVA is also the only cosmetics company with research and development and manufacturing facilities located along the Dead Sea's shores, giving it a complete understanding of the locality's natural elements. In the first half of 2017, AHAVA's net sales saw positive growth for the first time in the past 3 years with its first 22 Stock Keeping Units ("SKUs") receiving China Food and Drug Administration approval in May 2017. Since the acquisition, Fosun has closely cooperated with the Israeli management. AHAVA expects further opportunities in sustainable growth in Israel with more new products to be launched in the second half of 2017. Furthermore, AHAVA expects expansion opportunities in Asia, especially in China. Also, AHAVA expects that more SKUs (over 40) will be approved by China Food and Drug Administration to enter into China in the fourth quarter of 2017 and will be sold through both online and offline channels.

#### Tom Tailor

We first invested in Tom Tailor in 2014. As of June 30, 2017, we held 29.15% equity interest in Tom Tailor. Tom Tailor is an international, vertically integrated fashion company focusing on casual wear in the medium price segment. Its product portfolio is complemented by an extensive range of fashionable accessories and home textiles. With the brands TOM TAILOR and BONITA, Tom Tailor addresses various segments of the fashion market. Tom Tailor is one of our most important investments in the fashion industry. Tom Tailor successfully continued implementing its strategic redirection in the first half of 2017. Tom Tailor pursued its "RESET-initiatives" to boost the efficiency and the quality of the earnings and was thus able to achieve visible cost savings. With a new marketing strategy, spearheaded by new fashion highlights in its collections and refocused campaign presence, Tom Tailor aims to strengthen its core brands in the fierce competitive fashion industry. Tom Tailor is already much further along with its RESET cost and process optimization program than it originally planned. With the momentum following the second successful capital increase and the generated net proceeds, now Tom Tailor is ushering in phase two "the prudent development of growth initiatives". As the major strategic investor, we continue to be involved in the development of Tom Tailor.

#### Kutesmart

We invested in Kutesmart in 2015 and as of June 30, 2017, we owned 16.19% equity interest. Kutesmart is a well-known enterprise in the transformation and upgrade of domestic textile and garment industry and in the field of smart manufacturing, realizing data-driven processes from key user information, building a seamless manufacturing connection between consumers and manufacturer. Its leading edge of flexible manufacturing ensures a rapid growth of its performance. In the first half of 2017, the sales volume of trailer-made garments by Kutesmart grew by over 50% compared to the same period of 2016. We hope that through its investment in Kutesmart, it will become an integral part of our C2M ecosystem to form good synergies with relevant enterprises of our consumer and lifestyle part of the happiness segment. Looking forward to the second half of 2017, with the further increase in production capacity, Kutesmart will continue to display better growth, and its influence and visibility are expected to be further enhanced.

#### Folli Follie

Folli Follie, a globally renowned fashion retail group, was our overseas strategic investment of in 2011. As of June 30, 2017, we held 10.0% equity interest and Pramerica-Fosun China Opportunity Fund, a fund managed by us, held 3.89% equity interest in Folli Follie, amounting to 13.89% equity interest in total.

In the first quarter of 2017, the revenue of Folli Follie amounted to €317.9 million, representing an increase of 8.3% over the same period of 2016. Its EBITDA stood at €82.1 million, representing an increase of 15.8% over the same period of 2016. Its net profit amounted to €53.8 million, representing an increase of 24.6% over the same period of 2016. The sales of Folli Follie's self-owned core brand business increased by 10.8% over the same period of 2016.

Since our investment in 2011, we had leveraged on its solid industrial foundation and extensive online and offline channel resources in China to assist Folli Follie's development in the Greater China Region, in respect of its sales network expansion and brand building. Folli Follie achieved a continuous steady growth in the sales performance in China and an acceleration of the expansion of sales network.

### **Wealth Ecosystem**

Our wealth ecosystem consists of three major segments: insurance and finance, investment and hive property.

#### *Insurance and Finance*

Our revenue from the insurance segment increased by 88.4% from RMB14,667.4 million in 2015 to RMB27,640.7 million in 2016 and our profit attributable to owners of the parent from the insurance segment increased by 14.6% from RMB2,104.2 million in 2015 to RMB2,411.3 million in 2016. The increase in both revenue and profit attributable to owners of the parent was mainly attributable to the business growth of our insurance segment.

We changed our reportable segments during the six months ended June 30, 2017 and divided our business into three ecosystems: health, happiness and wealth. Our wealth ecosystem consists of three major segments: insurance and finance, investment and hive property. As a result, we have restated the comparative segment information for the six months ended June 30, 2016 in our interim condensed consolidated financial statements as of and for the six months ended June 30, 2017. Our revenue from the insurance and finance segment, as restated, for the six months ended June 30, 2016 was RMB13,109.1 million, as compared to RMB14,286.9 million for the six months ended June 30, 2017, representing an increase of 9.0%, mainly resulted from Fosun Insurance Portugal, Peak Reinsurance, and Fosun Hani Securities. Additionally, our Group completed the acquisition of 99.91% equity interest in H&A in September 2016, which partially attributed to the increase in revenue of the insurance and finance segment. Our profit attributable to owners of the parent from the investment segment, as restated, for the six months ended June 30, 2016 was RMB1,062.1 million, as compared to RMB1,769.4 million for the six months ended June 30, 2017, representing an increase of 66.6%, mainly due to the increase in Peak Reinsurance's profit and the share of profits of the associates of BCP, New China Life Insurance and Mybank. Both the increases in revenue and profit attributable to owners of the parent above were partially offset by the disposal of 100% equity interest in Ironshore completed in May 2017.

Financial data of individual insurance portfolio companies presented in “— Our Businesses — Wealth Ecosystem — Insurance and Finance” are based on local general accounting standards, and all quoted numbers are unaudited management information. Currently, our insurance and finance segment consists of insurance and banking businesses.

The organization of the risk management structure of the insurance companies under our insurance business generally includes the board of directors, as well as the risk management organizations and departments of each of the relevant insurance companies. 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 mechanisms for our internal control and compliance management.



The risk management organizations and departments of the insurance companies are primarily responsible for establishing and maintaining a comprehensive risk management system, strengthening internal control and compliance, promoting the development of a risk management information system and identifying and evaluating risks.

#### Fosun Insurance Portugal

In 2014, we acquired a controlling stake in Fosun Insurance Portugal (consisting of Fidelidade, Multicare and Fidelidade Assistência), as the establishment of a platform for business development in the European Union, which will further expand our Group's insurance business and strengthen our Group's capability to access high-quality long-term capital. By combining its resources with our Group's, Fosun Insurance Portugal speeds up its international strategic layout and further expands the business market into Portuguese speaking regions including Africa and Latin America. Fosun Insurance Portugal's property, life and health insurance markets ranked first in Portugal, with the premium scale accounted for more than one fourth in the market. It has a steady underwriting profit with high quality and the strong asset portfolio could full expand Fosun's overseas investment capacity. We own 84.9861% equity interest in Fidelidade and 80.0% equity interest in Multicare and Fidelidade Assistência, respectively.

Fosun Insurance Portugal is a global operator in the Portuguese insurance market, selling products in all key lines of business and benefiting from the largest and most diversified insurance sales network in Portugal, including exclusive and multi-brand agents, brokers, own branches, internet and telephone channels and a strong distribution system with the post office and Caixa Geral de Depósitos S.A., a leading Portuguese bank. It also has an international presence in seven countries, with products distributed on three continents (Europe, Asia and Africa). Fosun Insurance Portugal controlled a total market share in Portugal of 25.8% in June 2017. In the non-life business, the business increased its market share by 0.3 percentage point over June 2016 to 27.6%. Fidelidade's property, life and health insurance markets are ranked first in Portugal, with premiums enjoying one fourth of the market share. The business also enjoys a steady underwriting profit.

In the six months ended June 30, 2017, Fosun Insurance Portugal reached total premium income of €1,547.5 million, a non-life business combined ratio of 95.9%, and the net profit reached €93.6 million. Its net assets and total investable assets totaled €2,618.3 million and €14,494.3 million, respectively. The net investment return and the comprehensive investment return reached 1.3% and 4.7%, respectively, as of December 31, 2016. Its solvency adequacy ratio was 132.9% as of December 31, 2016. International business of Fosun Insurance Portugal recorded overall premiums of €111.5 million. Fosun Insurance Portugal's strong positioning and levels of service in the Portuguese market allowed it to win several distinguished awards in 2017, such as the Marca de Confiança 2017 (2017 Most Trusted Brand), Escolha do Consumidor 2017 (2017 Consumer's Choice) and Marktest Reputation Index 2017 (2017 Most Reputed Insurance Company).

#### AmeriTrust Group Inc. (previously known as MIG)

In December 2014, we entered into a merger agreement with MIG at a purchase price of US\$8.65 per share, representing an aggregate transactional value of approximately US\$439.0 million to acquire its 100% equity interest. MIG is a professional property and casualty insurer and an insurance administration services company focusing on niche markets. MIG markets and underwrites property and casualty insurance programs and products on both an admitted and non-admitted basis through a broad and diverse network of independent retail agents, wholesalers, program administrators and general agencies that value service and have specialized knowledge and focused expertise. The acquisition was completed in July 2015 and MIG was delisted and ceased trading on the New York Stock Exchange. MIG was renamed as AmeriTrust Group Inc. in October 2017.



For the six months ended June 30, 2017, MIG recorded premium income of US\$351.4 million and net profit of US\$24.3 million. It recorded a combined ratio of 98.8%, solvency adequacy ratio of 190.2%, investable assets of US\$1,575.6 million, net investment return of 1.4%, total investment return of 1.7%, comprehensive investment return of 3.1% and net assets of US\$593.2 million as of June 30, 2017.

#### Peak Reinsurance

Peak Reinsurance obtained its certificate of authorization in respect of the property and casualty reinsurance business from the Office of the Commissioner of Insurance of Hong Kong in December 2012 and the license for underwriting long-term reinsurance business in June 2014. This makes Peak Reinsurance one of the few locally established reinsurance companies in Asia Pacific underwriting both life & health and property & casualty reinsurance business. Peak Reinsurance strives to provide innovative and forward-looking reinsurance services for customers in the Asia Pacific, Europe, Middle East and Africa and the Americas. During the six months ended June 30, 2017, Peak Reinsurance further expanded its business and brand globally with a subsidiary established in Zurich which was licensed to accept reinsurance business from January 2017.

For the six months ended June 30, 2017, Peak Reinsurance's premium income was US\$472.4 million, compared to US\$274.4 million for the same period in 2016 and net profit was US\$36.1 million. Its technical combined ratio was 97.6%, solvency adequacy ratio was 550.9%, investable assets were US\$1,364.5 million, net investment return was 1.2%, total investment return was 3.4% and comprehensive investment return was 6.3% as of June 30, 2017. As of June 30, 2017, Peak Reinsurance's net asset was US\$909.0 million. As of June 30, 2017, we owned 86.93% equity interest in Peak Reinsurance, while International Finance Corporation owns the remaining 13.07% equity interest.

#### Pramerica Fosun Life Insurance

We hold 50% equity interest in Pramerica Fosun Life Insurance which was established in September 2012. Pramerica Fosun Life Insurance improves profitability through its multiple distribution channels, product innovation and high performance teams and is focused on developing the health insurance business by leveraging the Group's ecosystem. Pramerica Fosun Life Insurance conducts sales through multiple channels including tied agency, worksite marketing, bancassurance, health insurance and intermediary channels. In recent years, the premium received by Pramerica Fosun Life Insurance has been growing rapidly with recent launches of a Beijing Branch, Shandong Branch, 12 sales offices and 2 sub branches. It also received the regulatory opening acceptance inspection for Jiangsu Branch (Preparatory) and expects to launch business upon China Insurance Regulatory Commission's approval. For the six months ended June 30, 2017, Pramerica Fosun Life Insurance recorded premium income of RMB260.4 million with 371.7% year-on-year growth. Its total net asset was RMB2,106.8 million as of June 30, 2017, an increase of 177.9% from December 31, 2016. It recorded net loss of RMB16.0 million for the six months ended June 30, 2017, representing an 80.5% year-on-year reduction. It recorded a solvency adequacy ratio of 832.3%, investable assets of RMB3,130.0 million, net investment return of 2.7%, total investment return of 4.4% and comprehensive investment return of 4.5% as of June 30, 2017.

#### Yong'an P&C Insurance

We hold 40.68% equity interest in Yong'an P&C Insurance. Yong'an P&C Insurance is a national insurance company headquartered in Xi'an and operates all types of non-life insurance business. Yong'an P&C Insurance enjoys a steady development in its underwriting business, top performance from its investment business as well as breakthroughs in the field of internet innovation. In 2017, Yong'an P&C Insurance optimized its business portfolio by discontinuing certain less efficient businesses, which also increased per capita production capacity, enhanced innovative development, and actively explored internet applications. For the six months ended June 30, 2017, Yong'an P&C

Insurance recorded premium income of RMB4,440.7 million and net profit of RMB345.4 million. As of June 30, 2017, it recorded investable assets of RMB11,557.4 million, net asset of RMB5,292.1 million, a combined ratio of 99.7%, solvency adequacy ratio of 298.5%, the total investment return of 4.1%, net investment return of 2.6% and comprehensive investment return of 4.5%.

#### Ironshore

As of April 30, 2017, Ironshore recorded net asset of US\$2,112.8 million. For the period from January 1, 2017 to April 30, 2017, Ironshore recorded net profit of US\$28.0 million. The Ironshore disposal transaction was completed on May 1, 2017 generating about US\$2.94 billion proceeds for our Group.

#### Fosun United Health Insurance

Fosun United Health Insurance was co-established by our Group and other shareholders and was incorporated in Guangzhou, Guangdong Province in January 2017 with the formal approval by the China Insurance Regulatory Commission. The registered capital of Fosun United Health Insurance is RMB500 million, of which 20% equity interest is contributed by our Group. Fosun United Health Insurance actively operates in medical insurance, illness insurance, disability income insurance, health care insurance and accident insurance in the PRC market with the aim of providing a complete life-cycle of high quality insurance products for Chinese families. As of June 30, 2017, Fosun United Health Insurance recorded total premium incomes of RMB12.8 million. 32 products have been launched to serve more than 13,000 customers.

#### Fosun Hani Securities

Fosun Hani Securities is an investment entity and comprehensive financial platform based in Hong Kong that is wholly owned by the Group. Established in 1987, Fosun Hani Securities is a member of the Hong Kong Stock Exchange (member ID: 0820 and 0829). The Group has started a comprehensive financial service platform by acquiring the PIBA (Professional Insurance Brokers Association) license through purchasing a Hong Kong insurance broker firm in 2016. In the first half of 2017, supported by the Group, Fosun Hani Securities increased its issued capital by over HKD1 billion for development in future.

#### H&A

In September 2016, we completed the acquisition of 99.91% equity interest in H&A for approximately Euro 210 million. We consider the acquisition of H&A an important investment and a strategic milestone for us to establish a global asset management platform. H&A acts as a comprehensive financial service platform for both German and Chinese companies and high net worth individuals. H&A has also increased its funds under management by attracting Chinese clients into its wealth management and private banking business. As of June 30, 2017, H&A's assets under custody reached €6.56 billion, representing a year-on-year increase of 38%. The business volume grew to €3,643 million. H&A recorded net operating revenue of €64.8 million in the six months ended June 30, 2017 which corresponds to an increase of 7% compared to the same period in 2016. Earnings before interest and taxes in the six months ended June 30, 2017 stood at €6.8 million, representing an increase of 24% over the same period of 2016.

#### Banco Comercial Português, S.A. ("BCP")

In November 2016 and February 2017, we completed subscriptions of shares in BCP through private placement and rights issue, respectively. After the completion of these two phases, we held approximately 23.9% of BCP's share capital. During the six months ended June 30, 2017, we increased our shareholding in BCP by acquiring shares in the secondary market. As of June 30, 2017,

we indirectly held approximately 24.73% of BCP's share capital. BCP is the largest Portuguese privately-owned bank and a leader in retail, corporate and investment banking in Portugal. The Bank also operates an online platform called ActivoBank. BCP also offers various banking services and products in overseas markets such as Poland, Switzerland, Mozambique and Angola. BCP has been operating in Macau through a full-license branch since 2010 and has expanded into the Chinese mainland market through its Guangzhou representative office. We believe that BCP will serve as the comprehensive financial service platform as part of the government's "Belt and Road" initiative, further improve our capacity to combine China's growth momentum with global resources in Europe and Africa. As of June 30, 2017, BCP's total assets reached approximately €73.0 billion, with net loans to customers of approximately €48.1 billion and customer deposits of approximately €50.6 billion. For the six months ended June 30, 2017, BCP's profitability, asset quality, and business performance have improved. The net interest income of BCP improved by 12.9% to approximately €678.5 million compared to the same period of 2016, with its net interest margin improved by 32 basis points to 2.2%. The net profit of BCP stood at approximately €89.9 million, compared to a loss of approximately €197.3 million in the same period of 2016. During the six months ended June 30, 2017, the non-performing exposure of BCP in Portugal was reduced by approximately €0.7 billion to approximately €7.8 billion, of which the non-performing loan over 90 days was reduced by approximately €0.5 billion to approximately €4.6 billion. The coverage of non-performing exposure including mortgage and guarantees in Portugal increased from 100% to 105%. In addition, by June 30, 2017, the number of BCP's active customers reached over 5.2 million, increased by approximately 4.4% compared to June 2016.

### Mybank

We, as a founder, injected registered capital of RMB1,000 million into Mybank to acquire 25% of the total share capital of Mybank. Commencing operation in June 2015, Mybank is a joint-stock commercial bank which provides financial services for small and micro businesses and individual consumers on the Internet, and operated in the mode of a platform with light assets held for trading. We believe that Mybank has an investment value as it operates its business on the basis of real economy and real trading backgrounds, and utilizes unique risk control technologies to realize whole process network operation, providing online financing and other financial services for target clients with characteristics of large scale, great volume, intensive operation and information support. As of June 30, 2017, Mybank has provided loan services to 3.5 million small enterprises in 32 provinces, municipalities and autonomous regions. Accumulated loans of RMB197.1 billion have been granted to small enterprises. The balance of loans granted under "Wang Nong Loan (旺農貸)" was almost RMB650 million, and "Wang Nong Loan (旺農貸)" now covers 231 cities and 557 towns in China. As of December 31, 2016, Mybank had total assets of RMB61.5 billion, of which approximately RMB32.9 billion was balance of loans with non-performance ratio of 1.1% and provision coverage of 291.5%.

### *Investment*

We adhere to our unique investment model of "Combining China's Growth Momentum with Global Resources" and capture investment opportunities benefiting from China's growth momentum through our in-depth understanding of China's macroeconomic and microeconomic trends and our insightful analysis of the global market, together with our established operational experience that has been accumulated over many years and our strong execution capabilities.

Our revenue from the investment segment increased by 171.3% from RMB442.5 million in 2015 to RMB1,200.4 million in 2016 and our profit attributable to owners of the parent from the investment segment increased by 13.5% from RMB3,787.4 million in 2015 to RMB4,297.5 million in 2016.

We changed our reportable segments during the six months ended June 30, 2017 and divided our business into three ecosystems: health, happiness and wealth. Our wealth ecosystem consists of three major segments: insurance and finance, investment and hive property. Our investment segment before such restatement was divided into the applicable ecosystems to allow for greater transparency

of our financial statements. We have restated the comparative segment information for the six months ended June 30, 2016 in our interim condensed consolidated financial statements as of and for the six months ended June 30, 2017. Our revenue from the investment segment, as restated, for the six months ended June 30, 2016 was RMB818.6 million, as compared to RMB1,721.2 million for the six months ended June 30, 2017, representing an increase of 110.3%. Our profit attributable to owners of the parent from the investment segment, as restated, for the six months ended June 30, 2016 was RMB2,761.6 million, as compared to RMB3,091.3 million for the six months ended June 30, 2017, representing an increase of 11.9%.

Currently, our investment segment consists of primary market investments, secondary market investments, asset management companies and others.

#### *Primary Market Investments*

Our primary market investments include international fashion, mass consumption, advanced manufacturing and other industries.

#### Cainiao

In May 2013, we invested RMB500 million to subscribe for shares in Cainiao, representing 10% of its equity interest. Cainiao carried out its first round of financing at the end of 2015 and our shareholding in Cainiao was diluted to 7.5%. Cainiao's vision is to develop a china smart logistics network that can help to deliver online shopping in all cities across China within 24 hours and 72 hours worldwide to enhance merchants' logistics service capabilities and service quality in order to reduce total logistics costs and eliminate the logistics bottleneck.

As of June 30, 2017, Cainiao had next day coverage capacity in over 1,000 districts and counties. Its logistics data platform enabled the delivery of an average of approximately 55 million packages per day during the second quarter of 2017.

#### *Secondary Market Investments*

#### Zhongshan Public Utilities

As of June 30, 2017, we held 12.35% equity interest in Zhongshan Public Utilities. Zhongshan Public Utilities, being an industry-leading professional integrated environmental service operator, acquired 100% equity interest in Zhongshan Tianyi Energy Resources Co., Ltd. in 2015 and it formally entered the solid waste industry. Zhongshan Public Utilities also acquired 100% equity interest in Zhongshan Utilities Gongcheng Co., Ltd. in the first half of 2016, improving the environmental protection industrial layout, enhancing our ability to expand projects and boosting the implementation of Zhongshan Public Utilities' overall strategy. For the six months ended June 30, 2017, the profit of Zhongshan Public Utilities attributable to shareholders of the listed company was RMB525.9 million, representing an increase of 12.3% over the same period of 2016. As of June 30, 2017, Zhongshan Public Utilities had total assets of RMB16,369.5 million and net assets of RMB11,626.3 million.

#### *Asset Management*

Our asset management business mainly targets domestic and international high-end large institutional clients and high net worth individual clients, and actively seeks institutional investors, large enterprises and family capital to become our limited partners for long term cooperation.

## Fosun Capital

Fosun Capital is an investment and management company established and wholly owned by us. Established in April 2007, the total paid-in capital as of June 30, 2017 was RMB600.0 million. For a decade, based on our global vision and profound industrial background, Fosun Capital has provided high-quality investment and management services for investors such as well-known family funds, insurance companies, listed companies, large investment institutions and high net worth individuals all over the world. Assets currently managed include a fund of funds, private equity funds, venture capital funds, industrial funds of listed companies and other equity investment funds, covering industries such as advanced manufacturing, energy and environmental protection, modern services, fashion consumption, healthcare and TMT. In 2016, it was selected among “China’s top 10 private equity investment institutions” by the Zero2IPO Group. For the six months ended June 30, 2017, a total of four portfolio enterprises have been listed in China, while two enterprises have been acquired by listed company in the PRC. As of June 30, 2017, the size of the AUM was RMB12,845.8 million.

## IDERA

In May 2014, we completed our acquisition of 98% equity interest in IDERA, a Japanese real estate capital management company, at a consideration of JPY6,811.0 million. This investment is an important step of our pursuit of the “insurance + investment” strategy to build its global investment capability. IDERA is a leading Japanese independent real estate capital management and fund platform. As of June 30, 2017, its AUM was over JPY246,469 million. 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 and America, Asia, the Middle East and Japan. We currently hold 97.5% equity interest in IDERA.

For the six months ended June 30, 2017, IDERA recorded an unaudited operating revenue of JPY2,108.4 million, net profit of JPY1,097.4 million and net asset book value of JPY12,071 million according to the Japanese accounting standards.

## Resolution Property

In June 2015, we acquired 60% equity interest in Resolution Property, a European real estate capital management company headquartered in London, for a consideration of € 15.6 million. This investment is also an important step of our pursuit of the “insurance + investment” strategy to build its global investment capability. Resolution Property is a leading fund manager focusing on real estate value-added and opportunistic investment in Europe and will become a priority platform of Fosun in the European market for real estate investment. As of June 30, 2017, total funds under its management were approximately RMB7,005.0 million.

## Fosun Eurasia Capital

Established in Moscow in August 2015, Fosun Eurasia Capital is 75% held by us. Fosun Eurasia Capital serves as our major comprehensive financial platform, providing financial, asset management and investment advisory services throughout Russia and its neighboring countries. Fosun Eurasia Capital’s scope of investment deploys across all asset classes, including fixed income, direct investments, real estate, bonds, listed and private equity, and identifies and evaluates investment opportunities in various industries including energy, natural resources, consumer and manufacturing industries. Fosun Eurasia Capital also provides foreign investment advisory services and seeks for underlying high-quality investment projects for local Russian and international investors. Since 2017, actively following our strategy, and closely cooperating with teams of other industries, Fosun Eurasia Capital has focused on opportunities in health, agriculture, financial services and other industries. As of June 30, 2017, total assets under its management were approximately RMB1,355.9 million.



### Rio Bravo

In November 2016, we acquired 50.1% equity interest in Rio Bravo Investimentos S.A. ("Rio Bravo"), a fund asset management company headquartered in São Paulo, Brazil. Rio Bravo is a leading fund management company in the Brazilian market specializing in various asset categories, including private equity, public equity funds, real estate funds, credit funds, infrastructure funds, financial advisory and multi-class portfolio asset management. This is our first equity acquisition in the Latin American region. Rio Bravo looks for high-quality project opportunities in real estate, financial services, and natural resources, closely cooperates with our other teams from other industries, and strengthens our investment and strategy in emerging countries. In the first half of 2017, Brazil's economy finally achieved GDP growth of more than 1% after experiencing several years of decline. At the same time, inflation fell to a record low of 3.5%. Various types of assets in future, especially real estate and stocks will obviously benefit from the current low cost environment. As of June 30, 2017, Rio Bravo's total AUM was approximately RMB24,314.7 million.

### *Others*

### ROC

We launched an offer of acquisition to ROC in August 2014. In January 2015, ROC was wholly-owned by us and officially delisted from the Australian Stock Exchange. We intended to utilize ROC as its strategic platform in the oil and gas sector in the future. Leveraging on its leading operational and management capabilities and business development potentials, we intend to integrate its existing business bases in the PRC, Southeast Asia and Australia to capture the global oil and gas investment opportunities under the environment of declining oil prices, so as to obtain sustainable returns. During the Reporting Period, ROC realized sales revenue of USD65.1 million, net profit amounted to USD25.1 million, EBITDA was USD54.9 million and net cash inflow from operating activities amounted to USD42.2 million.

### Hainan Mining

We engage in iron ore production and operation through a subsidiary, Hainan Mining. Hainan Mining owns a large open-pit, high-grade iron ore mine in China. Its core business includes mining and sales of iron ore. By investing in the existing mining projects and other mining companies, Hainan Mining aims to accelerate the expansion of its scale and promote its industry position. For the six months ended June 30, 2017, Hainan Mining's profit attributable to owners of the parent was RMB31 million. As of June 30, 2017, we held 51.57% equity interest in Hainan Mining through our subsidiaries.

### Nanjing Nangang

As of June 30, 2017, we held 60% equity interest in Nanjing Nangang. Nanjing Nangang through its investment in Nanjing Iron and Steel Co., Ltd. ("Nanjing Iron & Steel") carries out operations in the iron and steel industry and invests in areas such as energy and environmental protection. Nanjing Iron & Steel is listed on the Shanghai Stock Exchange (stock code: 600282). Located in Eastern China, Nanjing Iron & Steel is an integrated steel company with a complete production process, including mining, coking, sintering, iron smelting, steel smelting and steel rolling. Nanjing Iron & Steel has a production capacity to produce annually 10 million tonnes of steel, 9 million tonnes of iron and 9.4 million tonnes of steel materials. It is the single largest manufacturer of medium size plates. For the six months ended June 30, 2017, Nanjing Nangang realized operating income of RMB17.48 billion, a year-on-year increase of 61.35% and total profit of RMB1.59 billion, a year-on-year increase of 273.94%, which represented the best results for the corresponding periods since 2009.



## *Hive Property*

Our revenue from the property development and sales segment decreased by 17.7% from RMB16,893.7 million in 2015 to RMB13,898.2 million in 2016, mainly due to that certain properties of Forte were sold but not booked in 2016 and the property area (booked area) declined compared with 2015. Our profit attributable to owners of the parent from the property development and sales segment increased by 3.5% from RMB2,993.5 million in 2015 to RMB3,098.9 million in 2016.

We changed our reportable segments during the six months ended June 30, 2017. As a result, we have restated the comparative segment information for the six months ended June 30, 2016 in our interim condensed consolidated financial statements as of and for the six months ended June 30, 2017. Our revenue from the hive property segment, as restated, for the six months ended June 30, 2016 was RMB4,184.3 million, as compared to RMB3,748.7 million for the six months ended June 30, 2017, representing an decrease of 10.4%, mainly due to the fact that part of the properties of Forte were sold but not booked and the property area (booked area) declined compared with the same period of 2015. Our profit attributable to owners of the parent from the investment segment, as restated, for the six months ended June 30, 2016 was RMB465.7 million, as compared to RMB418.2 million for the six months ended June 30, 2017, representing an decrease of 10.2%, mainly due to the influence of the regulation and control policy which objectively existed and the stabilization of the appreciation of the investment properties.

## Forte

Forte is a real estate development and investment group in China. In the first half of 2017, Forte adapted to the changing market conditions by strengthening market planning and accelerating sales. As part of our strategy to develop dynamic Hive Cities as part of our wealth ecosystem, significant effort was focused on combining our assets, Club Med and Starcastle Senior Living to enhance the product competitiveness and overall value of projects. Forte also focused on city penetration and business development in key first and second tier cities.

## Project Development

In the six months ended June 30, 2017, Forte's total GFA under development was approximately 6,253,131.7 sq.m., and total attributable GFA was approximately 4,130,744.1 sq.m., representing an increase of approximately 13.8% compared with the same period in 2016 (2016: attributable GFA of approximately 3,628,257.4 sq.m.). In the six months ended June 30, 2017, the GFA of newly commenced projects was approximately 654,418.5 sq.m., and attributable GFA amounted to approximately 387,680.0 sq.m., representing a decrease of approximately 56.3% compared with the same period in 2016 (2016: attributable GFA of approximately 887,070.7 sq.m.). In the six months ended June 30, 2017, the GFA of completed projects was approximately 236,094.6 sq.m., and attributable GFA amounted to approximately 177,445.8 sq.m., representing a decrease of approximately 42.3% compared with the same period in 2016 (2016: attributable GFA was approximately 307,787.3 sq.m.).

## Project Reserves

In the six months ended June 30, 2017, Forte obtained three projects as additional project reserves with planned GFA of approximately 1,180,695.1 sq.m. and attributable GFA was approximately 1,146,880.1 sq.m. As of June 30, 2017, Forte owned project reserves with planned GFA of approximately 11,964,855.5 sq.m. and attributable GFA was approximately 7,928,932.0 sq.m., representing an increase of approximately 0.8% compared with the same period in 2016 (2016: attributable GFA was approximately 7,865,958.3 sq.m.).

## Property Sales

In the six months ended June 30, 2017, Forte realized property contract sales area and contract sales revenue of approximately 528,836.0 sq.m. and RMB9,521.7 million, respectively, and attributable contract sales area and contract sales revenue were approximately 429,782.3 sq.m. and RMB8,134.1 million, respectively, representing a decrease of approximately 31.7% and 10.5%, respectively, compared with the same period in 2016 (2016: attributable contract sales area and contract sales revenue were approximately 629,510.8 sq.m. and RMB9,087.5 million, respectively).

## Property Booked

In the six months ended June 30, 2017, the property area (booked area) and property amount (booked amount) by Forte were approximately 461,010.4 sq.m. and RMB6,205.4 million, respectively, attributable booked area and booked amount were approximately 274,184.8 sq.m. and RMB3,628.1 million, respectively, representing a decrease of approximately 15.3% and a decrease of approximately 12.8% respectively, compared with the same period in 2016 (2016: attributable booked area and booked amount were approximately 323,852.2 sq.m. and RMB4,160.4 million respectively). As of June 30, 2017, the area and amount sold but not booked were approximately 1,654,896.7 sq.m. and RMB26,529.5 million respectively, and the attributable area and amount sold but not booked were approximately 1,283,786.9 sq.m. and RMB20,770.4 million respectively, representing an increase of approximately 19.3% and an increase of approximately 33.4%, respectively when compared with the same period in 2016 (2016: attributable area and amount sold but not booked were approximately 1,076,372.7 sq.m. and RMB15,569.6 million, respectively).

## 28 Liberty

In December 2013, we completed the acquisition of 28 Liberty, freehold for investment purposes at a purchase price of US\$725 million. 28 Liberty, 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 2,200,000 sq.ft. For the first half of 2017, the rental revenue derived from the property amounted to US\$25.7 million.

## The Bund Finance Center

The Bund Finance Center is a high-end complex project located in the core district of the Bund in Shanghai. The Bund Finance Center is an experiential financial complex in the Bund financial zone and this project will comprise four different business modes, including Grade A offices, shopping center, Fosun arts center and boutique hotel, in order to facilitate multiple functions of finance, commerce, tourism, culture, arts and so forth under one roof. The revenue for six months ended June 30, 2017 was RMB69 million and the profit was RMB4 million.

As of June 30, 2017, the particulars of the project were as follows:

Usage.....	Office, commercial, hotel
Ownership Ratio .....	50%
Land Cost.....	RMB9,842.7 million
Construction and Installation Costs .....	RMB3,565.9 million
Land Area.....	45,472 sq.m.
Total GFA .....	425,392 sq.m.
Area of Grade A offices - Floor S1 .....	107,062 sq.m.
Area of Grade A offices - Floor S2 .....	103,079 sq.m.
Area of Grade A offices - Floor N1 .....	21,363 sq.m.
Area of Grade A offices - Floor N2 .....	25,185 sq.m.
Area of Grade A offices - Floor N4 .....	10,316 sq.m.
Area of Shopping center .....	118,098 sq.m.
Area of Boutique hotel .....	36,331 sq.m.
Area of Fosun arts center .....	3,959 sq.m.

### Lloyds Chambers

In October 2013, we purchased Lloyds Chambers with its partner at a purchase price of GBP64.5 million. The project is located at 1 Portsoken Street E1 in the financial district of London. Lloyds Chambers has a sound financing, taxation, property management and corporate governance structure. In 2016 and the first half of 2017, its rental income was GBP7.1 million and GBP3.55 million, respectively. Asset management of the project is being implemented in accordance with the business plan and progress has been achieved in value enhancement.

### **Recent Developments**

#### ***St-Hubert***

In July 2017, we announced our joint acquisition of St-Hubert SAS, a leading manufacturer of healthy spreads in France and Italy, with Sanyuan Foods for €625 million. The proposed acquisition is subject to regulatory approval.

#### ***Koller***

In August 2017, Nanjing Nangang completed its acquisition of a majority stake in leading German automotive supplier Koller Beteiligungs GmbH ("Koller"), a lightweight automotive specialist headquartered in Dietfurt, Germany.

#### ***Gland Pharma Limited***

In October 2017, we completed the acquisition of the controlling interest in Gland Pharma Limited, an Indian company principally engaged in the manufacture of injectable drugs. Following the completion, Gland Pharma Limited becomes an indirect non-wholly owned subsidiary of Fosun Pharma and Fosun International (Fosun Pharma and Fosun International (via Fosun Pharma) indirectly hold approximately 74% equity interest in Gland Pharma Limited), and the financial results of Gland Pharma Limited will be consolidated into the financial statements of Fosun Pharma and Fosun International.

### ***Sisram***

In June 2017, Fosun Pharma and our Company announced an application was made to the Hong Kong Stock Exchange for the approval of the proposed spin-off and separate listing of Sisram Medical Ltd. (“Sisram”), a non wholly-owned subsidiary of Fosun Pharma, on the Main Board of the Hong Kong Stock Exchange.

Sisram was incorporated in the State of Israel in 2013. It is a leading global provider of energy-based medical aesthetic treatment systems bringing state of the art solutions to millions around the world. Sisram has comprehensive in-house capabilities to design, develop and produce innovative and proprietary technologies. It is also the largest provider of energy-based medical aesthetic treatment systems in the PRC market and one of the top five leaders in the medical aesthetic treatment system market globally, in terms of revenue in 2016, according to the Medical Insight Report. It sells its treatment systems in approximately 80 countries and jurisdictions worldwide.

On September 19, 2017, Sisram was successfully listed on the Hong Kong Stock Exchange with stock code of 1696. As at the date of this Offering Circular, our Company has over 70% deemed interest in Sisram in aggregate.

### ***BCP***

On November 20, 2017, UnionPay and BCP reached strategic cooperation at the Bund Global Financial Summit in Shanghai. The strategic partnership will allow BCP to become the first non-Chinese issuer of UnionPay cards in Europe.

### ***Yuyuan***

On November 20, 2017, we and Yuyuan agreed to terminate the initial sale and purchase agreement entered into on May 25, 2017, and replace it with a formal sale and purchase agreement. Pursuant to the formal sale and purchase agreement, the vendors in our Group have conditionally agreed to sell and Yuyuan has conditionally agreed to purchase the entire equity interest held by the vendors in 26 target companies with a total consideration of approximately RMB24.23 billion (subject to adjustments, if any), which will be settled by way of issue of shares by Yuyuan to us. Upon the completion of the transaction, we will hold approximately 69.73% of the equity interest in Yuyuan. See “Business — Our Businesses — Happiness Ecosystem — Tourism and Leisure — Yuyuan” for a detailed description of the business of Yuyuan.

## DIRECTORS AND SENIOR MANAGEMENT

Our Company's Board consists of thirteen directors, five of whom are independent non-executive directors. The following table sets forth certain information concerning the directors and senior management of our Group.

### ***Directors***

<b>Name</b>	<b>Age</b>	<b>Position</b>
Mr. Guo Guangchang .....	50	Chairman and Executive Director
Mr. Wang Qunbin .....	48	Chief Executive Officer and Executive Director
Mr. Chen Qiyu .....	45	Co-President and Executive Director
Mr. Xu Xiaoliang .....	44	Co-President and Executive Director
Mr. Qin Xuetang .....	54	Senior Vice President and Executive Director
Mr. Wang Can .....	38	Executive Director, Senior Vice President and Chief Financial Officer
Ms. Kang Lan .....	48	Executive Director, Senior Vice President and Chief Human Resources Officer
Mr. Gong Ping .....	42	Executive Director and Senior Vice President
Mr. Zhang Shengman .....	60	Independent Non-Executive Director
Mr. Zhang Huaqiao .....	54	Independent Non-Executive Director
Mr. David T. Zhang .....	55	Independent Non-Executive Director
Mr. Yang Chao .....	67	Independent Non-Executive Director
Mr. Lee Kai-Fu .....	55	Independent Non-Executive Director

### ***Senior Management***

<b>Name</b>	<b>Age</b>	<b>Position</b>
Mr. Li Haifeng .....	59	Senior Vice President of our Company, and Chief Representative of Beijing Office of our Group
Mr. Pan Donghui .....	48	Senior Vice President of our Company, President of Fosun TMT & Entertainment Investment Group and President of Fosun Internet Investment Group
Mr. Qian Jiannong .....	55	Senior Vice President of our Company and President of Fosun Tourism & Commercial Group
Mr. Tang Bin .....	46	Senior Vice President of the Company, Chairman of Shanghai Fosun Capital Investment Management Co., Ltd., Chairman of Fosun Steel and Intelligent Equipment Group, Chairman of Fosun Energy Group, Co-Chairman and President of CMF, Co-President of Fosun Wealth Management Group and the director of other companies within the Group
Mr. Zhang Houlin .....	48	Senior Vice President of our Company and General Manager of Treasury Management Center
Ms. Gu Xiaoxu .....	47	Vice President of the Company and the President of Fosun Bank Group
Mr. Li Tao .....	45	Vice President of the Company and the Co-President of Fosun Insurance Group
Mr. Yao Wenping .....	49	Vice President of the Company and the President of Fosun Wealth Management Group
Ms. Sze Mei Ming .....	40	Company Secretary of our Company

### **Executive Directors**

**Guo Guangchang** is an Executive Director and Chairman of the Company. Mr. Guo is one of the founders of the Group and has been chairman of Fosun High Technology since its establishment in

November 1994. He is now also a non-executive director of Fosun Pharma (listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange), a director of both Fosun Holdings and Fosun International Holdings, a director of Club Med and the director of various companies within the Group. Mr. Guo was a non-executive director of Minsheng Bank (listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange). Mr. Guo is now 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, vice chairman of The Zhejiang Chamber of Commerce, chairman of The Zhejiang Chamber of Commerce in Shanghai, etc.. Mr. Guo was a deputy to the 10th and 11th National People's Congress of the PRC, a member of the 9th National Committee of the Chinese People's Political Consultative Conference, etc.. Mr. Guo was awarded, among others, "Lifetime Achievement Award" in the 8th Annual World Chinese Economic Summit in 2016, "2015 Most Influential Corporate Leader in China" issued by China Entrepreneur Summit and Chinese Entrepreneur 30th Award Ceremony, and named, among others, in the "50 Most Influential Individuals of the Portuguese Economy in 2015" by the Portuguese mainstream media Jornal de Negócios, Bloomberg Markets "50 Most Influential List 2014 — Corporate Power Broker" and a famous American business magazine Fast Company (Chinese edition) "China 100 Most Creative People in Business 2014." 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.

**Wang Qunbin** is an Executive Director and Chief Executive Officer of the Company. Mr. Wang is one of the founders of the Group and has been a director of Fosun High Technology since its establishment in November 1994. He was a director of Henan Lingrui Pharmaceutical Co., Ltd. (listed on the Shanghai Stock Exchange with stock code: 600285). He is also a director of Yuyuan (listed on the Shanghai Stock Exchange), non-executive director in Sinopharm (listed on the Hong Kong Stock Exchange) and Fosun Pharma (listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) and the director of various companies within the Group. Mr. Wang holds various positions including honorary chairman of The Huzhou Chamber of Commerce in Shanghai and vice chairman of China Chamber of International Commerce. Mr. Wang was listed in the "Hot 100 List in 2016" by the American insurance magazine Insurance Business, awarded "Asia Pacific Outstanding Entrepreneur Awards" issued by Enterprise Asia in 2014 and "Best Asian Corporate Director" at the Asian Excellence Recognition Awards 2014 by Corporate Governance Asia, and was named one of "The Best-Performing CEOs in the World" by Harvard Business Review. Mr. Wang received a bachelor's degree in genetic engineering from Fudan University in 1991.

**Chen Qiyu** is an Executive Director and Co-President of the Company. Mr. Chen joined the Group in 1994. He is also an executive-director and chairman of Fosun Pharma (listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange), a non-executive director and vice chairman of Sinopharm (listed on the Hong Kong Stock Exchange), a director of Zhejiang D.A. Diagnostic Company Limited (listed on the Growth Enterprise Market Board of the Shenzhen Stock Exchange with stock code: 300244), Sanyuan Foods (listed on the Shanghai Stock Exchange) and Maxigen Biotech Inc. (listed on the Taiwan Stock Exchange with stock code: 1783) and the director of various companies within the Group. Mr. Chen is a member of the 12th Shanghai Committee of the Chinese People's Political Consultative Conference, the chairman of China Medical Pharmaceutical Material Association, a vice president of China Pharmaceutical Industry Research and Development Association, a vice president of China Pharmaceutical Industry Association, the chairman of Shanghai Biopharmaceutical Industry Association and vice council chairman of Shanghai Society of Genetics. Mr. Chen received a bachelor's degree in genetics from Fudan University in 1993 and an EMBA degree from China Europe International Business School in 2005.

**Xu Xiaoliang** is an Executive Director and Co-President of the Company. Mr. Xu joined the Group in 1998, he is also the chairman of Yuyuan (listed on the Shanghai Stock Exchange), a non-executive director of Zhaojin Mining (listed on the Hong Kong Stock Exchange), a director of Resource Property (listed on NEEQ) and the director of various companies within the Group. Mr. Xu was a non-executive director of Shanghai Zendai (listed on the Hong Kong Stock Exchange). Mr. Xu is now the co-chairman of Real Estate Association of The Zhejiang Chamber of Commerce, a member of



Shanghai Youth Federation and a vice chairman of China Real Estate Chamber of Commerce. Mr. Xu was successively awarded the “Shanghai 4 May Youth Medal” and “Shanghai Top Ten Youth Business People.” Mr. Xu graduated from the Innova Education School of Singapore with a diploma in 1995 and received a master’s degree in business administration from the East China Normal University in 2002.

**Qin Xuetang** is an Executive Director and Senior Vice President of the Company. Mr. Qin is also acting as the director of various overseas companies within the Group. Since joining the Group in 1995, Mr. Qin has been in charge of the legal affairs of the Company, possessing in-depth knowledge in the area of mergers and acquisitions, as well as in corporate governance affairs of A-share listed companies. In addition, Mr. Qin oversees all matters related to the Company’s audit, compliance, risk control and information disclosure systems. Mr. Qin received a bachelor’s degree in law in 1985 from the Southwest University of Political Science and Law and was admitted to practice law in the PRC in 1990. Prior to joining the Group, Mr. Qin worked in the Law School of Fudan University.

**Wang Can** is an Executive Director, the Senior Vice President and Chief Financial Officer (CFO) of the Company. Mr. Wang joined the Group in 2012, and is now also the general manager of Investment Management Support Center, the non-executive director of Fosun Pharma (listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange), and the director of various companies within the Group. He once worked as the general manager of Investment Management Department, deputy CFO and general manager of Financial Planning & Analysis Department of the Group. Prior to joining the Group, Mr. Wang worked in Kingdee Software (China) Co., Ltd., PricewaterhouseCoopers Zhong Tian LLP, Standard Chartered Bank (China) Limited and China Lodging Group, Limited (NASDAQ: HTH). Mr. Wang is a non-practicing member of Chinese Institute of Certified Public Accountants (CICPA) and a member of The Association of International Accountants (AIA). Mr. Wang graduated from Anhui University in 1997 and received an EMBA degree from China Europe International Business School (CEIBS) in 2014.

**Kang Lan** is an Executive Director, the Senior Vice President and Chief Human Resources Officer of the Company and the President of Fosun Insurance Sector. Ms. Kang joined the Group in 2010, and is also the non-executive director of Fosun Pharma (listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange), chairman of MIG (currently known as AmeriTrust Group Inc.) and director of various insurance companies and other companies within the Group. Ms. Kang was the project manager of Nanjing High Technology Industry Development Company from August 1991 to June 1993, a researcher of Memorial Sloan-Kettering Cancer Center in the United States from October 1995 to May 1998, a research and development scientist in Wyeth from May 1998 to August 2000, a consultant of McKinsey & Company, Greater China Office from August 2002 to February 2007, and a senior client partner of Korn/Ferry International Consulting Ltd.(NASDAQ: KFY), Greater China Office from March 2007 to August 2010. Ms. Kang received her bachelor’s degree in biological sciences and biotechnology from Zhejiang University in 1991, master’s degree in biochemistry from Tulane University in the United States in 1995, and MBA degree from the Wharton School of the University of Pennsylvania in 2002.

**Gong Ping** is an Executive Director and Senior Vice President of the Company. Mr. Gong joined the Group in 2011 and is also CEO of Fosun Property Holdings and chairman of Forte. Mr. Gong is now also vice chairman of Yuyuan, non-executive director of Shanghai Zendai (listed on the Hong Kong Stock Exchange), a director of Resource Property (listed on the NEEQ), as well as director of various companies within the Group. He used to serve as senior assistant to president of the Group, and general manager of Corporate Development Department. Prior to joining the Group, Mr. Gong worked at Pudong branch and the headquarters of Bank of Shanghai as well as the PRC headquarters of Standard Chartered Bank. Mr. Gong also served as global strategist at the headquarters of Samsung Group in Korea, carrying out special assignments across various sectors including financial services, technology and real estate worldwide. Mr. Gong graduated from Fudan University in 1998 with a Bachelor’s degree in international finance, and then obtained his master’s degree in finance from Fudan University in 2005. Mr. Gong also received his MBA degree from International Institute for Management Development (IMD) in Lausanne, Switzerland in 2008.

## Independent Non-Executive Directors

**Zhang Shengman** has been an Independent Non-Executive Director of the Company since December 2006. Mr. Zhang is currently also a non-executive director of Future Land Holdings Co., Ltd. (listed on the Shanghai Stock Exchange). 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 and chairman of the operations committee, the sanctions committee and the corporate committee on fraud and corruption policy of the World Bank from 2001 to 2005. Mr. Zhang joined Citigroup (listed on the New York Stock Exchange with stock code: C) in February 2006, and up to May 2016 once served as the chairman of the Public Sector Group, chairman and president of Asia Pacific of Citigroup. 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** has been an Independent Non-Executive Director of the Company since March 2012. Mr. Zhang is also an executive director and chairman of China Smartpay Group Holdings Limited (stock code: 08325), a non-executive director of Boer Power Holdings Ltd. (stock code: 01685), 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), Luye Pharma Group Ltd. (stock code: 02186), and Wanda Hotel Development Company Limited (stock code: 00169), all of which are listed on the Hong Kong Stock Exchange, an independent non-executive director of Sinopec Oilfield Service Corporation (listed on the Shanghai Stock Exchange with stock code: 600871 and on the Hong Kong Stock Exchange with stock code: 01033) and Yancoal Australia Ltd. (listed on the Australian Stock 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, a director of Nanjing Central Emporium (Group) Stocks Co., Ltd. (listed on the Shanghai Stock Exchange with stock code: 600280) from February 2013 to June 2015 and 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 1991.

**David T. Zhang** 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 US initial public offerings, Hong Kong initial public offerings and other Rule 144A and Regulation S offerings of equity, debt and convertible securities. Additionally, Mr. Zhang has represented a number of leading private equity funds, multinational corporations and sovereign wealth funds in connection with their investments and M&A transactions in the Greater China region and Southeast Asia. Mr. Zhang has been rated as a top capital markets attorney by Chambers Global,

Legal 500 Asia Pacific, IFLR1000 and Chambers Asia Pacific. Prior to joining Kirkland & Ellis LLP in August 2011, Mr. Zhang was a partner of Latham & Watkins LLP, a 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.

**Yang Chao** has been an Independent Non- Executive Director of the Company since December 2014. Mr. Yang was the chairman of China Life Insurance Company Limited (listed on the Hong Kong Stock Exchange with stock code: 02628) from July 2005 to June 2011, the president and secretary of party committee of China Life Insurance (Group) Company from May 2005 to May 2011 and an independent non-executive director of SRE Group Limited (listed on the Hong Kong Stock Exchange with stock code: 01207) from November 2013 to December 2015. Mr. Yang is currently a member of the National Committee of the Chinese People's Political Consultative Conference and its Social and Legislative Committee. Mr. Yang, a Senior Economist, has more than 40 years of experience in the insurance and banking industries, and was awarded special allowance by the State Council. Mr. Yang graduated from Shanghai International Studies University and Middlesex University in the United Kingdom, majoring in English and business administration respectively, and received a master's degree in business administration.

**Lee Kai-Fu** has been an Independent Non- Executive Director of the Company since March 2017. Dr. Lee is now also the chairman of Sinovation Ventures (Beijing) Enterprise Management Co., Ltd. (listed on the NEEQ with stock code: 835966), a co-founder and the managing partner of Sinovation Ventures Development Funds, the chairman and chief executive officer of Innovation Works Limited, a non-executive director of Meitu, Inc. (listed on the Hong Kong Stock Exchange with stock code: 01357), an independent director of LightInTheBox Holding Co., Ltd. (listed on the New York Stock Exchange with stock code: LITB) and Hon Hai Precision Industry Co., Ltd. (listed on the Taiwan Stock Exchange with stock code: 2317), an independent non-executive director of Shangri-La Asia Limited (listed on the Hong Kong Stock Exchange with stock code: 00069). Dr. Lee has also been a director of various companies in the internet, artificial intelligence and other industries. From 1988 to 1990, Dr. Lee worked at Carnegie Mellon University, where he served as an assistant professor; between July 1990 and April 1996, Dr. Lee worked at Apple Inc. (listed on NASDAQ with stock code: AAPL), serving as a vice-president from December 1995; from July 1998 to July 2005, Dr. Lee was the vice president of Microsoft Corporation (listed on NASDAQ with stock code: MSFT); from July 2005 to September 2009, Dr. Lee was the president of Google China of Google Inc. (listed on NASDAQ with stock code: GOOGL), and he was responsible for launching the Google China R&D Center. Dr. Lee received his bachelor of arts degree and Ph. D. in computer science from Columbia University in May 1983 and Carnegie Mellon University in May 1988, respectively.

### **Senior Management of the Company**

**Li Haifeng** is the Secretary of Party of our Group, Senior Vice President of our Company, Chairman of Fosun Foundation, President of Fosun Pictures Group and Chief Representative of Beijing office of our Group. Mr. Li is also the Head of the Group's general functions. Mr. Li joined the Group in 2001 and set up the Beijing office of the Group, and is now also the director of various companies within the Group. Mr. Li is responsible for integrating and maintaining public resources of the Group through building long-term cooperation in public sector, attending major foreign affairs and important activities on behalf of the Group, and conducting daily operational management and internal resources sharing of the Group's general functions. Mr. Li also takes lead on substantial collaboration and projects involving diverse-ownership reform, participates in the decision-making process of major foreign affairs, and deals with unexpected events of the Group. Mr. Li received a graduation certificate in Marxist theory from East China University of Science and Technology in 1996, a postgraduate certificate in Marxist philosophy from Fudan University in 2009 and a master's degree in business administration from Tsinghua University in 2013.

**Pan Donghui** is the Senior Vice President of our Company, President of Fosun TMT & Entertainment Group, President of New Technology and New Economy Investment Group, Chairman

and President of Fosun RZ Capital. Mr. Pan joined the Group in 1994 and now also is the director of various companies within the Group. For the past twenty more years, he served as a project manager of Forte, the chief representative of the Hong Kong office, the general manager of Investor Relations Department of the Company and senior assistant to president of Fosun High Technology. Mr. Pan has helped the Group achieve exponential growth and high turnarounds by managing investments in telecom, media and technology, venture capital and secondary market investments, 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 leverage buyout (LBO) and initial public offering (IPO). 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.

**Qian Jiannong** is the Senior Vice President of the Company and the Chairman and President of Fosun Tourism Group. Mr. Qian is also a director of Club Med and Folli Follie, chairman of Thomas Cook JV China, co-president and managing director of CMF and the director of other companies within the Group. Mr. Qian joined the Group in 2009 and took the lead of the team in completing a series of investments, such as, Club Med (France), Folli Follie (Greece), Atlantis (PRC), Vigor Kobo (Taiwan), Secret Recipe (Malaysia), CITS (PRC), Osborne (Spain) and Thomas Cook (UK), etc. Mr. Qian was a lecturer of Shanghai University of Finance and Economics, a senior manager of Metro Group of Germany, a vice general manager of Wumart Stores, Inc. (listed on the Hong Kong Stock Exchange with stock code: 01025) and the CEO and director of China Nepstar Chain Drugstore Ltd. (listed on the New York Stock Exchange with stock code: NPD). Mr. Qian has more than 20 years of experience in domestic and overseas retail and investment industries. Mr. Qian graduated from Shandong University with a bachelor's degree in economics in 1983 and obtained a master's degree in the economics in 1992 from University of Essen (currently known as University of Duisburg-Essen) in Germany.

**Tang Bin** joined the Group in 2003 and is currently the Senior Vice President of the Company, Chairman of Shanghai Fosun Capital Investment Management Co., Ltd., Chairman of Fosun Steel and Intelligent Equipment Group, Chairman of Fosun Energy Group, Co-Chairman and President of CMF, Co-President of Fosun Wealth Management Group and the director of other companies within the Group. Mr. Tang once held the positions of chief representative of Jiangxi office, chief representative of Beijing office, and investment director of Shanghai Fosun Industrial Investment Co., Ltd., and vice president, executive vice president, president of Fosun Capital. Prior to joining the Group, Mr. Tang worked as principle staff member in Personnel Division of Jiangxi Provincial Economic and Trade Commission, and deputy county head of People's Government of Jiujiang County, Jiangxi Province. Mr. Tang received a bachelor's degree in national economic management from Nanchang University in 1995, a MBA degree from Jiangxi University of Finance and Economics in 2001, and an EMBA degree from China Europe International Business School in 2013.

**Zhang Houlin** is the Senior Vice President of the Company and General Manager of Treasury Management Center of the Group. Mr. Zhang is also the chairman of Fosun Finance Company and the director of other companies within the Group. Mr. Zhang joined the Group in 2000 and takes comprehensive responsibility of the overall financing management of the Group, including capital strategic planning and capital risk control. Mr. Zhang worked at Agricultural Bank of China, Waigaoqiao branch from December 1993 to October 2000. Mr. Zhang received a bachelor's degree in history in 1991 and a master's degree in business administration in 1998, both from Fudan University.

**Gu Xiaoxu** is the Vice President of the Company and the President of Fosun Bank Group. Ms. Gu joined the Group in 2011 and is now also the director of Mybank and other companies within the Group. Ms. Gu has been responsible for the financial investments and industrial operations of Fosun Bank Group. Ms. Gu has a wealth of management experience and broad financial and technological vision. The team she leads has won the Outstanding Investment Team Award of the Group in 2012, 2013 and 2014 successively. Ms. Gu has won the Outstanding Managers Award of the Group in 2014, etc.. Prior to joining the Group, Ms. Gu worked for Huaxia Bank Shanghai Branch and Shanghai



Tonglian Finance Co., Ltd.. Ms. Gu obtained a bachelor's degree in transport administration from Shanghai Railway University (currently known as Tongji University) in 1992 and a master's degree in business administration from East China Normal University in 2000, and got the qualification of securities and funds in November 2004.

**Li Tao** joined the Group in March 2017. Mr. Li is now the Vice President of the Company and the Co-President of Fosun Insurance Group. Mr. Li served as CFO of China Taiping Insurance Group Co., Ltd. from November 2008 to February 2017. After the reorganization and overall listing of China Taiping Insurance Group Co., Ltd. in August 2013, Mr. Li served as CFO of China Taiping Insurance Holdings Limited (listed on the Hong Kong Stock Exchange with stock code 00966), in charge of the financial lines, and also managed the actuarial, investment lines and overseas insurance business. From September 2001 to November 2008, Mr. Li served as the founding senior management and CFO of Taiping Life Insurance Co., Ltd.. From September 1993 to September 2001, Mr. Li worked for the financial accounting department of China People's Insurance Company, the London Financial and Insurance Division of Coopers & Lybrand (currently known as PricewaterhouseCoopers), the finance department of China People's Insurance Group, the supervision office for personnel insurance department of China Insurance Supervision Committee, the internal audit and the finance department of AIA Insurance Co., Ltd. Shanghai Branch. Mr. Li obtained a bachelor's degree in English from Wuhan University in 1993. He received a master's degree in Business Administration from Fudan University in 2010 and became a member of the Association of Chartered Certified Accountants (ACCA) in 1999.

**Yao Wenping** is the Vice President of the Company and the President of Fosun Wealth Management Group. Mr. Yao joined the Group in 2009 and is now also the chairman of Fosun Hani Securities, Tebon Securities Co., Ltd. and Tebon Fund Management Co., Ltd.. Prior to joining the Group, Mr. Yao worked in Nanjing University, Huatai Securities Co., Ltd., Donghai Securities Co., Ltd., in charge of securities brokers, investment banks, fixed income, asset management, etc., and carried out pioneering works in aspects of wealth management, asset securitization, fund of hedge fund, etc. Mr. Yao has published 4 monographs, 1 translation, awarded the first prize in Selection of Member Research Results of the Shenzhen Stock Exchange, the first prize in Research Project of China Securities Industry Association, and the Best Innovation Award in China Securities and Futures Industry Science and Technology Award. Mr. Yao received a bachelor's degree in science in 1991 and a master's degree in economics in 1998, both from Nanjing University.

## **Company Secretary**

Sze Mei Ming was appointed Company Secretary of the Company in March 2009. Ms. Sze joined the Group in 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 five Independent Non-Executive Directors, namely, Mr. Zhang Shengman (Chairman), Mr. Zhang Huaqiao, Mr. David T. Zhang, Mr. Yang Chao and Mr. Lee Kai-Fu. The main duties of the Audit Committee include reviewing the financial statements and reports and considering 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 their work performance, fees and terms of engagement, and making 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, risk management and internal control system (including the adequacy of resources, qualification and experience of staff of our Company's accounting, internal audit and financial reporting function, their training programs and budget) and associated procedures.

### ***Remuneration Committee***

Our Remuneration Committee comprises six members, namely, Mr. Zhang Huaqiao (Chairman), Mr. Wang Qunbin, Mr. Zhang Shengman, Mr. David T. Zhang, Mr. Yang Chao and Mr. Lee Kai-Fu, the majority of whom 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 after assessing their performance, 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***

Our Nomination Committee comprises six members, namely Mr. David T. Zhang (Chairman), Mr. Wang Qunbin, Mr. Zhang Shengman, Mr. Zhang Huaqiao, Mr. Yang Chao and Mr. Lee Kai-Fu, the majority of whom are Independent Non-Executive Directors.

The main duties of the Nomination Committee include reviewing the structure, size, composition (including the skills, knowledge and experience) and diversity 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 CG Code set out in Appendix 14 of the Listing Rules. 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 the years ended December 31, 2015 and 2016, the aggregate remuneration paid to our Directors was RMB69.5 million and RMB112.4 million, respectively.



## PRINCIPAL SHAREHOLDERS

The following table sets forth, to the best of our knowledge, certain share ownership information as of June 30, 2017 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 .....	6,155,972,473	71.65%
Fosun International Holdings <sup>(1)</sup> .....	6,155,972,473 <sup>(2)</sup>	71.65%

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*Notes:*

- (1) Fosun International Holdings is owned as to 64.45%, 24.44% and 11.11% by Messrs. Guo Guangchang, Liang Xinjun and Wang Qunbin, 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.

## 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 have entered into financing agreements with various financial institutions. As of June 30, 2017, our total interest bearing bank and other borrowings amounted to RMB141,055.0 million and we had a total of RMB176,755.5 million unutilized banking facilities. In addition, we have incurred, and will continue to incur, indebtedness from time to time for general corporate purposes, including but not limited to refinancing of existing indebtedness and funding our operations in the ordinary course of business. Set forth below is a summary of our major interest bearing bank and other borrowings by our Company and each of our business segments.

### 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 Ping An Bank, China Development Bank Corporation, Hong Kong Branch, and Shanghai Pudong Development Bank. These loans typically are used for project financing or working capital for general corporate purpose.

As of June 30, 2017, our Company had total available loan facilities of RMB93,992.9 million, of which our Company had drawn down RMB24,477.1 million.

The interest rates under these term loan facilities are typically specified as a fixed margin percentage plus LIBOR, HIBOR, EURIBOR 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 short-term or annually renewable loan facilities, these term loan facilities are subject to various customary covenants, including (i) minimum amount of the consolidated tangible net worth and (ii) ratio of consolidated net borrowings (deducting marketable securities) to consolidated tangible net worth (adding back minority interests).

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.

#### 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.

### 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 China Development Bank Corporation, China Construction Bank, Industrial and Commercial Bank of China, Bank of Communication, China Merchants Bank Co., Ltd., The Hongkong and Shanghai Banking Corporation Limited, Shanghai Pudong Development Bank, Ping An Bank, The Export-Import Bank of China, Bank of Shanghai, Bank of East Asia, Crédit Agricole Corporate and Investment Bank, Natixis Bank and Hang Seng Bank. These loans typically are for financing the construction of our projects, working capital, property development or trading activities and have terms ranging from four months to fifteen years.

As of June 30, 2017, the outstanding loans and other borrowings for our consolidated subsidiaries were as follows:

Borrowers	Amount outstanding as of June 30, 2017		
	Total	Short-term	Long-term
	(RMB in millions)		
Fosun High Technology .....	31,624.2	18,616.7	13,007.5
Fosun Pharma .....	15,042.3	4,896.8	10,145.5
Forte .....	26,299.2	4,761.1	21,538.1
Hainan Mining.....	1,614.0	1,158.0	456.0
Other consolidated subsidiaries.....	50,190.2	14,360.4	35,829.8
<b>Total</b> .....	<b>124,769.9</b>	<b>43,793.0</b>	<b>80,976.9</b>

Some of our borrowings are secured by our assets and properties, including 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, 2017, of the RMB124,769.9 million, RMB28,706.7 million was secured by properties or other assets and RMB96,063.2 million was guaranteed by the Company or its subsidiaries or other related parties.

#### Loans and Other Borrowings Incurred by Fosun High Technology

As of June 30, 2017, Fosun High Technology, on a non-consolidated basis, had total outstanding debt obligations of RMB31,624.2 million, including PRC term loans and offshore term loans. These loans mostly bear interest at floating rates, the resulting effective rates of which range generally from 2.2% to 5.100% per annum, and have a term between one year and three years.

#### Covenants

Some of the PRC term loans incurred by Fosun High Technology 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 High Technology 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 High Technology 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, 2017, Fosun Pharma together with its subsidiaries, on a consolidated basis, had total outstanding debt obligations of RMB15,042.3 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 1.88% to 5.00% per annum, and have a term between four months and eight 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, 2017, Forte together with its subsidiaries, on a consolidated basis, had total outstanding debt obligations of RMB26,299.2 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 2.72% to 8.50% per annum, and have a term between twelve months and 10 years.

## **Guarantees and Security**

Term loans incurred by Forte and its subsidiaries in the amount of RMB9,933.3 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 RMB14,004.6 million as of June 30, 2017.

### **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, 2017, Forte had approximately RMB2,834.9 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.

## **ENTERPRISE/CORPORATE BONDS**

### **Fosun High Technology Corporate Bonds**

On December 24, 2010, Fosun High Technology completed an offering of RMB1,100.0 million seven-year domestic corporate bonds, with an annual interest rate of 6.17%. On February 15, 2011, Fosun High Technology's enterprise bonds were listed on the Shanghai Stock Exchange. Fosun High Technology'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, 2017, RMB1,092.2 million in principal amount of the enterprise bonds was outstanding.

On January 21, 2016, Fosun High Technology completed an offering of RMB4,000.0 million five-year domestic corporate bonds, with an annual interest rate of 3.89%. As of June 30, 2017, RMB4,000.0 million in principal amount of the enterprise bonds was outstanding.

On April 14, 2016, Fosun High Technology completed an offering of RMB1,600.0 million five-year domestic corporate bonds, with an annual interest rate of 3.81%. As of June 30, 2017, RMB1,600.0 million in principal amount of the enterprise bonds was outstanding.

On May 26, 2016, Fosun High Technology completed an offering of RMB4,400.0 million five-year domestic corporate bonds, with an annual interest rate of 3.87%. As of June 30, 2017, RMB4,400.0 million in principal amount of the enterprise bonds was outstanding.

#### **Fosun Pharma Corporate Bonds**

On March 4, 2016, Fosun Pharma completed an offering of RMB3,000.0 million five-year domestic corporate bonds, with an annual interest rate of 3.46%. The bonds are not guaranteed. As of June 30, 2017, RMB3,000.0 million in principal amount of the enterprise bonds was outstanding.

On March 14, 2017, Fosun Pharma completed an offering of RMB1,250.0 million five-year domestic corporate bonds, with an annual interest rate of 4.66%. As of June 30, 2017, RMB1,250.0 million in principal amount of the corporate bonds was outstanding.

#### **Forte Corporate Bonds**

On November 20, 2015, Forte completed an offering of RMB4,000.0 million five-year domestic corporate bonds, with an annual interest rate of 4.39%. The bonds are not guaranteed. As of June 30, 2017, RMB4,000.0 million in principal amount of the enterprise bonds was outstanding.

On March 21, 2016, Forte completed an offering of RMB1,000.0 million three-year domestic corporate bonds, with an annual interest rate of 3.76%. The bonds are not guaranteed. As of June 30, 2017, RMB1,000.0 million in principal amount of the enterprise bonds was outstanding.

#### **Eynsford Tokutei Mokuteki Kaisha Corporate Bonds**

On December 17, 2015, Eynsford Tokutei Mokuteki Kaisha, an indirect subsidiary of Fosun Property Holdings Limited, completed an offering of JPY1 billion five-year corporate bonds, with an annual interest rate of three-month Tokyo Interbank Offered Rate plus 5.30%. As of June 30, 2017, JPY982.8 million in principal amount of the enterprise bonds was outstanding.

#### **Hainan Mining Corporate Bonds**

On August 30, 2016, Hainan Mining completed an offering of RMB106.0 million five-year domestic corporate bonds, with an annual interest rate of 5.65%. As of June 30, 2017, RMB106.0 million in principal amount of the corporate bonds was outstanding.

On March 24, 2017, Hainan Mining completed an offering of RMB200.0 million five-year domestic corporate bonds, with an annual interest rate of 6.50%. As of June 30, 2017, RMB200.0 million in principal amount of the corporate bonds was outstanding.

#### **Tekapo TMK Corporate Bonds**

On April 3, 2017, Tekapo TMK, a subsidiary of Fosun Management Holdings Limited, completed an offering of JPY700.0 million five-year domestic corporate bonds, with an annual interest rate of 2.02%. As of June 30, 2017, JPY700.0 million in principal amount of the corporate bonds was outstanding.



## **MEDIUM-TERM NOTES**

### **Fosun High Technology First Phase of Medium-Term Notes**

On October 24, 2014, Fosun High Technology completed an offering of RMB2,000.0 million principal amount of three-year medium-term notes with an annual interest rate of 5.26%. As at October 24, 2017, RMB2,000 million in principal amount of the medium-term notes have been repaid.

### **Fosun High Technology First Phase of Medium-Term Notes**

On March 5, 2015, Fosun High Technology completed an offering of RMB2,000.0 million principal amount of three-year medium-term notes with an annual interest rate of 5.21%.

### **Fosun Pharma First Phase of Medium-Term Notes**

On September 10, 2015, Fosun Pharma completed an offering of RMB400.0 million principal amount of three-year medium-term notes with an annual interest rate of 4.05%.

## **SUPER SHORT-TERM COMMERCIAL PAPERS**

On October 24, 2016, Fosun High Technology issued the first tranche of super short-term commercial papers with a maturity of nine months in an aggregate amount of RMB1,500 million, which bear interest at 2.89% per annum. The principal and interest are paid in lump sum on maturity and the maturity date is July 21, 2017. As at the maturity date, RMB1,500 million in principal amount of the super short-term commercial papers have been repaid.

On March 9, 2017, Fosun High Technology issued the first tranche of super short-term commercial papers with a maturity of six months in an aggregate amount of RMB2,500 million, which bear interest at 4.20% per annum. The principal and interest are paid in lump sum on maturity and the maturity date is September 9, 2017. As at the maturity date, RMB2,500 million in principal amount of the super short-term commercial papers have been repaid.

## **PRIVATE PLACEMENT NOTE**

On April 3, 2015, Fosun High Technology issued three-year private placement notes with the par value of RMB1.0 billion and an effective interest rate of 5.82% per annum. The interest will be paid annually in arrear and the maturity date is April 3, 2018. As June 30, 2017, RMB1.0 billion in principal amount of the notes was outstanding.

On November 18, 2016, Fosun High Technology issued three-year private placement notes with the par value of RMB1.0 billion and an effective interest rate of 3.91% per annum. The interest will be paid annually in arrear and the maturity date is November 18, 2019. As June 30, 2017, RMB1.0 billion in principal amount of the notes was outstanding.

On March 17, 2017, Fosun High Technology issued three-year private placement notes with the par value of RMB1.0 billion and an effective interest rate of 5.41% per annum. The interest will be paid annually in arrear and the maturity date is March 17, 2020. As June 30, 2017, RMB1.0 billion in principal amount of the notes was outstanding.

## **PRIVATE PLACEMENT BOND**

On August 24, 2016, Forte issued three-year private placement bonds with the par value of RMB3.0 billion and an effective interest rate of 4.56% per annum. The interest will be paid annually in arrear and the maturity date is August 24, 2019. As June 30, 2017, RMB3.0 billion in principal amount of the bonds was outstanding.

On May 2, 2017, Forte issued three-year private placement bonds with the par value of RMB3.0 billion and an effective interest rate of 6.66% per annum. The interest will be paid annually in arrear and the maturity date is May 2, 2020. As June 30, 2017, RMB3.0 billion in principal amount of the bonds was outstanding.

## **SENIOR NOTES**

### **2014 Notes**

On October 9 and December 10, 2014, Xingtao Assets Limited issued € 1,000,000,000 principal amount of 3.3% Senior Notes due 2022. As of October 9, 2017, we had a total of €982.0 million principal amount of the 2014 Notes outstanding. Holders of the 2014 Notes have the right to require us to repurchase their 2014 Notes on October 9 of each year, commencing on October 9, 2016.

#### ***Guarantee***

The obligations pursuant to the 2014 Notes are guaranteed by the Company and by Financial Holdings, Gold Holdings, Industrial Holdings, Property Holdings, Laxton Investments, Topper Link, FF Investment, Financial Vantage and certain of our future subsidiaries (the “2014 Notes Subsidiary Guarantors”), other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2014 Indenture. The Company and each of the 2014 Notes Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal of, any premium, and interest on, and all other amounts payable under, the 2014 Notes.

#### ***Collateral***

In order to secure the obligations under the 2014 Notes, the Company and the 2014 Notes Subsidiary Guarantors under the 2014 Indenture pledged the capital stock of all such 2014 Notes Subsidiary Guarantors for the benefit of the holders of the 2014 Notes (the “2014 Collateral”). The 2014 Collateral is shared on a pari passu basis pursuant to the Intercreditor Agreement by the holders of permitted pari passu secured indebtedness. The 2014 Collateral may be released or reduced in the event of certain asset sales and certain other circumstances.

#### ***Interest***

The 2014 Notes bear an interest rate of 3.3% per annum. Interest is payable annually in arrear.

#### ***Covenants***

Subject to certain conditions and exceptions, the 2014 Indenture contains certain covenants, restricting the Company from, among other things:

- permitting its subsidiaries to guarantee certain indebtedness of the Company and the issuer of the 2014 Notes;
- creating liens; and
- effecting a consolidation or merger.

#### ***Events of Default***

The 2014 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2014 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 2014 Indenture. If an event of default occurs and is continuing, the trustee under the 2014 Indenture or the holders of at least 25% of the outstanding 2014 Notes may declare the principal of the 2014 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 2014 Notes at a purchase price equal to 100% of their principal amount plus any accrued and unpaid interest.

### ***Maturity and Redemption***

The maturity date of the 2014 Notes is October 9, 2022.

At any time prior to October 9, 2016, we may at our option redeem the 2014 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2014 Notes, plus a premium and any accrued and unpaid interest to the redemption date. On October 9 of each year beginning on October 9, 2016, we may redeem the 2014 Notes, in whole or in part, at a redemption price equal to 100% of principal amount of the Notes redeemed plus any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to October 9, 2016, we may redeem up to 35% of the aggregate principal amount of the 2014 Notes at a redemption price of 100% of the principal amount of the 2014 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, provided that at least 65% of the aggregate principal amount of the 2014 Notes issued on October 9, 2014 remains outstanding after each such redemption which is consummated within 60 days after the closing of the related capital stock transaction.

We may acquire the 2014 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 2014 Indenture.

### **2016 Notes**

On August 17, 2016, September 19, 2016 and November 23, 2016, Wealth Driven Limited issued US\$590,000,000 aggregate principal amount of 5.5% Senior Notes due 2023. As of June 30, 2017, we had a total of US\$590.0 million principal amount of the 2016 Notes outstanding.

### ***Parent Guarantee***

The obligations pursuant to the 2016 Notes are guaranteed by the Company. The Company guarantees the due and punctual payment of the principal of, any premium, and interest on, and all other amounts payable under, the 2016 Notes.

### ***Collateral***

In order to secure the obligations under the 2016 Notes, the Company, Financial Holdings and Industrial Holdings pledged the capital stock of Financial Holdings, Industrial Holdings, Gold Holdings, Property Holdings, Financial Vantage, Topper Link, Laxton Investments and FF Investment for the

benefit of the holders of the 2016 Notes (the “2016 Collateral”). The 2016 Collateral is shared on a *pari passu* basis by the holders of permitted *pari passu* secured indebtedness. The 2016 Collateral may be released or reduced upon certain dispositions and certain other circumstances in accordance with the indenture governing the 2016 Notes.

### **Interest**

The 2016 Notes bear an interest rate of 5.5% per annum. Interest is payable semi-annually in arrear.

### **Covenants**

Subject to certain conditions and exceptions, the 2016 Indenture contains certain covenants restricting the Company from, among other things:

- permitting its subsidiaries to guarantee certain indebtedness of the Company and Wealth Driven Limited;
- creating liens;
- effecting a consolidation or merger.

### **Events of Default**

The 2016 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2016 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 2016 Indenture. If an event of default occurs and is continuing, the trustee under the 2016 Indenture or the holders of at least 25% of the outstanding 2016 Notes may declare the principal of the 2016 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 2016 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 2016 Notes is August 17, 2023. At any time on or after August 17, 2019, we may redeem the 2016 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 August 17 of each of the years indicated below:

<b>Period</b>	<b>Redemption Price</b>
2019 .....	102.750%
2020 .....	101.375%
2021 and thereafter .....	100.000%

At any time prior to August 17, 2019, we may at our option redeem the 2016 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2016 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to August 17, 2019, we may redeem up to 35% of the aggregate principal amount of the 2016 Notes at a redemption price of 100% of the principal amount of the 2016 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 2016 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 2016 Indenture.

### ***Holders' Put Option***

Holders of the 2016 Notes have the right, at their option, to require the Wealth Driven Limited to repurchase for cash their 2016 Notes in whole or in part, on August 17 of each year (each, a "Put Option Date"), commencing on August 17, 2021, at a purchase price equal to 100% of the principal amount of the 2016 Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the Put Option Date.

### **2017 Notes**

On March 23, 2017 and April 28, 2017, Fortune Star (BVI) Limited issued US\$1,400,000,000 aggregate principal amount of 5.25% Senior Notes due 2022. As of June 30, 2017, we had a total of US\$1,400.0 million principal amount of the 2017 Notes outstanding.

### ***Parent Guarantee***

The obligations pursuant to the 2017 Notes are guaranteed by the Company. The Company guarantees the due and punctual payment of the principal of, any premium, and interest on, and all other amounts payable under, the 2017 Notes.

### ***Collateral***

In order to secure the obligations under the 2017 Notes, the Company, Financial Holdings and Industrial Holdings pledged the capital stock of Financial Holdings, Industrial Holdings, Gold Holdings, Property Holdings, Financial Vantage, Topper Link, Laxton Investments and FF Investment for the benefit of the holders of the 2017 Notes (the "2017 Collateral"). The 2017 Collateral is shared on a pari passu basis by the holders of permitted pari passu secured indebtedness. The 2017 Collateral may be released or reduced upon certain dispositions and certain other circumstances in accordance with the indenture governing the 2017 Notes.

### ***Interest***

The 2017 Notes bear an interest rate of 5.25% per annum. Interest is payable semi-annually in arrear.

### ***Covenants***

Subject to certain conditions and exceptions, the 2017 Indenture contains certain covenants restricting the Company from, among other things:

- permitting its subsidiaries to guarantee certain indebtedness of the Company and Wealth Driven Limited;

- creating liens;
- effecting a consolidation or merger.

### ***Events of Default***

The 2017 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2017 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 2017 Indenture. If an event of default occurs and is continuing, the trustee under the 2017 Indenture or the holders of at least 25% of the outstanding 2017 Notes may declare the principal of the 2017 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 2017 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 2017 Notes is March 23, 2022. At any time on or after March 23, 2020, we may redeem the 2017 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 March 23 of each of the years indicated below:

<b>Period</b>	<b>Redemption Price</b>
2020 .....	102.6250%
2021 and thereafter .....	101.3125%

At any time prior to March 23, 2020, we may at our option redeem the 2017 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2017 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to March 23, 2020, we may redeem up to 35% of the aggregate principal amount of the 2017 Notes at a redemption price of 100% of the principal amount of the 2017 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 2017 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 2017 Indenture.



## **CONVERTIBLE BONDS**

### **2013 Convertible Bonds**

On November 22, 2013, we issued the 2013 Convertible Bonds in an aggregate principal amount of HK\$3,875.0 million. As of June 30, 2017, we had a total of HK\$286 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 and Financial Vantage, 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, guarantee the due payment of all sums expressed to be payable under the 2013 Convertible Bonds and the trust deed for 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 2014 Notes, the holders of the 2016 Notes, the holders of the 2017 Notes, the holders of the Notes and the holders of other permitted *pari passu* secured indebtedness.

#### ***Interest***

The 2013 Convertible Bonds bear interest 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, 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 seven 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 seven 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 Fortune Star (BVI) 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 Notes are to be issued under an indenture (the “Indenture”), to be dated as of the Original Issue Date, among the Issuer, the Parent Guarantor as guarantor, and The Bank of New York Mellon, London Branch, as trustee (the “Trustee”). The Notes will be guaranteed by the Parent Guarantor and the Parent Guarantee will be 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 will be available for inspection on or after the Original Issue Date 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.

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 Existing Indebtedness 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 December 5, 2020, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 5.375% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrear on June 5 and December 5 of each year (each an “Interest Payment Date”), commencing June 5, 2018. Interest on the Notes will be paid to Holders at the close of business on May 21 or November 20 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 semi-annual period, interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months. So long as the Notes are held on behalf of Euroclear and Clearstream or any other clearing system, each payment in respect of the Notes will be made to the person shown as the holder in the register of the Notes at the close of business of the relevant clearing system on the Clearing System Business Date before the due date for such payments, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except December 25 and January 1.

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.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Issuer at the office or agency of the Issuer maintained for that purpose in London, United Kingdom (which initially will be 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 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 Existing Indebtedness 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 will be secured by a pledge of the Collateral as described below under the caption “— Security” and will:

- be entitled to the benefit of a Lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) pledged by the Parent Guarantor, as described below under the caption “—Security”, shared on a *pari passu* basis pursuant to the Intercreditor Agreement with holders of the Existing Indebtedness and 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 will guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Parent Guarantor will (1) agree that its obligations under the Parent Guarantee will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive its right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer prior to exercising its rights under the Parent Guarantee. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Parent Guarantee will be reinstated with respect to such payments as though such payment had not been made. All payments under the Parent Guarantee are required to be made in U.S. dollars.

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, 2017, the Parent Guarantor had aggregate borrowings of RMB16,285.1 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 agreed, for the benefit of the Holders, to pledge, or to cause 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 and Fosun Industrial Holdings Limited. The initial Pledged Subsidiaries are Fosun Financial Holdings Limited, Fosun Industrial Holdings Limited, Fosun Gold Holdings Limited, Fosun Property Holdings Limited, Financial Vantage Limited, Topper Link Limited, Laxton Investments Limited and FF Investment Luxembourg 1 S.à r.l.

The Collateral will be shared on a *pari passu* basis pursuant to the Intercreditor Agreement by the Holders, the holders of the Existing Indebtedness 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**

On or after the Original Issue Date, the Issuer, the Parent Guarantor, any Existing Notes 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, any Existing Notes Issuer or any Subsidiary Pledgor and any *Pari Passu* Guarantee with respect to such indebtedness (such indebtedness of the Issuer, the Parent Guarantor, any Existing Notes 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, such Existing Notes 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 Existing Indebtedness and the holders of any other Permitted *Pari Passu* Secured Indebtedness).

Except for certain Permitted Liens and the Permitted *Pari Passu* Secured Indebtedness, the Parent Guarantor and its Subsidiaries are not 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) Sparkle Assets Limited (“Sparkle”), (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 Parent Guarantor’s then outstanding 7.5% senior notes due 2016 (which were fully paid off) and as trustee with respect to Sparkle’s then outstanding 6.875% senior notes due 2020 (which were fully paid off ) entered into an intercreditor agreement (as may be amended, supplemented or modified from time to time, the “Intercreditor Agreement”) to which the Trustee will accede to extend the security interest over the Collateral for the benefit of the holders of the 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. Prior to the Original Issue Date, The Bank of New York Mellon, London Branch as trustee with respect to each series of the Existing Indebtedness acceded to the Intercreditor Agreement. The Trustee will accede to the Intercreditor Agreement on the Original Issue Date of the 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, will hold such Liens and security

interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by the written instruction of any secured party to the Intercreditor Agreement to exercise remedies under the Security Documents in accordance with the terms of the Intercreditor Agreement. The Trustee has agreed to act as secured party on behalf of the Holders under the applicable Security Documents, to follow, or cause to be followed, the instructions provided to it under the Indenture, the Security Documents and the Intercreditor Agreement and to carry out certain other duties. The Trustee will give instructions to the Collateral Agent by itself or in accordance with instructions it will receive from the Holders under the Indenture.

The Indenture, the Intercreditor Agreement and/or the Security Documents principally provide that, at any time while the Notes are outstanding, the Collateral Agent has the right to manage, perform and enforce the terms of the Security Documents relating to the Collateral and to exercise and enforce all privileges, rights and remedies thereunder according to directions given by the secured parties to the Intercreditor Agreement, including to take or retake control or possession of such Collateral and to hold, prepare for sale, process, lease, dispose of or liquidate such Collateral, including, without limitation, following the occurrence of an Event of Default under the Indenture.

The Intercreditor Agreement 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 each series of the Existing Indebtedness for the applicable series 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 agreements governing the Notes, the Existing Indebtedness 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 Existing Indebtedness and the agreements governing the Notes, the Existing Indebtedness 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 Existing Indebtedness and the agreement governing the Notes, the Existing Indebtedness or any other Permitted *Pari Passu* Secured Indebtedness, the Intercreditor Agreement and the Security Documents;

*third*, ratably to each of the trustee for each series of the Existing Indebtedness for the applicable series, 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 Existing Indebtedness or the agreements governing the Notes, the Existing Indebtedness 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**

At any time prior to December 5, 2020, 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 December 5, 2020, 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 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 US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

### **Repurchase of Notes Upon a Change of Control Triggering Event**

Not later than 30 days following a Change of Control Triggering Event, the Issuer or the Parent Guarantor will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Issuer 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 and we may not be able to repurchase the Existing Indebtedness 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 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 each Holder 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 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 intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement, or any agreement with the U.S. Internal Revenue Service under FATCA; or
- (d) any combination of taxes, duties, assessments or governmental charges referred to in the preceding clauses (a), (b) and (c); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction or the jurisdiction through which payments are made, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under the Parent Guarantee, 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, or an official position is announced (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 the rate applicable in the PRC as of the date of the Offering Circular to payments by PRC resident enterprises to non-PRC resident enterprises.

Prior to the giving 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, amendment or stating of an official position 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, amendment or stating of an official position 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 120 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; and
  - (b) as soon as they are available, but in any event within 90 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.
- (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 will be defined as “Events of Default” in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon 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” or 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 any 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 will provide that the Issuer will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

- (1) the Issuer (a) has deposited with the Trustee, in trust, cash in U.S. dollars and/or cash equivalents consisting of non-callable U.S. dollar-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 will further provide 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 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 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 U.S. dollars, cash equivalents consisting

of non-callable U.S. dollar-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 U.S. dollars and/or cash equivalents consisting of non-callable U.S. dollar-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 U.S. dollars, non-callable U.S. dollar-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 Notes, the Parent Guarantee, 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 Parent Guarantee, 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 Notes, the Parent Guarantee, 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 caption “— 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 U.S. federal securities laws.

## **Judgment Currency**

Any payment on account of an amount that is payable in U.S. dollars (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 will be appointed as Trustee under the Indenture and as paying agent (the "Paying Agent"), The Bank of New York Mellon SA/NV, Luxembourg Branch will be appointed as note registrar (the "Registrar") and transfer agent (the "Transfer Agent") and the Bank of New York Mellon will act as collateral agent (the "Collateral Agent", and together with the Paying Agent, the 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 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 initially acts 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 trust deed or the indentures with respect to the Existing Indebtedness, 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 Existing Indebtedness 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 indentures or the trust deed with respect to the Existing Indebtedness, or any of the Security Documents or the Intercreditor Agreement for the benefit of the Holders, the holders of the Existing Indebtedness, or the holders (or their representatives) of other Permitted *Pari Passu* Secured Indebtedness (if any), unless such Holders, the holders of the Existing Indebtedness, 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.

Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of, and investigation into, all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Trustee in respect of such risks.

Neither the Trustee nor the Agents shall be responsible for the performance by any other person appointed by the Issuer in relation to the Notes and, unless notified in writing to the contrary, shall assume that the same are being duly performed. Neither the Trustee nor the Agents shall be liable to any Holder or any other person for any action taken by the Trustee or the Agents in accordance with the written instructions of the Holders. Each of the Trustee and the Agents shall be entitled to rely on any written direction of the Holders which has been duly given by the Holders of the requisite principal amount of the Notes outstanding.

Neither the Trustee nor the Agents shall be deemed to have knowledge of any event unless it has been notified in writing of such event.

## **Book-Entry; Delivery and Form**

The Notes will be represented by one global note in registered form without interest coupons attached (the “Global Note”). On the Original Issue Date, the global note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

### **Global Note**

Ownership of beneficial interests in the Global Note (the “book-entry interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “—Individual Definitive Notes”, the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Note for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Issuer, the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Note representing the Notes is exchanged for definitive certificates, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption. In addition, in the event that the Global Note representing the Notes is exchanged for definitive certificates, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST. Such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the paying agent in Singapore.

### **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 paying agent in U.S. dollars. The 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 US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

### **Action by Owners of Book-Entry Interests**

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder 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 will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, the Parent Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Fosun Management (US) Inc. at 28 Liberty Street, New York, NY 10005, USA as agent 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 will provide that such instrument will be governed by, and construed in accordance with, the laws of the State of New York. The relevant pledge documents pursuant to "— Security" 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.

*“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.

*“2014 Notes”* means the 3.3% Senior Notes due 2022 of the 2014 Notes Issuer, guaranteed by the Parent Guarantor as the parent guarantor.

*“2014 Notes Issuer”* means Xingtao Assets Limited, a wholly-owned subsidiary incorporated solely for purposes of issuing the 2014 Notes.

*“2016 Notes”* means the 5.5% Senior Notes due 2023 of the 2016 Notes Issuer, guaranteed by the Parent Guarantor as the parent guarantor.

*“2016 Notes Issuer”* means Wealth Driven Limited, a wholly-owned subsidiary incorporated solely for purposes of issuing the 2016 Notes.

*“2017 Notes”* means the 5.25% Senior Notes due 2022 of the 2017 Notes Issuer, guaranteed by the Parent Guarantor as the parent guarantor.

*“2017 Notes Issuer”* means Fortune Star (BVI) Limited, a wholly-owned subsidiary of the Parent Guarantor.

*“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 the maturity date of the Notes plus (y) all required remaining scheduled interest payments due on such Note through the maturity date of the Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

*“Business Day”* means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in London, Hong Kong or New York City (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

*“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 S.A.

*“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.

*“Euroclear”* means Euroclear Bank S.A./N.V.

*“Existing Indebtedness”* means, to the extent outstanding, the 2013 Convertible Bonds, the 2014 Notes, the 2016 Notes and the 2017 Notes.

*“Existing Notes Issuer”* means the 2013 Convertible Bonds Issuer, the 2014 Notes Issuer, the 2014 Notes Issuer, the 2016 Notes Issuer or the 2017 Notes Issuer.

*“Fitch”* means Fitch Inc., a subsidiary of Fimalac, S.A., and its successors.

*“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.”

*“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.

“*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 principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000.

No later than 9.00 a.m. (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 US\$200,000 or integral multiples of US\$1,000. The Issuer or the Parent Guarantor will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Issuer or the Parent Guarantor will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Issuer or the Parent Guarantor is required to repurchase Notes pursuant to an Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Parent Guarantor and its Subsidiaries which the Issuer or the Parent Guarantor in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Issuer or the Parent Guarantor to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"*Officer*" means one of the directors or officers of the Issuer, the Parent Guarantor or a Subsidiary Guarantor (if any), as the case may be.

"*Officers' Certificate*" means a certificate signed by two Officers; provided that, with respect to the Officers' Certificate required to be delivered by the Issuer or any Subsidiary Guarantor (if any) under the Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in the Issuer or such Subsidiary Guarantor at the time such certificate is required to be delivered.

"*Opinion of Counsel*" means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

"*Original Issue Date*" means December 5, 2017.

"*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 and Wang Qunbin;
- (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 Existing Indebtedness; 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 S&P Global Ratings (formerly known as Standard & Poor's Ratings Services) and its affiliates.

“*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 each series of the Existing Indebtedness, and (c) 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 each series of the Existing Indebtedness 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.

“*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.

“*Treasury Rate*” means, as of any redemption date, the yield to maturity as of the earlier of (a) such redemption date or (b) the date on which such Notes are defeased or satisfied and discharged, of the most recently issued United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) that has become publicly available at least two Business Days prior to such date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to December 5, 2020; provided, however, that if the period from the redemption date to December 5, 2020 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. Any such Treasury Rate shall be obtained by the Issuer.

“*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

Credit Suisse Securities (Europe) Limited, Fosun Hani Securities Limited, CLSA Limited and CNCB (Hong Kong) Capital Limited are acting as joint lead managers and bookrunners of the offering. Subject to the terms and conditions stated in the purchase agreement dated the date of this Offering Circular, each Initial Purchaser named below has severally agreed to purchase, and we have agreed to sell to such Initial Purchaser, the principal amount of the Notes set forth opposite such Initial Purchaser's name, subject to further adjustments to be agreed among the Initial Purchasers.

Initial Purchaser	Principal Amount of Notes
Credit Suisse Securities (Europe) Limited .....	198,989,000
Fosun Hani Securities Limited.....	50,562,000
CLSA Limited .....	40,449,000
CNCB (Hong Kong) Capital Limited .....	10,000,000
Total .....	<u>300,000,000</u>

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Initial Purchasers must purchase all the Notes if they purchase any of the Notes. The Company or any of its subsidiaries or affiliates may from time to time purchase a portion of the Notes.

The Initial Purchasers propose to resell the Notes at the offering price set forth on the cover page of this Offering Circular only outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S. See "Transfer Restrictions." The price at which the Notes are offered may be changed at any time without notice. In addition, we have agreed with the Initial Purchasers that we will pay a commission to private banks in connection with the purchase of the Notes by their private bank clients.

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 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.

Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. However, we cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, the Initial Purchasers are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Notes.

Credit Suisse Securities (Europe) Limited (or its affiliates) may engage in stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions.

Penalty bids permit Credit Suisse Securities (Europe) Limited (as stabilizing manager) to reclaim a selling concession from a dealer when the Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither the Company nor the Initial Purchasers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither the Company nor the Initial Purchasers makes any representation that Credit Suisse Securities (Europe) Limited (as stabilizing manager) will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

We expect to deliver the Notes against payment for the Notes on or about the date specified in the last paragraph of the cover page of this Offering Circular, which will be the fifth business day following the date of the pricing of the Notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in three business days, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement. Purchaser of the Notes who wish to trade the Notes on the date of pricing or the next succeeding business day should consult their own advisor.

The Initial Purchasers or their affiliates have performed commercial banking, investment banking or advisory services for us from time to time for which they have received customary fees and reimbursement of expenses. The Initial Purchasers or their affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of business for which they may receive customary fees and reimbursement of expenses. We may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

In connection with this offering of the Notes, the Initial Purchaser(s) and/or their affiliate(s) may act as an investor for its own account and may take up Notes in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Notes. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Initial Purchasers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

We and the Parent Guarantor have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

## **Selling Restrictions**

### ***General***

No action has been taken or will be taken in any jurisdiction by the Company or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this Offering Circular or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular 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 States or to, or for the account or benefits of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See “Transfer Restrictions.”

In addition, until 40 days after the commencement of this offering, an offer or sale of the Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in compliance with an available exemption from registration under the Securities Act.

## ***United Kingdom***

No invitation or inducement to engage in investment activity (within the meanings of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”) received by the Initial Purchasers in connection with the issue or sale of the Notes may be communicated or caused to be communicated except in circumstances in which Section 21(1) of the FSMA does not apply to the Initial Purchasers. All applicable provisions of the FSMA must be complied with respect to anything done or to be done by the Initial Purchasers in relation to any Notes in, from or otherwise involving the United Kingdom.

## ***Hong Kong***

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (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.

## ***Japan***

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the “FIEL”), and disclosure under the FIEL has not been made with respect to the Notes. Accordingly, the Notes may not be offered or sold, directly or indirectly in Japan or to, or for the account of, any resident of Japan, or to others for re-offering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, “resident of Japan” means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

## ***Singapore***

This Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the “MAS”) under the Securities and Futures Act, Chapter 289 of Singapore

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

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

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

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

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

## **PRC**

The Initial Purchasers have acknowledged that this Offering Circular does not constitute a public offer of the Notes, whether by way of sale or subscription, in the PRC. The Initial Purchasers have 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 Notes.

The Notes are subject to restrictions on transfer as summarized below. By purchasing the Notes, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:
  - the Notes have not been registered under the Securities Act or any other applicable securities laws;
  - the Notes are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;
  - the Notes are being offered and sold only to non-U.S. persons outside the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and
  - unless so registered, the Notes may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph 4 below.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are not a U.S. person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing the Notes in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offering of the Notes, other than the information contained in this Offering Circular. You represent that you are relying only on this Offering Circular 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 closing date (the "Resale Restriction Period"), and will not apply after the 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 SECURITY 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 SECURITY 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 SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS 40 DAYS AFTER THE ISSUE DATE HEREOF, ONLY

(A) TO FORTUNE STAR (BVI) LIMITED (THE "ISSUER"), (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 ISSUER'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 SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

6. You acknowledge that we, the Initial Purchasers, 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 Purchasers. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.
7. You also acknowledge that this Offering Circular has not been and will not be registered as a prospectus with the MAS under the SFA. Accordingly, you have represented, warranted and agreed that you have not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and have not circulated or distributed, nor will you circulate or distribute, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

## **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 Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of 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 the Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of the Notes.

### **British Virgin Islands**

We believe that the Issuer is a British Virgin Islands tax resident, and the Issuer does not constitute a tax resident in any other jurisdictions.

The Issuer and all interest and other amounts paid by the Issuer in respect of the Notes to persons who are not resident in the BVI and any capital gains realized with respect to the Notes by persons who are not resident in the BVI are exempt from all provisions of the Income Tax Act 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 the Notes.

All instruments relating to transfers of property to or by the Issuer and all instruments relating to transactions in respect of the Notes 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 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 Notes are expected to be rated “BB” by S&P Global Ratings.

## **LEGAL MATTERS**

Certain legal matters with respect to the Notes will be passed upon for us by AllBright Law Offices as to matters of PRC law, by Sidley Austin as to matters of United States federal and New York law and Hong Kong law, and by Harney Westwood & Riegels as to matters of BVI law. Certain legal matters will be passed upon for the Initial Purchasers by Jia Yuan Law Offices 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, 2015 and 2016, 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, 2015 and 2016 included in this Offering Circular have been audited by Ernst & Young, independent auditors, as stated in their reports appearing herein and in our annual reports for the years ended December 31, 2015 and 2016. The consolidated financial statements as of and for the six months ended June 30, 2017 included in this Offering Circular have been reviewed by Ernst & Young. The interim condensed consolidated financial information as of and for the six months ended June 30, 2016 is included for comparison purposes in the interim condensed consolidated financial statements as of and for the six months ended June 30, 2017 as stated in our interim report for the six months ended June 30, 2017. 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.

## 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*

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)
Gold Holdings .....	復星黃金控股有限公司 (Fosun Gold Holdings Limited)
Financial Holdings .....	復星金融控股有限公司 (Fosun Financial Holdings Limited)
Property Holdings .....	復星地產控股有限公司 (Fosun Property Holdings Limited)

#### *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.)
Forte .....	復地(集團)股份有限公司 (Shanghai Forte Land Co., Ltd.)
Nanjing Nangang .....	南京南鋼鋼鐵聯合有限公司 (Nanjing Nangang Iron & Steel United Co., Ltd.)
Hainan Mining.....	海南礦業股份有限公司 (Hainan Mining Co., Ltd.)
Fosun High Technology .....	上海復星高科技(集團)有限公司 (Shanghai Fosun High Technology (Group) Co., Ltd.)

#### *Other Portfolio Companies in the Wealth Ecosystem*

##### *Insurance and Finance Business*

Fosun Insurance Portugal .....	A group of companies which comprise Fidelidade, Fidelidade Assistência and Multicare
Fosun United Health Insurance .....	Fosun United Health Insurance Company Limited
Fidelidade .....	Fidelidade-Companhia de Seguros, S.A.
Fidelidade Assistência .....	Fidelidade Assistência - Companhia de Seguros, S.A. (formerly known as Cares - Companhia de Seguros, S.A.)
Multicare .....	Multicare-Seguros de Saúde, S.A.



Yong'an P&C Insurance.....	永安財產保險股份有限公司 (Yong'an Property Insurance Company Limited)
Pramerica Fosun Life Insurance.....	復星保德信人壽保險有限公司 (Pramerica Fosun Life Insurance Co., Ltd.)
Peak Reinsurance .....	鼎睿再保險有限公司 (Peak Reinsurance Company Limited)
Ironshore .....	Ironshore Inc.
MIG .....	Meadowbrook Insurance Group, Inc. (renamed as AmeriTrust Group Inc. in October 2017)

#### *Investment Business*

Focus Media .....	分眾傳媒信息技術股份有限公司 (Focus Media Information Technology Co., Ltd.)
Zhaojin Mining .....	招金礦業股份有限公司 (Zhaojin Mining Industry Co., Ltd.)
Folli Follie .....	Folli Follie Group
Thomas Cook .....	Thomas Cook Group plc
Minsheng Bank.....	中國民生銀行股份有限公司 (China Minsheng Banking Corp., Ltd.)
Industrial Development.....	上海復星工業技術發展有限公司 (Shanghai Fosun Industrial Technology Development Co., Ltd.)
Industrial Investment .....	上海復星產業投資有限公司 (Shanghai Fosun Industrial Investment Co., Ltd.)
FF Investment.....	FF Investment Luxembourg 1 S.à r.l.
Financial Vantage .....	Financial Vantage Limited
Topper Link .....	Topper Link Limited
Laxton Investments .....	Laxton Investments Limited
Tianjin Jianlong.....	天津建龍鋼鐵實業有限公司 (Tianjing Jianlong Iron & Steel Industrial Co., Ltd.)
Nanjing Steel United.....	南京鋼鐵聯合有限公司 (Nanjing Iron & Steel United Co., Ltd.)
IDERA.....	IDERA Capital Management Ltd.
Resolution Property .....	Resolution Property Investment Management LLP
Fosun Eurasia Capital .....	Fosun Eurasia Capital Limited Liability Company
H&A .....	Hauck & Aufhäuser Privatbankiers KGaA

Fosun Finance Company .....	上海復星高科技集團財務有限公司 (Shanghai Fosun High Technology Group Finance Co., Ltd.)
Fosun Hani Securities .....	復星恒利證券有限公司 (前稱恒利證券(香港)有限公司) (Fosun Hani Securities Limited (formerly known as Hani Securities (H.K.) Limited))
Hangzhou Financial Investment Leasing .....	杭州金投融资租賃有限公司 (Hangzhou Financial Investment Leasing Co., Ltd.)
Mybank .....	浙江網商銀行股份有限公司 (Zhejiang E-Commerce Bank Co., Ltd.)
Cainiao .....	菜鳥網絡科技有限公司 (Cainiao Network Technology Co., Ltd.)
Chuangfu Finance Leasing .....	創富融資租賃(上海)有限公司 (Great China Finance Leasing Co., Ltd.)
Pramerica-Fosun China Opportunity Fund .....	復星—保德信中國機會基金(有限合夥) (Pramerica — Fosun China Opportunity Fund, (L.P.))
Xinghong Fund .....	上海星泓一期股權投資基金合夥企業(有限合夥) (Shanghai Xinghong Phase I Equity Investment Fund Partnership (L.P.))
Zhejiang Growth Fund .....	杭州浙商成長股權投資基金合夥企業(有限合夥) (Hangzhou Zhejiang Momentum Fund LLP)
CMF .....	China Momentum Fund, L.P.
<i>Hive Property Business</i>	
Resource Property .....	上海策源置業顧問股份有限公司 (Shanghai Resource Property Consultancy Co., Ltd.)
Wuhan Zhongbei .....	武漢中北房地產開發有限公司 (Wuhan Zhongbei Property Development Co., Ltd.)
Forte Entities .....	A group of companies which comprise Forte, its subsidiaries, joint ventures and associates

### ***Other Portfolio Companies in Our Health Ecosystem***

#### ***Medical Services Business***

Star Healthcare .....	上海星益健康管理有限公司 (Shanghai Star Healthcare Co., Ltd.)
Luz Saúde .....	Luz Saúde, S.A. (formerly known as ESPÍRITO SANTO SAÚDE - SGPS, SA)
Starcastle Senior Living .....	上海星堡老年服務有限公司 (Shanghai Starcastle Senior Living Co., Ltd.)

### *Health Products Business*

Fosun Chuanghong .....	Shanghai Fosun Chuanghong Equity Investment Fund Partnership (L.P.)
Zhongshan Public Utilities .....	中山公用事業集團股份有限公司 (Zhongshan Public Utilities Group Co., Ltd.)
Silver Cross .....	Silver Cross Nurseries Limited
Sanyuan Foods .....	北京三元食品股份有限公司 (Beijing Sanyuan Foods Co., Ltd.)
Chongqing Yaoyou .....	重慶藥友製藥有限責任公司 (Chongqing Yao Pharmaceutical Company Limited)
Guilin Pharma .....	桂林南藥股份有限公司 (Guilin South Pharma Company Limited)
Sinopharm .....	國藥控股股份有限公司 (Sinopharm Group Co. Ltd.)
Sinopharm Investment.....	國藥產業投資有限公司 (Sinopharm Industrial Investment Co., Ltd.)

### ***Other Portfolio Companies in Our Happiness Ecosystem***

#### *Tourism and Leisure Business*

Yuyuan.....	上海豫園旅遊商城股份有限公司 (Shanghai Yuyuan Tourist Mart Co., Ltd.)
Club Med .....	Club Med SAS (formerly known as Club Méditerranée SA)
Studio 8 .....	Studio 8, LLC
Bona .....	博納影業集團有限公司 (Bona Film Group Limited)
KUYI .....	酷怡國際旅行社(上海)有限公司 (Kuyi International Travel Agency (Shanghai) Co., Ltd.)
AHAVA .....	AHAVA Dead Sea Laboratories Ltd.
Tom Tailor .....	TOM TAILOR Holding AG.

### ***Parent Companies and Other Related Parties***

Fosun Holdings.....	復星控股有限公司 (Fosun Holdings Limited)
Fosun International Holdings .....	Fosun International Holdings Ltd.
Nanjing Steel Group .....	南京鋼鐵集團有限公司 (Nanjing Iron & Steel Group Co., Ltd.)

## Technical Terms

### ***Insurance and Finance Business***

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 contract or contracts of insurance which the reinsured has issued

### ***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

### ***Health Business***

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

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

first-to-market chemical generic drug ..... the first chemical 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

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

innovative drugs ..... new chemical or biochemical drugs that are different from existing drugs or therapies to treat diseases

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
prescription medicine.....	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
<i>Hive Property Business</i>	
BOC .....	building ownership certificate
GFA .....	gross floor area
LURC.....	land usage rights certificate
REC .....	real estate title certificate
sq.m.....	square meter(s)
<b>Other</b>	
Articles of Association .....	the current articles of association of the Company with the latest amendments made on June 17, 2008
Board .....	the board of Directors
CG Code.....	Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules
CIRC.....	China Insurance Regulatory Commission
Director(s).....	the director(s) of the Company
EUR, Euro or € .....	Euro, the official currency of the Eurozone
GBP .....	Pound Sterling, the official currency of United Kingdom

Hong Kong.....	the Hong Kong Special Administrative Region of PRC
Hong Kong Stock Exchange .....	The Stock Exchange of Hong Kong Limited
JPY .....	Japanese yen, the official currency of Japan
Listing Rules .....	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
NEEQ .....	National Equities Exchange and Quotations
PRC or China .....	the People's Republic of China
ROC .....	Roc Oil Company Limited
RMB .....	Renminbi, the official currency of the PRC
Share(s) .....	the share(s) of the Company
USD or US\$.....	United States Dollars, the official currency of the United States of America



## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

<b>Reviewed Condensed Consolidated Financial Statements of the Company as of and for the six months ended June 30, 2017</b>	<b>Page</b>	<b>Page reference to the Company's 2017 Interim Report</b>
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<b>Audited Consolidated Financial Statements of the Company as of and for the year ended December 31, 2016</b>	<b>Page</b>	<b>Page reference to the Company's 2016 Annual Report</b>
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Consolidated Statement of Comprehensive Income .....	F-225	103
Consolidated Statement of Financial Position .....	F-226-228	104-106
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Consolidated Statement of Cash Flows .....	F-231-234	109-112
Notes to Financial Statements .....	F-235-369	113-247

Page references included in the consolidated financial statements for each of the years ended December 31, 2015 and 2016 set forth above refer to pages in such consolidated financial statements as appeared in our annual reports for the years ended December 31, 2015 and 2016, respectively. Page references included in the interim condensed consolidated financial statements for the six months ended June 30, 2017 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, 2017.



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## 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 41 to 80, which comprises the interim 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 2017 and the related interim condensed consolidated statements of profit or loss, 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 Accountants

Hong Kong  
23 November 2017

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>REVENUE</b>		<b>36,272,764</b>	32,504,984
Cost of sales		(22,627,044)	(21,049,941)
Gross profit		<b>13,645,720</b>	11,455,043
Other income and gains	5	<b>11,057,555</b>	11,268,460
Selling and distribution expenses		<b>(5,935,371)</b>	(5,156,416)
Administrative expenses		<b>(6,599,963)</b>	(5,891,939)
Other expenses		<b>(2,815,695)</b>	(3,637,701)
Finance costs	6	<b>(2,690,384)</b>	(2,250,049)
Share of profits and losses of:			
Joint ventures		<b>924,823</b>	154,203
Associates		<b>1,716,735</b>	975,740
<b>PROFIT BEFORE TAX</b>	7	<b>9,303,420</b>	6,917,341
Tax	8	<b>(1,708,307)</b>	(1,343,521)
<b>PROFIT FOR THE PERIOD</b>		<b>7,595,113</b>	5,573,820
Attributable to:			
Owners of the parent		<b>5,864,471</b>	4,390,640
Non-controlling interests		<b>1,730,642</b>	1,183,180
		<b>7,595,113</b>	5,573,820
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
<b>Basic</b>			
- For profit for the Period (RMB)	9	<b>0.68</b>	0.51
<b>Diluted</b>			
- For profit for the Period (RMB)	9	<b>0.68</b>	0.51

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>PROFIT FOR THE PERIOD</b>	<b>7,595,113</b>	<b>5,573,820</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Available-for-sale investments:		
Changes in fair value	<b>6,293,905</b>	5,814,853
Reclassification adjustments for losses/(gains) included in the consolidated statement of profit or loss		
- impairment loss	<b>320,116</b>	566,432
- gain on disposal	<b>(2,329,814)</b>	(1,067,108)
- gain on disposal of a subsidiary	<b>(173,092)</b>	—
Income tax effect	<b>(977,096)</b>	(576,827)
	<b>3,134,019</b>	4,737,350
Change in other life insurance contract liabilities due to potential gains on financial assets	<b>(245,402)</b>	(145,710)
- Income tax effect	<b>72,394</b>	(14,442)
	<b>(173,008)</b>	(160,152)
Fair value adjustments of hedging instruments in cash flow hedges	<b>14,061</b>	(70,828)
- Income tax effect	<b>(1,905)</b>	8,092
	<b>12,156</b>	(62,736)
Fair value adjustments of hedging of a net investment in a foreign operation	<b>(561,931)</b>	180,563
- Income tax effect	<b>(42,551)</b>	(38,791)
	<b>(604,482)</b>	141,772
Share of other comprehensive loss of joint ventures	<b>(43,632)</b>	(12,239)
Share of other comprehensive income of associates	<b>5,361</b>	283,801
Exchange differences:		
Reclassification adjustments for a foreign operation disposed of during the Period	<b>(20,812)</b>	—
Exchange differences on translation of foreign operations	<b>874,600</b>	493,541
	<b>853,788</b>	493,541
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>3,184,202</b>	<b>5,421,337</b>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>OTHER COMPREHENSIVE INCOME (Continued)</b>		
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Gains on property revaluation	351	45,955
- Income tax effect	—	(11,489)
	351	34,466
Actuarial reserve relating to employee benefit	24,498	—
- Income tax effect	(2,034)	—
	22,464	—
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>	<b>22,815</b>	<b>34,466</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>3,207,017</b>	<b>5,455,803</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>10,802,130</b>	<b>11,029,623</b>
Attributable to:		
Owners of the parent	7,762,264	8,515,089
Non-controlling interests	3,039,866	2,514,534
	<b>10,802,130</b>	<b>11,029,623</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	22,144,302	20,672,028
Investment properties		31,984,166	30,493,267
Prepaid land lease payments		2,345,247	2,105,331
Exploration and evaluation assets		226,672	225,731
Mining rights		513,567	531,296
Oil and gas assets		905,971	1,050,517
Intangible assets		6,670,503	6,024,968
Goodwill		10,467,180	9,862,200
Investments in joint ventures		18,836,585	17,662,504
Investments in associates		51,080,474	44,115,608
Available-for-sale investments		114,623,158	105,785,016
Properties under development		9,284,306	9,330,509
Loans receivable		1,111,685	813,210
Prepayments, deposits and other receivables		11,053,811	2,540,614
Deferred tax assets		4,448,931	4,801,141
Inventories		226,272	267,836
Policyholder account assets in respect of unit-linked contracts		3,211,224	3,112,170
Insurance and reinsurance debtors		130,654	115,473
Reinsurers' share of insurance contract provisions		4,771,520	4,377,481
Term deposits		2,008,148	348,692
Placements with and loans to banks and other financial institutions		116,244	73,068
Loans and advances to customers		1,902,765	454,502
Derivative financial instruments		330,353	379,652
Finance lease receivables		399,705	288,517
<b>Total non-current assets</b>		<b>298,793,443</b>	<b>265,431,331</b>



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
<b>CURRENT ASSETS</b>			
Cash and bank		76,233,480	51,807,704
Investments at fair value through profit or loss		12,993,973	8,328,696
Derivative financial instruments		911,953	445,382
Trade and notes receivables	11	4,832,330	4,321,733
Prepayments, deposits and other receivables		15,260,201	15,977,831
Inventories		3,637,853	2,705,018
Completed properties for sale		6,583,644	7,737,290
Properties under development		26,752,381	22,738,105
Loans receivable		1,450,031	2,130,688
Due from related companies		13,622,680	11,741,735
Available-for-sale investments		23,115,415	22,390,416
Policyholder account assets in respect of unit-linked contracts		674,651	636,076
Insurance and reinsurance debtors		8,246,083	6,434,748
Reinsurers' share of insurance contract provisions		2,440,990	1,468,553
Placements with and loans to banks and other financial institutions		7,841	37
Loans and advances to customers		3,645,290	2,904,371
Finance lease receivables		1,177,293	929,759
		201,586,089	162,698,142
Assets of a disposal group classified as held for sale		707,910	58,650,003
Total current assets		202,293,999	221,348,145

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	12	52,645,638	43,874,088
Trade and notes payables	14	9,444,763	9,569,939
Accrued liabilities and other payables		44,993,340	33,710,957
Tax payable		3,769,616	4,035,686
Finance lease payables		71,300	48,686
Deposits from customers		24,900,206	18,511,530
Due to the holding company		1,362,280	381,646
Due to related companies		3,726,523	3,647,173
Derivative financial instruments		539,225	505,115
Accounts payable to brokerage clients		105,325	68,823
Unearned premium provisions		6,810,407	5,194,018
Provision for outstanding claims		11,437,896	10,518,108
Provision for unexpired risks		357,687	360,623
Financial liabilities for unit-linked contracts		177,693	237,459
Investment contract liabilities		3,971,570	1,382,071
Other life insurance contract liabilities		1,429,656	1,429,933
Insurance and reinsurance creditors		4,543,512	3,109,676
Due to banks and other financial institutions		982,092	715,681
Placements from banks and other financial institutions		296,017	270,276
		171,564,746	137,571,488
Liabilities directly associated with the assets classified as held for sale		349,702	40,674,050
Total current liabilities		171,914,448	178,245,538
<b>NET CURRENT ASSETS</b>		30,379,551	43,102,607
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		329,172,994	308,533,938

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	12	88,409,365	82,094,953
Convertible bonds	13	239,761	307,730
Finance lease payables		224,963	197,224
Deposits from customers		178,089	68,715
Derivative financial instruments		669,542	802,875
Deferred income		1,839,280	1,514,423
Other long term payables		4,096,653	4,160,042
Deferred tax liabilities		9,720,856	8,841,545
Provision for outstanding claims		17,541,492	16,764,930
Financial liabilities for unit-linked contracts		3,708,154	3,510,787
Investment contract liabilities		55,824,557	55,370,424
Other life insurance contract liabilities		13,071,454	11,420,408
Insurance and reinsurance creditors		143,096	175,360
Due to banks and other financial institutions		452,432	426,987
Placements from banks and other financial institutions		—	3,707
Total non-current liabilities		196,119,694	185,660,110
<b>Net assets</b>		<b>133,053,300</b>	<b>122,873,828</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		36,293,729	36,157,089
Treasury shares		(109,066)	(93,008)
Equity component of convertible bonds		53,229	68,674
Other reserves		62,522,457	56,234,244
		98,760,349	92,366,999
<b>Non-controlling interests</b>		<b>34,292,951</b>	<b>30,506,829</b>
<b>Total equity</b>		<b>133,053,300</b>	<b>122,873,828</b>

Guo Guangchang  
Director

Wang Can  
Director

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the parent										Non-controlling interests	Total equity
	Issued capital	Treasury shares	Other deficits	Statutory surplus reserve	Available-for-sale investment revaluation reserve	Other reserve	Convertible bonds	Retained earnings	Exchange fluctuation reserve	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017 (audited)	36,157,089	(93,008)	(443,540)	6,359,899	7,567,180	2,278,620	68,674	41,481,920	(1,009,835)	92,366,999	30,506,829	122,873,828
Total comprehensive income/(loss) for the Period	—	—	—	—	1,852,078	(739,845)	—	5,864,471	785,560	7,762,264	3,039,866	10,802,130
Acquisition of subsidiaries (note 16(a))	—	—	—	—	—	—	—	—	—	—	64,719	64,719
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(916,507)	(916,507)
Transfer from retained profits	—	—	—	805,851	—	—	—	(805,851)	—	—	—	—
Disposal of subsidiaries (note 16(b))	—	—	—	—	—	—	—	—	—	—	3,136	3,136
Conversion of convertible bonds to ordinary shares (note 13)	85,622	—	—	—	—	—	(15,445)	—	—	70,177	—	70,177
Final dividend declared	—	—	—	—	—	—	—	(1,613,959)	—	(1,613,959)	—	(1,613,959)
Share of other reserve of associates	—	—	—	—	—	(44,423)	—	—	—	(44,423)	(44,832)	(89,255)
Share of other reserve of joint ventures	—	—	—	—	—	(69,451)	—	—	—	(69,451)	—	(69,451)
Acquisition of additional interests in subsidiaries	—	—	—	—	—	(256,460)	—	—	—	(256,460)	(549,375)	(805,835)
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	281,634	281,634
Deemed disposal of partial interests in subsidiaries	—	—	—	—	—	832,770	—	—	—	832,770	2,014,568	2,847,338
Fair value adjustment on the stock redemption option granted to non-controlling shareholders of a subsidiary	—	—	—	—	—	(108,382)	—	—	—	(108,382)	(110,338)	(218,720)
Re-purchase of shares	—	—	—	—	—	—	—	(227,227)	—	(227,227)	—	(227,227)
Disposal of partial interests in a subsidiary without losing control	—	—	—	—	—	1,197	—	—	—	1,197	24	1,221
Equity-settled share-based payment of the Company**	51,018	(16,058)	—	—	—	9,933	—	—	—	44,893	—	44,893
Equity-settled share-based payment of a subsidiary	—	—	—	—	—	1,951	—	—	—	1,951	3,227	5,178
At 30 June 2017 (unaudited)	36,293,729	(109,066)	(443,540)*	7,165,750*	9,419,258*	1,905,910*	53,229	44,699,354*	(224,275)*	98,760,349	34,292,951	133,053,300

\* These reserve accounts comprise the consolidated other reserves of RMB62,522,457,000 (31 December 2016: RMB56,234,244,000) in the interim condensed consolidated statement of financial position.

\*\* According to the share award scheme announced by the Company, the Company issued and the employee benefit trust established by the Company allotted 4,605,200 new shares which were awarded to selected participants and will be vested based on certain vesting conditions. During the Period, 2,945,250 shares were vested.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the parent										
	Issued capital	Treasury shares	Other deficits	Statutory surplus reserve	Available-for-sale investment revaluation reserve	Other reserve	Convertible bonds	Retained earnings	Exchange fluctuation reserve	Total	Non-controlling interests
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016 (as previously reported)	36,046,143	—	(443,540)	4,641,387	435,425	1,578,712	68,674	34,381,707	(1,455,999)	75,252,509	22,901,566
Retrospective adjustments of business combination under common control	—	—	—	—	7,644	520,000	—	(35,844)	—	491,800	907,260
At 1 January 2016 (as restated)	36,046,143	—	(443,540)	4,641,387	443,069	2,098,712	68,674	34,345,863	(1,455,999)	75,744,309	23,808,826
Total comprehensive income/(loss) for the Period	—	—	—	—	3,707,236	(33,260)	—	4,390,640	450,473	8,515,089	2,514,534
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	25,049
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	749,763
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(583,079)
Transfer from retained profits	—	—	—	1,394,865	—	—	—	(1,394,865)	—	—	—
Final dividend declared	—	—	—	—	—	—	—	(1,226,568)	—	(1,226,568)	—
Share of other reserve of associates	—	—	—	—	—	(18,884)	—	—	—	(18,884)	(45,292)
Acquisition of additional interests in subsidiaries	—	—	—	—	—	(94,664)	—	219,948	—	125,284	(286,413)
Business combination under common control	—	—	—	—	—	(582,000)	—	—	—	(582,000)	—
Deemed disposal of partial interests in a subsidiary	—	—	—	—	—	81,449	—	—	—	81,449	(81,449)
Fair value adjustment on the stock redemption option granted to non-controlling shareholders of a subsidiary	—	—	—	—	—	16	—	—	—	16	(2,853)
Re-purchase of shares	—	—	—	—	—	—	—	(23,419)	—	(23,419)	—
Share issue expenses	(2,555)	—	—	—	—	—	—	—	—	(2,555)	—
Equity-settled share-based payment of the Company**	111,501	(92,125)	—	—	—	19,108	—	—	—	38,484	—
Equity-settled share-based payment of a subsidiary	—	—	—	—	—	5,308	—	—	—	5,308	7,993
At 30 June 2016 (unaudited)	36,155,089	(92,125)	(443,540)*	6,036,252*	4,150,305*	1,475,785*	68,674	36,311,599*	(1,005,526)*	82,656,513	26,107,079

\* These reserve accounts comprise the consolidated other reserves of RMB46,524,875,000 in the interim condensed consolidated statement of financial position.

\*\* According to the share award scheme announced by the Company, the Company issued and the employee benefit trust established by the Company allotted 9,770,000 new shares which were awarded to selected participants and will be vested based on certain vesting conditions. During the Period, 1,438,800 shares were vested.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

		For the six months ended 30 June	
	Notes	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations		11,549,380	6,330,605
Tax paid		(2,040,440)	(1,990,016)
<b>NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES</b>		<b>9,508,940</b>	<b>4,340,589</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of items of property, plant and equipment, prepaid land lease payments, intangible assets, exploration and evaluation assets and oil and gas assets		(3,082,021)	(2,044,109)
Increase of investment properties		(453,563)	(2,908,335)
Purchase of available-for-sale investments and investments at fair value through profit or loss		(98,997,488)	(36,399,607)
Proceeds from disposal of available-for-sale investments and investments at fair value through profit or loss		91,507,817	27,978,864
Proceeds from disposal of items of property, plant and equipment, intangible assets, prepaid land lease payments, investment properties and oil and gas assets		226,988	250,983
Disposal of subsidiaries	16(b)	18,550,315	143,756
Disposal of partial interests in a subsidiary		1,221	—
Proceeds from disposal or partial disposal of associates and joint ventures		799,257	941,167
Acquisition of subsidiaries	16(a)	160,861	(213,628)
Acquisition and establishment of associates and joint ventures		(5,052,691)	(1,542,240)
Dividends and interests received from available-for-sale investments, investments at fair value through profit or loss, associates and joint ventures		2,568,228	2,967,707
Shareholder loans (provide to)/received from joint ventures and associates		(741,772)	50,585
Increase in pledged bank balances and time deposits with original maturity of more than three months		(738,782)	(3,526,790)
Prepayments for proposed acquisitions		(1,003,155)	(508,408)
Interest received		194,544	153,379
<b>NET CASH FLOWS GENERATED FROM /(USED IN) INVESTING ACTIVITIES</b>		<b>3,939,759</b>	<b>(14,656,676)</b>



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital contribution from non-controlling shareholders of subsidiaries	3,128,972	749,763
New bank and other borrowings	52,899,653	36,483,869
Repayment of bank and other borrowings	(37,708,565)	(32,221,365)
Dividends paid to non-controlling shareholders of subsidiaries	(775,100)	(583,079)
Acquisition of additional interests in subsidiaries	(799,768)	(300,650)
Interest paid	(2,865,977)	(2,894,570)
Dividends paid to shareholder	(633,325)	(558,432)
Deemed distribution to the ultimate shareholder	—	(582,000)
Re-purchase of shares	(227,227)	(23,419)
Others	50,353	39,007
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>13,069,016</b>	<b>109,124</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>26,517,715</b>	<b>(10,206,963)</b>
Cash and cash equivalents at beginning of the Period	38,705,283	38,572,210
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>65,222,998</b>	<b>28,365,247</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:</b>		
<b>CASH AND BANK BALANCES AT END OF THE PERIOD</b>	<b>78,241,628</b>	<b>41,195,825</b>
Less: Pledged bank balances and term deposits with original maturity of more than three months	(11,236,034)	(11,158,122)
Required reserve deposits	(313,242)	(263,580)
Restricted presale proceeds of properties	(1,472,432)	(1,598,078)
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>65,219,920</b>	<b>28,176,045</b>
Cash and bank attributable to assets of a disposal group classified as held for sale	3,078	189,202
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>65,222,998</b>	<b>28,365,247</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 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 businesses of the Company and its subsidiaries (collectively referred to as the "Group") include health ecosystem, happiness ecosystem and wealth ecosystem. The wealth ecosystem includes the three major segments: insurance and finance, investment and hive property.

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 ultimate controlling shareholder is Mr. Guo Guangchang.

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 CHANGES TO THE GROUP'S 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 2017 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months ended 30 June 2017 (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 2016.

### 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 2016, except for the adoption of new standards and amendments effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2017, they do not have a material impact on 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 is described below:

#### **Amendments to HKFRS 7 *Statement of Cash Flows: Disclosure Initiative***

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

## 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(Continued)*

### 2.2 New standards, interpretations and amendments adopted by the Group *(Continued)*

#### **Amendments to HKAS 12 Income Taxes: *Recognition of Deferred Tax Assets for Unrealised Losses***

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The amendments do not have any significant impact on the Group.

#### **Annual Improvements Cycle - 2014-2016**

#### **Amendments to HKFRS 12 Disclosure of Interests in Other Entities: *Clarification of the scope of disclosure requirements in HKFRS 12***

The amendments clarify that the disclosure requirements in HKFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The amendments do not have any significant impact on the Group.

## 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 five reportable operating segments as follows:

- (i) Health ecosystem segment engages in the research and development, manufacturing, sale and trading of pharmaceutical and health products and providing medical services;
- (ii) Happiness ecosystem segment comprises principally the operation and investments in tourism and leisure, consumer and lifestyle industries;
- (iii) Insurance and finance segment mainly engages in the operation of and investment in the insurance businesses, banking and other financial businesses;
- (iv) Investment segment comprises, principally, the primary investments, secondary market investments, and investments in asset management companies and other companies of the Group; and
- (v) Hive property segment engages in the development and operation of the hive city properties.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 4. OPERATING SEGMENT INFORMATION (Continued)

Insurance and finance segment, investment segment and hive property segment listed above all belong to wealth ecosystem sector of the Group.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. During the Period, as the management changes the structure of the Group's internal organisation to match its business development strategy in a manner that causes to change the Group's composition of its reportable segments, some entities within the Group were re-allocated 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.

Inter-segment sales and transfers are transacted with reference to the fair selling prices used for sales made to third parties at the then prevailing market prices.

#### Six months ended 30 June 2017 (unaudited)

	Health ecosystem	Happiness ecosystem	Wealth ecosystem				Total
	RMB'000	RMB'000	Insurance and finance RMB'000	Investment RMB'000	Hive property RMB'000	Eliminations RMB'000	RMB'000
<b>Segment revenue:</b>							
Sales to external customers	10,066,451	6,525,746	14,220,371*	1,721,246	3,738,950	—	36,272,764
Inter-segment sales	228,178	—	66,512	—	9,758	(304,448)	—
<b>Total revenue</b>	<b>10,294,629</b>	<b>6,525,746</b>	<b>14,286,883</b>	<b>1,721,246</b>	<b>3,748,708</b>	<b>(304,448)</b>	<b>36,272,764</b>
<b>Segment results</b>	<b>2,563,791</b>	<b>678,882</b>	<b>2,201,834</b>	<b>3,527,415</b>	<b>1,276,475</b>	<b>(1,417)</b>	<b>10,246,980</b>
Unallocated expenses							(943,560)
Profit before tax	2,563,791	678,882	2,201,834	3,527,415	1,276,475	(1,417)	9,303,420
Tax	(276,797)	(64,135)	(286,020)	(407,279)	(672,333)	(1,743)	(1,708,307)
<b>Profit for the Period</b>	<b>2,286,994</b>	<b>614,747</b>	<b>1,915,814</b>	<b>3,120,136</b>	<b>604,142</b>	<b>(3,160)</b>	<b>7,595,113</b>
<b>Other segment information:</b>							
Interest and dividend income	59,370	6,451	1,629,994	524,301	53,093	(55,704)	2,217,505
Other income and gains (excluding interest and dividend income)	790,781	618,493	2,607,933	3,682,833	1,138,997	1,013	8,840,050
Impairment losses recognised in the statement of profit or loss, net	(53,520)	(4,016)	(549,729)	(413,329)	(58,798)	—	(1,079,392)
Finance costs	(293,039)	(30,280)	(112,112)	(1,976,919)	(381,762)	103,728	(2,690,384)
Share of profits and losses of							
– Joint ventures	(6,070)	(8,635)	(6,291)	605,367	340,452	—	924,823
– Associates	801,387	34,248	726,870	51,573	117,431	(14,774)	1,716,735

**4. OPERATING SEGMENT INFORMATION** (Continued)**Six months ended 30 June 2016 (unaudited)**

	Health ecosystem	Happiness ecosystem	Wealth ecosystem			Eliminations	Total
	RMB'000	RMB'000	Insurance and finance RMB'000	Investment RMB'000	Hive property RMB'000	RMB'000	RMB'000
<b>Segment revenue:</b>							
Sales to external customers	8,649,579	5,809,880	13,109,126*	758,320	4,178,079	—	32,504,984
Inter-segment sales	104,266	—	—	60,298	6,262	(170,826)	—
<b>Total revenue</b>	<b>8,753,845</b>	<b>5,809,880</b>	<b>13,109,126</b>	<b>818,618</b>	<b>4,184,341</b>	<b>(170,826)</b>	<b>32,504,984</b>
<b>Segment results</b>	<b>2,043,033</b>	<b>530,227</b>	<b>1,334,141</b>	<b>2,946,614</b>	<b>987,760</b>	<b>(18,222)</b>	<b>7,823,553</b>
Unallocated expenses							(906,212)
Profit before tax	2,043,033	530,227	1,334,141	2,946,614	987,760	(18,222)	6,917,341
Tax	(202,834)	(86,748)	(190,200)	(321,005)	(529,768)	(12,966)	(1,343,521)
<b>Profit for the Period</b>	<b>1,840,199</b>	<b>443,479</b>	<b>1,143,941</b>	<b>2,625,609</b>	<b>457,992</b>	<b>(31,188)</b>	<b>5,573,820</b>
<b>Other segment information:</b>							
Interest and dividend income	39,389	12,363	1,805,106	328,809	51,698	(164,933)	2,072,432
Other income and gains (excluding interest and dividend income)	454,308	283,300	1,807,833	6,149,529	1,018,875	(517,817)	9,196,028
Impairment losses recognised in the statement of profit or loss, net	(22,566)	7,809	(729,270)	(926,121)	19,317	—	(1,650,831)
Finance costs	(259,965)	(15,466)	(90,009)	(1,616,327)	(418,664)	150,382	(2,250,049)
Share of profits and losses of – Joint ventures	774	(4,106)	(41,051)	86,945	111,641	—	154,203
– Associates	743,672	4,182	127,709	91,271	54,870	(45,964)	975,740

\* The sales to external customers of insurance and finance segment can be further analysed as follows:

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue from insurance business:		
Gross premiums written	16,860,918	17,815,489
Less: Premiums ceded to reinsurers and retrocessionaires	(3,054,014)	(3,821,124)
Net premiums written	13,806,904	13,994,365
Change in unearned premium provisions, net of reinsurance	(337,796)	(900,197)
Net earned premiums	13,469,108	13,094,168
Revenue from banking and other financial business	751,263	14,958
	14,220,371	13,109,126

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 4. OPERATING SEGMENT INFORMATION (Continued)

Total segment assets and liabilities as at 30 June 2017 and 31 December 2016 are as follows:

#### Segment assets:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Health ecosystem	66,074,017	58,118,752
Happiness ecosystem	37,009,928	29,685,728
Wealth ecosystem		
Insurance and finance	213,810,500	240,954,187
Investment	81,552,590	69,815,499
Hive property	112,819,700	100,266,591
Eliminations*	(10,179,293)	(12,061,281)
Total consolidated assets	501,087,442	486,779,476

#### Segment liabilities:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Health ecosystem	26,677,139	21,582,284
Happiness ecosystem	17,348,111	12,348,982
Wealth ecosystem		
Insurance and finance	164,569,911	186,039,633
Investment	98,974,883	93,037,485
Hive property	81,223,858	69,903,420
Eliminations*	(20,759,760)	(19,006,156)
Total consolidated liabilities	368,034,142	363,905,648

\* Inter-segment loans and other balances are eliminated on consolidation.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 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	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Other income</b>		
Interest income	230,688	153,379
Dividends and interests from available-for-sale investments	1,783,862	1,687,154
Dividends from investments at fair value through profit or loss	202,956	231,899
Rental income	322,021	252,189
Government grants	86,381	103,332
Consultancy and other service income	81,909	142,436
Fee income relating to investment contracts	345,148	301,568
Others	476,583	308,772
	<b>3,529,548</b>	<b>3,180,729</b>
	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Gains</b>		
Gain on disposal of subsidiaries (note 16(b))	2,094,484	6,630
Gain on deemed disposal of associates	—	4,673,019
Gain on disposal of associates	226,519	296,129
Gain on disposal of joint ventures	276,206	—
Gain on disposal of property, plant and equipment	17,753	—
Gain on disposal of available-for-sale investments	1,950,256	1,995,951
Gain on disposal of investments at fair value through profit or loss	—	874
Gain on fair value adjustment of investment properties	581,947	1,101,126
Gain on fair value adjustment of investments at fair value through profit or loss	57,132	—
Gain on fair value adjustment of derivative financial instruments	890,993	4,620
Gain on fair value adjustment of financial liabilities designated at fair value through profit or loss	—	9,382
Gain on bargain purchase of associates	1,109,927	—
Gain on reversal of impairment of insurance and reinsurance debtors	15,697	—
Exchange gains, net	113,189	—
Reclassification of available-for-sale revaluation reserve from other comprehensive income to profit or loss upon disposal of a subsidiary	173,092	—
Reclassification of translation reserve from other comprehensive income to profit or loss upon disposal of a subsidiary	20,812	—
	<b>7,528,007</b>	<b>8,087,731</b>
Other income and gains	<b>11,057,555</b>	<b>11,268,460</b>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 6. FINANCE COSTS

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Total interest expenses	2,851,331	2,743,730
Less: Interest capitalized, in respect of bank and other borrowings	(362,460)	(618,337)
Interest expenses, net	2,488,871	2,125,393
Bank charges and other finance costs	201,513	124,656
Total finance costs	2,690,384	2,250,049

### 7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of sales	22,627,044	21,049,941
Depreciation of items of property, plant and equipment	863,339	776,217
Amortisation of:		
Prepaid land lease payments	25,113	23,545
Mining rights	17,729	8,772
Intangible assets	229,336	782,130
Oil and gas assets	165,848	185,664
Provision/(reversal) for impairment of:		
Trade and other receivables	126,440	(6,206)
Inventories	39,120	25,863
Completed properties for sale	(52,996)	(5,995)
Available-for-sale investments	779,508	1,395,660
Goodwill	122,959	—
Loans and advances to customers	64,361	—
Investments in associates	—	237,699
Insurance and reinsurance debtors	(15,697)	3,810
(Gain)/loss on fair value adjustment of investments at fair value through profit or loss	(57,132)	347,684
Exchange (gains)/losses, net	(113,189)	347,909

## 8. TAX

The major components of tax expenses for the six months ended 30 June 2017 and 2016 are as follows:

	Notes	For the six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Current – Portugal, Hong Kong and others	(1)	677,087	626,190
Current – Mainland China			
– Income tax in Mainland China for the Period	(2)	535,614	594,441
– LAT in Mainland China for the Period	(3)	266,627	115,381
Deferred		228,979	7,509
<b>Tax expenses for the Period</b>		<b>1,708,307</b>	<b>1,343,521</b>

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 2016: 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 Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharma") incorporated in Israel, is based on a preferential rate of 16% (six months period ended 30 June 2016: 16%).

The provision of income tax of Fidelidade - Companhia de Seguros, S.A., Multicare - Seguros de Saúde, S.A. and Fidelidade Assistência - Companhia de Seguros, S.A., subsidiaries incorporated in Portugal acquired by the Group in 2014, is based on a rate of 29.5% (six months period ended 30 June 2016: 29.5%).

The provision for income tax of Meadowbrook Insurance Group, Inc. and its subsidiaries incorporated in the United States acquired by the Group in 2015, is based on a rate of 35% (six months period ended 30 June 2016: 35%).

The provision for income tax of Club Med Holding and its subsidiaries incorporated in France acquired by the Group in 2015, is based on a rate of 38% (six months period ended 30 June 2016: 38%).

The provision for income tax of Hauck & Aufhäuser Privatbankiers AG (Hauck & Aufhäuser) and its subsidiaries incorporated in Germany acquired by the Group in September 2016, is based on a rate of 32.175%.

- (2) The provision for Mainland China current income tax is based on a statutory rate of 25% (six months ended 30 June 2016: 25%) of the assessable profits of the Group as determined in accordance with the Enterprise Income Tax Law of the PRC 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%.

- (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 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 Period, the prepaid LAT of the Group amounted to RMB437,063,000 (six months ended 30 June 2016: RMB77,090,000). In addition, based on the latest understanding of the LAT regulations from the State Administrative of Taxation, the Group made an additional LAT provision in the amount of RMB80,126,000 (six months ended 30 June 2016: RMB71,478,000) in respect of the sales of properties up to 30 June 2017 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 RMB250,562,000 (six months ended 30 June 2016: RMB33,187,000) was reversed to the interim condensed 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.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 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 8,578,900,943 (six months ended 30 June 2016: 8,603,950,710 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 cash dividends distributed to share award scheme and 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, plus the weighted average number of ordinary shares assumed to have been issued on the deemed vesting 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	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	5,864,471	4,390,640
Less: cash dividends distributed to share award scheme	(1,877)	(1,398)
Adjusted profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	5,862,594	4,389,242
Interest on convertible bonds	12,704	11,783
Cash dividends distributed to share award scheme	1,877	1,398
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	5,877,175	4,402,423
	Number of shares For the six months ended 30 June	
	2017	2016
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the Period used in the basic earnings per share calculation	8,578,900,943	8,603,950,710
Effect of dilution – weighted average number of ordinary shares:		
– Share award scheme	4,364,547	4,742,154
– Share option scheme	4,123,876	—
– Convertible bonds	35,664,088	36,900,000
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	8,623,053,454	8,645,592,864
Basic earnings per share (RMB)	0.68	0.51
Diluted earnings per share (RMB)	0.68	0.51

**10. PROPERTY, PLANT AND EQUIPMENT**

	<b>RMB'000</b>
Carrying value at beginning of the Period (audited)	20,672,028
Additions	1,796,930
Transfer to investment properties	(3,542)
Acquisition of subsidiaries (note 16(a))	86,514
Disposal of subsidiaries	(827)
Disposals	(80,142)
Depreciation charge for the Period	(863,339)
Included in assets of a disposal group held for sale	(645)
Exchange alignment	537,325
Carrying value at end of the Period (unaudited)	22,144,302

As at 30 June 2017, the Group's property, plant and equipment with a net carrying value of RMB2,744,720,000 (31 December 2016: RMB1,921,485,000) 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**

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Trade receivables	<b>4,200,350</b>	3,694,175
Notes receivable	<b>631,980</b>	627,558
	<b>4,832,330</b>	4,321,733

An aged analysis of trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Outstanding balances with ages:		
Within 90 days	<b>2,844,281</b>	2,552,417
91 - 180 days	<b>754,669</b>	537,061
181 - 365 days	<b>366,312</b>	592,950
1 - 2 years	<b>368,657</b>	112,707
2 - 3 years	<b>44,751</b>	62,974
Over 3 years	<b>71,800</b>	32,532
	<b>4,450,470</b>	3,890,641
Less: Provision for impairment of trade receivables	<b>(250,120)</b>	(196,466)
	<b>4,200,350</b>	3,694,175

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 11. TRADE AND NOTES RECEIVABLES (Continued)

Trade and notes receivables of the Group mainly arose from the health ecosystem segment and hive property segment. Credit terms granted to the Group's customers are as follows:

	Credit terms
Health ecosystem segment	90 to 180 days
Hive property segment	30 to 360 days

No trade and notes receivables are pledged to secure bank loans as of 30 June 2017 (31 December 2016: RMB255,216,000).

### 12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Bank loans:	(1)		
Guaranteed		3,442,435	3,729,760
Secured		26,186,540	35,881,524
Unsecured		46,389,418	35,328,083
		76,018,393	74,939,367
Corporate bonds and enterprise bonds	(2)	20,665,225	20,667,981
Private placement note	(3)	2,986,946	1,990,046
Private placement bond	(4)	5,988,829	2,986,689
Senior notes	(5)	18,397,123	11,520,603
Medium-term notes	(6)	4,394,179	4,389,895
Super & short-term commercial papers	(7)	4,060,761	2,005,397
Other borrowings, secured	(8)	2,520,168	4,107,492
Other borrowings, unsecured	(8)	6,023,379	3,361,571
Total		141,055,003	125,969,041
Portion classified as:			
Current		52,645,638	43,874,088
Non-current		88,409,365	82,094,953
Total		141,055,003	125,969,041



**12. INTEREST-BEARING BANK AND OTHER BORROWINGS** (Continued)

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 RMB193,294,000 (31 December 2016: RMB137,833,000), construction in progress to RMB2,551,426,000 (31 December 2016: RMB1,783,652,000), investment properties amounting to RMB6,919,849,000 (31 December 2016: RMB8,769,265,000), prepaid land lease payments amounting to RMB890,242,000 (31 December 2016: RMB1,098,517,000), properties under development amounting to RMB14,352,729,000 (31 December 2016: RMB14,488,486,000), completed properties for sale amounting to RMB1,300,674,000 (31 December 2016: RMB3,452,109,000), no trade and notes receivables was pledged as the date of 30 June 2017 (31 December 2016: RMB255,216,000), inventory amounting to RMB101,075,000 (no inventory pledged in 2016), finance lease receivables amounting to RMB906,604,000 (2016: RMB562,857,000), equity investment at fair value through profit or loss amounting to RMB1,110,385,000 (31 December 2016: RMB940,778,000), investments in associates amounting to RMB8,478,000 (31 December 2016: RMB10,376,000), no investment in a joint venture amounting was pledged as the date of 30 June 2017 (2016: RMB500,920,000) investments in available-for-sale entities amounting to RMB5,345,274,000 (31 December 2016: RMB5,365,658,000), and investments in subsidiaries.

Bank balances amounting to RMB305,427,000 (31 December 2016: RMB352,478,000) were pledged to secure the interest-bearing bank and other borrowings.

The Group's interest-bearing bank and other borrowings amounting to RMB3,251,712,000 (31 December 2016: RMB3,329,760,000) were guaranteed by Fosun Holdings Limited which is the holding company of the Group, and RMB190,723,000 (31 December 2016: RMB400,000,000) were guaranteed by management of Hainan Mining Co., Ltd. ("Hainan Mining") which is the subsidiary of the Group.

The bank loans bear interest at rates ranging from 0.64% to 6.65% (31 December 2016: 0.13% to 6.65%) per annum.

- (2) Corporate bonds and enterprise bonds

On 24 December 2010, Shanghai Fosun High Technology (Group) Co., Ltd. ("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 20 November 2015, Forte issued five-year domestic corporate bonds with a par value of RMB4,000,000,000 and an effective interest rate of 4.39% per annum. The interest is paid annually in arrears and the maturity date is 20 November 2020.

On 17 December 2015, Eynsford Tokutei Mokuteki Kaisha, an indirect subsidiary of Fosun Property Holdings Limited, issued five-year corporate bonds with a par value of JPY1,000,000,000 and an interest rate of 3 month Tokyo Interbank Offered Rate plus 5.30% per annum. The interest will be paid quarterly in arrears since April 2016. The principal amount of the corporate bonds will be repaid by instalments and the final maturity date is 17 December 2020.

On 21 January 2016, Fosun Group issued five-year domestic corporate bonds with a par value of RMB4,000,000,000 and an effective interest rate of 3.89% per annum. The interest is paid annually in arrears and the maturity date is 21 January 2021.

On 4 March 2016, Fosun Pharma issued five-year domestic corporate bonds with a par value of RMB3,000,000,000 and an effective interest rate of 3.46% per annum. The interest is paid annually in arrears and the maturity date is 4 March 2021.

On 21 March 2016, Forte issued three-year domestic corporate bonds with a par value of RMB1,000,000,000 and an effective interest rate of 3.76% per annum. The interest is paid annually in arrears and the maturity date is 21 March 2019.

On 14 April 2016, Fosun Group issued five-year domestic corporate bonds with a par value of RMB1,600,000,000 and an effective interest rate of 3.81% per annum. The interest is paid annually in arrears and the maturity date is 14 April 2021.

On 26 May 2016, Fosun Group issued five-year domestic corporate bonds with a par value of RMB4,400,000,000 and an effective interest rate of 3.87% per annum. The interest is paid annually in arrears and the maturity date is 26 May 2021.

On 30 August 2016, Hainan Mining issued five-year domestic corporate bonds with a par value of RMB106,000,000 and an effective interest rate of 5.65% per annum. The interest is paid annually in arrears and the maturity date is 30 August 2021.

On 14 March 2017, Fosun Pharma issued five-year domestic corporate bonds with a par value of RMB1,250,000,000 and an effective interest rate of 4.66% per annum. The interest is paid annually in arrears and the maturity date is 14 March 2022.

On 24 March 2017, Hainan Mining issued five-year domestic corporate bonds with a par value of RMB200,000,000 and an effective interest rate of 6.50% per annum. The interest is paid annually in arrears and the maturity date is 27 March 2022.

On 3 April 2017, Tekapo TMK, a subsidiary of Fosun Management Holdings Limited, issued five-year corporate bonds with a par value of JPY700,000,000 and an effective interest rate of 2.02% per annum. The interest will be paid quarterly in arrears since April 2017. The final maturity date is 3 April 2022.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 12. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes *(Continued)*:

(3) Private placement note

On 3 April 2015, Fosun Group issued three-year private placement notes with a par value of RMB1,000,000,000 and the effective interest rate is 5.82% per annum. The interest will be paid annually in arrears and the maturity date is 3 April 2018.

On 18 November 2016, Fosun Group issued three-year private placement notes with a par value of RMB1,000,000,000 and the effective interest rate is 3.91% per annum. The interest is paid annually in arrears and the maturity date which is 18 November 2019.

On 17 March 2017, Fosun Group issued three-year private placement notes with a par value of RMB1,000,000,000 and the effective interest rate is 5.41% per annum. The interest is period annually in arrears and the maturity date which is 17 March 2020.

(4) Private placement bond

On 24 August 2016, Forte issued three-year private placement bonds with a par value of RMB3,000,000,000 and the effective interest rate is 4.56% per annum. The interest is paid annually in arrears and the maturity date which is 24 August 2019.

On 2 May 2017, Forte issued three-year private placement bonds with a par value of RMB3,000,000,000 and the effective interest rate is 6.66% per annum. The interest is paid annually in arrears and the maturity date which is 2 May 2020.

(5) Senior notes

In 2015, eight-year senior notes with a par value of EUR672,000,000 and an effective interest rate of 3.31% per annum issued by Xingtao Assets Limited, a direct subsidiary of Fosun Industrial Holdings Limited, were purchased by third party investors. The interest will be paid annually in arrears and the maturity date is 9 October 2022.

On 17 August 2016, three tranches of seven-year senior notes with the par values of USD180,000,000, USD120,000,000 and USD255,000,000 and the effective interest rates of 5.603%, 5.599% and 5.41% respectively issued by Wealth Driven Limited, a subsidiary of Fosun Industrial Holdings Limited, were purchased by third party investors. The interest is paid annually in arrears and the maturity date is 17 August 2023.

On 23 March 2017, Fortune Star, a subsidiary of Fosun Industrial Holdings Limited, issued two tranches of five-year senior notes with the par values of USD800,000,000 and USD600,000,000 and the effective interest rates of 5.33% and 5.04%, respectively. Among these, senior notes with the par values of USD1,390,000,000 were purchased by third party investors. The interest is paid semi-annually in arrears and the maturity date is 23 March 2022.

(6) Medium-term notes

On 24 October 2014, Fosun Group issued three-year medium-term notes with a par value of RMB2,000,000,000 and an effective interest rate of 5.26% per annum. The interest is paid annually in arrears and the maturity date is 24 October 2017.

On 5 March 2015, Fosun Group issued three-year medium-term notes with a par value of RMB2,000,000,000 and an effective interest rate of 5.21% per annum. The interest is paid annually in arrears and the maturity date is 5 March 2018.

On 10 September 2015, Fosun Pharma issued three-year medium-term notes with a par value of RMB400,000,000 and an effective interest rate of 4.05% per annum. The interest is paid annually in arrears and the maturity date is 10 September 2018.

(7) Super & short-term commercial papers

On 24 October 2016, Fosun Group issued super & short-term commercial paper with a par value of RMB1,500,000,000 and an effective interest rate of 3.21% per annum. The interest is payable at the maturity date is 21 July 2017.

On 9 March 2017, Fosun Group issued super & short-term commercial paper with a par value of RMB2,500,000,000 and an effective interest rate of 4.62% per annum. The interest is payable at the maturity date is 5 September 2017.

(8) The other borrowings represent borrowings from third parties, which bear interest at rates ranging from 1.76% to 8.5% (31 December 2016: 1.13% to 8.5%) per annum.

### 13. CONVERTIBLE BONDS

Logo Star Limited, an indirect wholly owned subsidiary of the Company issued convertible bonds in the principal amount of HKD3,875,000,000 (equivalent 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 22 May and 22 November in each year. The Convertible Bonds will mature on 22 November 2018.

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.

As at 30 June 2017, there are 28,600,000 convertible bonds with the principal amount of HKD286,000,000 still outstanding and the movement of the liability component is as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Liabilities component at the beginning of the Period (audited)	307,730	268,983
Interest expense	12,704	24,420
Interest paid	(2,441)	(17,627)
Conversion into equity	(70,177)	—
Exchange realignment	(8,055)	31,954
Liability component	239,761	307,730

The effective interest rate of the liability component is 8.93% per annum.

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### 14. TRADE AND NOTES PAYABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade payables	9,289,199	9,348,109
Notes payable	155,564	221,830
	9,444,763	9,569,939

An aged analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Outstanding balances with ages:		
Within 90 days	2,689,652	2,196,510
91 to 180 days	569,713	1,319,954
181 to 365 days	1,721,113	2,134,960
1 to 2 years	2,113,934	2,070,265
2 to 3 years	820,776	288,259
Over 3 years	1,374,011	1,338,161
	9,289,199	9,348,109

### 15. DIVIDENDS

The directors did not recommend the payment of an interim dividend in respect of the Period (six months ended 30 June 2016: Nil).

The proposed final dividend of HKD0.21 per ordinary share for the year ended 31 December 2016 was declared payable and approved by the shareholders at the annual general meeting of the Company on 6 June 2017.

## 16. 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:

In March 2017, Fosun Medical Holdings AB, a subsidiary of the Group, acquired 80% equity interests in Breas Medical Holdings AB at a consideration of USD84,670,000 (equivalent to RMB585,003,000). The acquisition was undertaken to further develop the health business of the Group.

The Group has elected to measure the non-controlling interests in all the subsidiaries acquired during the period at the non-controlling interest's proportionate share of the acquired subsidiary's identifiable net assets.

The 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)	86,514
Intangible assets	146,512
Prepaid land lease payments	2,534
Deferred tax assets	4,528
Cash and bank	1,606,221
Trade and notes receivables	78,209
Due from related companies	299,969
Prepayments, deposits and other receivables	148,176
Inventories	71,249
Properties under development	3,899,674
Interest-bearing bank and other borrowings	(1,066,744)
Trade and notes payables	(538,320)
Accrued liabilities and other payables	(2,393,575)
Due to related companies	(1,854,188)
Deferred tax liabilities	(37,277)
Total identifiable net assets at fair values	453,482
Non-controlling interests	(64,719)
Total net assets acquired	388,763
Goodwill on acquisition	543,765
	932,528
Satisfied by:	
Cash consideration paid	808,522
Investments in joint ventures	111,655
Cash consideration unpaid	12,351
	932,528

## 16. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

### (a) Acquisition of subsidiaries *(Continued)*

#### (i) Acquisition of subsidiaries accounted for as business combination *(Continued)*

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 RMB4,142,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses in the interim condensed consolidated statement of profit or loss.

None of the goodwill recognised is expected to be deductible for income tax purposes.

#### (ii) An analysis of the cash flows in respect of the acquisitions of subsidiaries is as follows:

	RMB'000 (Unaudited)
Consideration settled by cash	(808,522)
Cash consideration already paid in the prior year	54,078
Cash and bank balances acquired	1,030,734
Payment of unpaid cash consideration as at 31 December 2016	(115,429)
Net inflow of cash and cash equivalents included in cash flows from investing activities	160,861
Transaction costs of the acquisitions included in cash flows from operating activities	(4,142)
	156,719

### (b) Disposal of subsidiaries

The major disposal during the Period is set out as follows:

In May 2017, Mettlesome Investments (HK) Limited and Mettlesome Investments (Cayman) III Limited, subsidiaries of the Group, completed the disposal transaction of 100% equity interests in Ironshore Inc. ("Ironshore") at a consideration of USD2,935,288,000 (equivalent to RMB20,233,234,000). As at 31 December 2016, the carrying amounts of the assets and liabilities of Ironshore were classified as held for sale in the consolidated statement of financial position.



**16. 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 Period were as follows:

	30 June 2017 RMB'000 (Unaudited)
Net assets disposed of:	
Property, plant and equipment	359,696
Intangible asset	3,218,952
Goodwill	1,720,080
Investments in associates	13,304
Available-for-sale investments	34,195,225
Deferred tax assets	558,134
Properties under development	445,954
Completed properties for sale	59,636
Cash and bank	3,186,990
Investments at fair value through profit or loss	1,016,512
Trade and notes receivables	49,582
Prepayments, deposits and other receivables	1,238,855
Inventories	111,402
Insurance and reinsurance debtors	3,983,509
Reinsurers' share of insurance contract provisions	9,828,183
Interest-bearing bank and other borrowings	(2,575,996)
Trade and notes payables	(155,082)
Accrued liabilities and other payables	(2,514,233)
Tax payable	(1,336)
Deferred tax liabilities	(278,699)
Insurance and reinsurance creditors	(1,709,144)
Unearned premium provisions	(8,178,953)
Provision for outstanding claims	(26,262,886)
Non-controlling interests	3,136
	18,312,821
Net gain on disposal of subsidiaries (notes 5)	2,094,484
	20,407,305

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## 16. 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:

	30 June 2017 RMB'000 (Unaudited)
Satisfied by:	
Cash	20,407,305
Cash consideration	20,407,305
Cash and cash equivalents disposed of	(3,186,990)
Receipt of unreceived cash consideration for disposal as at 31 December 2016	1,330,000
Net inflow of cash and cash equivalents included in cash flows from investing activities	18,550,315

## 17. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Contracted, but not provided for:		
In respect of:		
Buildings, plant and machinery	3,887,114	2,744,708
Properties under development	8,786,836	6,977,527
Investments	12,766,995	11,992,159
	25,440,945	21,714,394

The Group had the following credit commitments at the end of the reporting period:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Loan commitments		
with an original maturity of less than 1 year	4,142,690	4,048,856
with an original maturity of 1 year or over	4,009,351	296,000
Other	845,177	672,317
	8,997,218	5,017,173

**18. CONTINGENT LIABILITIES**

The Group had the following contingent liabilities:

		<b>30 June 2017 RMB'000 (Unaudited)</b>	<b>31 December 2016 RMB'000 (Audited)</b>
Principal amount of the guaranteed bank loans and corporate bonds of:			
Related parties		<b>2,837,749</b>	2,847,749
Third parties		<b>157,074</b>	87,071
Qualified buyers' mortgage loans	(1)	<b>2,834,898</b>	2,878,019
Guarantees given related to tourism industry	(2)	<b>811,476</b>	727,121
		<b>6,641,197</b>	6,539,960

- (1) As at 30 June 2017, the Group provided guarantees of approximately RMB2,834,898,000 (31 December 2016: RMB2,878,019,000) 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.

- (2) Guarantees given related to tourism industry are guarantees given by Club Med, a subsidiary of the Group, including guarantees in connection with travel and transport agent licenses, guarantees for credit card processors, rent guarantees and guarantees given related to development projects. Based on historical experience and information currently available, Club Med does not believe that they will be required to pay any amount under these guarantee arrangements. Therefore, Club Med has not recorded any liability beyond what is required in connection with these guarantee arrangements.
- (3) Owing to the nature of the insurance business, the insurance and finance segment of the Group is involved in legal proceedings in the ordinary course of its activity, including being the plaintiff or the defendant in litigation and arbitration proceedings. Most of such legal proceedings involve claims concerning insurance policies, which are already provisioned, and some additional losses arising therefrom will be indemnified either by reinsurers or by other recoveries, like salvages. Although the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the Group believes that any resulting liabilities will not have a material adverse effect on its financial position or operating results.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 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	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Associates, joint ventures and other related parties:		
Sales of pharmaceutical products	788,816	528,252
Purchase of pharmaceutical products	73,022	43,365
Sales of other products	29,505	22,025
Purchase of other products	3,749	—
Rental income	1,813	1,138
Service income	650	4,616
Interest income	11,172	35,380
Interest expense	5,393	8,123
Deposits from related companies	593,637	1,396,762
Bank loan guarantees provided	2,837,749	2,857,749
Bank loan guarantees received	3,251,712	1,326,240
Loan to related parties	1,165,674	1,781,000
Non-controlling shareholders of the subsidiaries of the Group:		
Rental fee	10,471	9,973

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	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Short-term employee benefits	32,265	38,246
Equity-settled share award scheme expense	6,481	7,803
Equity-settled share option scheme expense	12,411	10,743
Pension scheme contributions	208	168
	51,365	56,960

**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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
<b>Financial assets</b>				
Available-for-sale investments	125,438,096	118,565,218	125,438,096	118,565,218
Loans receivable	1,111,685	813,210	1,111,685	813,210
Investments at fair value through profit or loss	12,993,973	8,328,696	12,993,973	8,328,696
Loans and advances to customers	1,902,765	454,502	1,886,463	452,839
Policyholder account assets in respect of unit-linked contracts	3,327,048	3,166,145	3,327,048	3,166,145
Derivative financial instruments	1,242,306	825,034	1,242,306	825,034
	146,015,873	132,152,805	145,999,571	132,151,142
<b>Financial liabilities</b>				
Interest-bearing bank and other borrowings	88,409,365	82,094,953	87,873,932	81,295,369
Convertible bonds	239,761	307,730	302,395	368,033
Financial liabilities stated at fair value included in accrued liabilities and other payables	70,178	70,178	70,178	70,178
Financial liabilities included in other long term payables	3,309,215	3,272,219	3,309,215	3,272,219
Deposits from customers	178,089	68,715	174,938	66,051
Placements from banks and other financial institutions	—	3,707	—	3,707
Due to banks and other financial institutions	452,432	426,987	452,432	426,987
Financial liabilities for unit-linked contracts	3,327,048	3,166,145	3,327,048	3,166,145
Derivative financial instruments	1,208,767	1,307,990	1,208,767	1,307,990
	97,194,855	90,718,624	96,718,905	89,976,679

Management has assessed that the fair values of cash and bank, finance lease receivables, finance lease payables, placements with and loans to banks and other financial institutions, accounts payable to brokerage clients, trade and notes receivables, trade and notes payables, insurance and reinsurance debtors and creditors, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, the current portion of loans receivables, loans and advances to customers, interest-bearing bank and other borrowings, deposits from customers, placements from banks and other financial institutions, due to banks and other financial institutions, amounts due from related companies and amounts due to related companies and the holding company approximate to their carrying amounts largely due to the short-term maturities of these instruments.

## 20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

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 financial liabilities included in other long term payables, non-current portion of loans receivable, interest-bearing bank and other borrowings and convertible bonds 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 the non-current portion of amounts due to related companies, financial liabilities included in other long term payables, loans from related companies, finance lease payables and non-current portion of interest-bearing bank and other borrowings as at 30 June 2017 was assessed to be insignificant. The fair value of the convertible bonds and other listed bonds is based on the quoted market price which represents the fair value for both the liability and equity components of the convertible bonds and the fair values of listed bonds and senior notes are based on quoted market prices.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit ratings. Derivative financial instruments include interest rate swaps. As at 30 June 2017, 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 include the credit quality of counterparties and interest rate curves. The carrying amounts of interest rate swaps are the same as their fair values.

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 30 June 2017, the fair value 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 is 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 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 was RMB12,300,477,000 (31 December 2016: RMB9,610,214,000). All of them are unlisted equity investments held by the Group in China, North America, Europe and other countries, which are intended to be disposed of by the Group after getting listed on the designated stock exchanges in the future.

During the Period, the available-for-sale investments whose fair value could not be reliably measured with carrying amount of RMB4,255,268,000 were derecognised and the relevant gain on disposal amounted to RMB174,092,000 was recognized in the interim condensed 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 2017:

**Unobservable inputs and sensitivity analysis for Level 3 assets**

The financial assets measured at fair value held by Portuguese Insurance Group which were 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, the Group 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, the Group do not assess whether applying reasonably possible alternative assumptions would have an impact on the fair value of the Level 3 investment funds.

**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 2017 (unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	
Available-for-sale investments	76,845,441	43,817,533	4,775,122	125,438,096
Investments at fair value through profit or loss	9,575,034	3,392,060	26,879	12,993,973
Policyholder account assets in respect of unit-linked contracts	2,877,862	448,786	400	3,327,048
Derivative financial instruments	456,942	785,364	—	1,242,306
	89,755,279	48,443,743	4,802,401	143,001,423

**20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS** (Continued)**Fair value hierarchy** (Continued)**Assets measured at fair value:** (Continued)

As at 31 December 2016 (audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	
Available-for-sale investments	73,792,130	39,713,912	5,059,176	118,565,218
Investments at fair value through profit or loss	6,513,012	1,767,482	48,202	8,328,696
Policyholder account assets in respect of unit-linked contracts	2,733,629	432,002	514	3,166,145
Derivative financial instruments	235,521	589,513	—	825,034
	83,274,292	42,502,909	5,107,892	130,885,093

The movements in fair value measurements in Level 3 during the period/year are as follows:

	For the six months ended 30 June 2017 RMB'000	2016 RMB'000
At 1 January	5,107,892	13,738,708
Total losses recognised in the consolidated statement of profit or loss included in other expenses	(5,657)	(101,356)
Total gains recognised in other comprehensive income	54,596	444,254
Addition	245,130	1,608,108
Acquisition of subsidiaries	—	1,856,826
Disposals	(1,393,261)	(9,566,778)
Disposal of subsidiaries	—	(2,634,557)
Exchange realignment	793,701	(233,914)
Reclassification	—	(3,399)
	4,802,401	5,107,892

**20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS** (Continued)**Fair value hierarchy** (Continued)**Assets for which fair values are disclosed:**

As at 30 June 2017 (unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB'000	RMB'000	RMB'000	
Loans and advances to customers	—	—	1,886,463	1,886,463
Loans receivable	—	1,111,685	—	1,111,685
	—	1,111,685	1,886,463	2,998,148

As at 31 December 2016 (audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB'000	RMB'000	RMB'000	
Loans and advances to customers	—	—	452,839	452,839
Loans receivable	—	813,210	—	813,210
	—	813,210	452,839	1,266,049

**20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS** (Continued)**Fair value hierarchy** (Continued)**Liabilities measured at fair value:****As at 30 June 2017 (unaudited)**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB'000	RMB'000	RMB'000	
Financial liabilities stated at fair value included in accrued liabilities and other payables	—	—	70,178	70,178
Financial liabilities for unit-linked contracts	2,877,862	448,786	400	3,327,048
Financial liabilities included in other long term payables	—	—	218,424	218,424
Derivative financial instruments	24,664	1,184,103	—	1,208,767
	2,902,526	1,632,889	289,002	4,824,417

**As at 31 December 2016 (audited)**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB'000	RMB'000	RMB'000	
Financial liabilities stated at fair value included in accrued liabilities and other payables	—	—	70,178	70,178
Financial liabilities for unit-linked contracts	2,733,629	432,002	514	3,166,145
Derivative financial instruments	132,446	1,175,544	—	1,307,990
	2,866,075	1,607,546	70,692	4,544,313

**20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS** (Continued)**Fair value hierarchy** (Continued)**Liabilities measured at fair value:** (Continued)

The movements in fair value measurements in Level 3 during the period/year are as follows:

	For the six months ended 30 June 2017 RMB'000	2016 RMB'000
At 1 January	70,692	120,712
Total gains recognised in the consolidated statement of profit or loss	5	1,472
Addition	218,424	70,178
Disposals	(146)	(59,161)
Exchange realignment	27	1,951
Reclassification	—	(64,460)
	289,002	70,692

**Liabilities for which fair values are disclosed:**

As at 30 June 2017 (unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	
Interest-bearing bank and other borrowings	19,040,292	68,833,640	—	87,873,932
Convertible bonds	302,395	—	—	302,395
Deposits from customers	—	—	174,938	174,938
Due to banks and other financial institutions	—	—	452,432	452,432
Financial liabilities included in other long term payables	—	3,090,791	—	3,090,791
	19,342,687	71,924,431	627,370	91,894,488

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

#### Fair value hierarchy *(Continued)*

**Liabilities for which fair values are disclosed:** *(Continued)*

As at 31 December 2016 (audited)

	Fair value measurement using			Total RMB'000
	Quoted prices	Significant	Significant	
	in active	observable	unobservable	
	markets	inputs	inputs	
	Level 1	Level 2	Level 3	
	RMB'000	RMB'000	RMB'000	
Interest-bearing bank and other borrowings	23,787,659	57,507,710	—	81,295,369
Convertible bonds	368,033	—	—	368,033
Deposits from customers	—	—	66,051	66,051
Placements from banks and other financial institutions	—	—	3,707	3,707
Due to banks and other financial institutions	—	—	426,987	426,987
Financial liabilities included in other long term payables	—	3,272,219	—	3,272,219
	24,155,692	60,779,929	496,745	85,432,366

### 21. EVENTS AFTER THE REPORTING PERIOD

In July 2017, the Group announced the joint acquisition of St-Hubert SAS, a French healthy-spread company, with Beijing Sanyuan Foods Co., Ltd. for a consideration of Euro625 million. The proposed acquisition is subject to regulatory approval.

### 22. COMPARATIVE AMOUNTS

As stated in note 4 to the interim condensed consolidated financial statements, the comparative segment information has been restated to reflect the change of the reporting segments of the Group.

### 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 on 30 August 2017.

# INDEPENDENT AUDITOR'S REPORT

**To the members of Fosun International Limited**  
(Incorporated in Hong Kong with limited liability)

## Opinion

We have audited the consolidated financial statements of Fosun International Limited (the "Company") and its subsidiaries (the "Group") set out on pages 115 to 287, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



**Key audit matter***Fair value measurement of investment properties*

As at 31 December 2016, the carrying amount of investment properties, which are stated at fair value, amounted to approximately RMB30,493 million. The measurement of fair value requires significant estimation. Management uses external valuers to support its determination of the fair values of all investment properties and the Group's policy is that property valuations are performed by external valuers on a regular basis. The valuation of the investment properties is highly dependent on estimates and assumptions, such as estimated rental, capitalisation rates, occupancy rates and market knowledge. The use of different estimates and assumptions could result in significantly different fair values.

The Group's disclosures about fair value measurement of investment properties are included in notes 2.5 and 3, estimation uncertainties (iv), which specify the policies regarding to the fair value measurement of investment properties and note 14 which specifically explains the fair value hierarchy, valuation techniques and the key inputs to the valuation of investment properties.

**How our audit addressed the key audit matter**

Amongst our audit procedures, we have considered the objectivity, independence and expertise of the external appraisers. We involved internal valuation specialists to assist us in evaluating the valuation techniques and assessing the underlying assumptions for selected samples, which included reference to the leasing contracts, external market rents and historical information of occupancy rates, and in respect of the capitalisation rates, our internal specialists assisted us in checking to the market data applied by real estate industry analysis etc. We also assessed the adequacy of the disclosures on the fair value measurement of investment properties.

**Key audit matter***Impairment of available-for-sale investments*

As at 31 December 2016, available-for-sale investments (including current and non-current portions) of the Group amounted to RMB128,175 million. The management carries out impairment tests on available-for-sale investments at the end of each reporting period and impairments are provided when objective evidence of impairment exists. The management determines whether impairment occurs on debt investments after evaluating objective impairment evidence such as significant financial difficulty of the issuer or debtor and a breach of contract. In the case of equity investments, objective impairment evidence includes a significant or prolonged decline in the fair value of an investment below its cost. Significant judgements are involved when evaluating the existence of the objective evidence of impairment and the determination of the impairment losses to be recognised in profit and loss for available-for-sale investments.

The Group's disclosures about impairment of available-for-sale investments are included in notes 2.5 and 3, estimation uncertainties (iii), which specify the impairment test policies for the available-for-sale investments, and note 23 in which the impairment loss recognised in the current year is disclosed.

**How our audit addressed the key audit matter**

In our audit, we obtained an understanding of and evaluated the internal controls over impairment tests process. We assessed the significant judgement and rationale used by the management in evaluating the objective evidence of impairment for available-for-sale investments and we performed the independent tests by analysing the observable data that came to our attention to evaluate if there was any objective evidence of impairment. We examined the impairment tests performed by the management in determining the amount of impairment losses when there was objective evidence of impairment. We also assessed the adequacy of the disclosures on the impairment of available-for-sale investments.

**Key audit matter***Valuation of insurance contract liabilities*

The Group had significant insurance contract liabilities (including current and non-current portions) stated at RMB45,688 million as at 31 December 2016. The valuation of insurance contract liabilities relies on significant judgement over uncertain future outcomes, mainly including the timing and ultimate settlement of long-term policyholder liabilities. Actuarial models are used to support the calculation of insurance contract liabilities. The complexity of the models may give rise to errors as a result of inadequate/incomplete data or the design or application of the models. Assumptions used in the valuation, such as investment return, discount rate, mortality, morbidity, expense, lapse are set up by applying significant judgements.

The Group's disclosures about valuation for insurance contract liabilities are included in notes 2.5 and 3 estimation uncertainty (xiii) which specifically explain the methodologies and assumptions used in the valuation and notes 47, 48 and 50 which disclose the details of the insurance contract liabilities recognised as at 31 December 2016.

**How our audit addressed the key audit matter**

In our audit, we have performed audit procedures on the underlying data used in valuation of some specific liabilities to source documentation. By applying our industry knowledge and experience we compared the methodology, models and assumptions used against recognised actuarial practices.

We involved our internal actuarial specialists to assist us in performing the following procedures in this area which among others included: assessing the design and testing the operating effectiveness of internal controls over the technical areas including management's determination and approval process for setting of assumptions, actuarial analyses including estimated versus actual results and experience studies; assessing the assumptions by reference to the historical experience, business expectation of the Group, and the market practices; reviewing the methodology and assumptions used on management's liability adequacy testing which is a test performed to check whether the liabilities are adequate as compared to the expected future contractual obligations and assessing the impact of change in estimation to be in line with the changes in assumptions adopted by the Group.

We also focused on the adequacy of the Group's disclosures of the valuation for insurance contract liabilities.

## Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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**Independent Auditor's Report**

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

**Ernst & Young***Certified Public Accountants*

Hong Kong

28 March 2017

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
<b>REVENUE</b>	6	<b>73,966,562</b>	78,796,889
Cost of sales		<b>(48,094,096)</b>	(61,135,274)
Gross profit		<b>25,872,466</b>	17,661,615
Other income and gains	6	<b>22,609,531</b>	25,864,006
Selling and distribution expenses		<b>(11,007,684)</b>	(7,680,142)
Administrative expenses		<b>(12,365,138)</b>	(8,767,118)
Other expenses		<b>(6,709,978)</b>	(9,312,810)
Finance costs	7	<b>(4,845,431)</b>	(4,724,031)
Share of profits and losses of:			
Joint ventures		<b>106,827</b>	1,066,950
Associates		<b>2,620,224</b>	2,074,079
<b>PROFIT BEFORE TAX</b>	8	<b>16,280,817</b>	16,182,549
Tax	10	<b>(3,594,619)</b>	(5,229,122)
<b>PROFIT FOR THE YEAR</b>		<b>12,686,198</b>	10,953,427
Attributable to:			
Owners of the parent		<b>10,268,185</b>	8,038,282
Non-controlling interests		<b>2,418,013</b>	2,915,145
		<b>12,686,198</b>	10,953,427
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
<b>Basic</b>			
– For profit for the year (RMB)	12	<b>1.19</b>	1.06
<b>Diluted</b>			
– For profit for the year (RMB)	12	<b>1.19</b>	1.05

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000 (Restated)
<b>PROFIT FOR THE YEAR</b>		<b>12,686,198</b>	<b>10,953,427</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Available-for-sale investments:			
Changes in fair value		<b>11,103,463</b>	3,012,488
Reclassification adjustments for gains/(losses) included in the consolidated statement of profit or loss			
– gain on disposal		<b>(2,107,386)</b>	(4,868,248)
– impairment loss		<b>1,473,197</b>	(99,412)
Income tax effect	27	<b>(1,040,926)</b>	754,531
		<b>9,428,348</b>	(1,200,641)
Change in other life insurance contract liabilities due to potential (gains)/losses on financial assets		<b>(17,280)</b>	472,029
– Income tax effect		<b>6,821</b>	44,087
		<b>(10,459)</b>	516,116
Fair value adjustments of hedging instruments in cash flow hedges		<b>(23,794)</b>	—
– Income tax effect		<b>6,310</b>	—
		<b>(17,484)</b>	—
Fair value adjustments of hedging of a net investment in a foreign operation		<b>316,497</b>	—
– Income tax effect		<b>(69,058)</b>	—
		<b>247,439</b>	—
Share of other comprehensive income of joint ventures		<b>67,074</b>	—
Share of other comprehensive income/(loss) of associates		<b>221,580</b>	(164,525)
Exchange differences on translation of foreign operations		<b>496,236</b>	(118,603)



Consolidated Statement of Comprehensive Income  
Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
<b>Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>		<b>10,432,734</b>	<b>(967,653)</b>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Revaluation gain upon transfer from owner-occupied property to investment property	14	54,114	—
– Income tax effect	27	(15,018)	—
		39,096	—
Actuarial reserve relating to employee benefit		(74,807)	—
– Income tax effect		45,369	—
		(29,438)	—
Share of other comprehensive income of associates		293,811	—
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>		<b>303,469</b>	<b>—</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX</b>		<b>10,736,203</b>	<b>(967,653)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>23,422,401</b>	<b>9,985,774</b>
Attributable to:			
Owners of the parent		18,331,214	7,621,487
Non-controlling interests		5,091,187	2,364,287
		23,422,401	9,985,774

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	20,672,028	18,023,602
Investment properties	14	30,493,267	40,898,689
Prepaid land lease payments	15	2,105,331	2,143,888
Exploration and evaluation assets	16	225,731	197,500
Mining rights	17	531,296	564,507
Oil and gas assets	18	1,050,517	970,236
Intangible assets	19	6,024,968	9,189,950
Goodwill	20	9,862,200	10,366,162
Investments in joint ventures	21	17,662,504	11,809,125
Investments in associates	22	44,115,608	31,579,652
Available-for-sale investments	23	105,785,016	97,956,123
Properties under development	24	9,330,509	17,035,471
Loans receivable	25	813,210	553,789
Prepayments, deposits and other receivables	26	2,540,614	3,854,693
Deferred tax assets	27	4,801,141	5,221,803
Inventories	28	267,836	323,708
Policyholder account assets in respect of unit-linked contracts	29	3,112,170	3,594,381
Insurance and reinsurance debtors	30	115,473	128,787
Reinsurers' share of insurance contract provisions	31	4,377,481	9,620,463
Term deposits	32	348,692	465,135
Placements with and loans to banks and other financial institutions		73,068	—
Loans and advances to customers	33	454,502	—
Derivative financial instruments	34	379,652	—
Finance lease receivables	35	288,517	—
<b>Total non-current assets</b>		<b>265,431,331</b>	<b>264,497,664</b>

Consolidated Statement of Financial Position  
31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
<b>CURRENT ASSETS</b>			
Cash and bank	32	51,807,704	46,754,045
Investments at fair value through profit or loss	36	8,328,696	10,716,167
Derivative financial instruments	34	445,382	15,921
Trade and notes receivables	37	4,321,733	4,120,969
Prepayments, deposits and other receivables	26	15,977,831	10,358,356
Inventories	28	2,705,018	2,347,989
Completed properties for sale		7,737,290	10,898,015
Properties under development	24	22,738,105	18,846,968
Loans receivable	25	2,130,688	1,735,066
Due from related companies	38	11,741,735	3,707,641
Available-for-sale investments	23	22,390,416	20,998,463
Policyholder account assets in respect of unit-linked contracts	29	636,076	471,535
Insurance and reinsurance debtors	30	6,434,748	8,146,186
Reinsurers' share of insurance contract provisions	31	1,468,553	3,452,133
Placements with and loans to banks and other financial institutions		37	—
Loans and advances to customers	33	2,904,371	247,581
Finance lease receivables	35	929,759	—
		162,698,142	142,817,035
Assets of a disposal group/non-current assets classified as held for sale	39	58,650,003	103,245
Total current assets		221,348,145	142,920,280

Consolidated Statement of Financial Position  
31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	40	43,874,088	48,788,443
Loans from related companies	42	—	193,000
Trade and notes payables	43	9,569,939	10,613,116
Accrued liabilities and other payables	44	33,710,957	24,450,255
Tax payable		4,035,686	3,787,469
Finance lease payables	45	48,686	46,161
Deposits from customers	46	18,511,530	1,300,688
Due to the holding company	38	381,646	979,101
Due to related companies	38	3,647,173	2,944,692
Derivative financial instruments	34	505,115	204,015
Accounts payable to brokerage clients		68,823	34,462
Unearned premium provisions	47	5,194,018	12,881,979
Provision for outstanding claims	48	10,518,108	14,461,347
Provision for unexpired risks		360,623	432,410
Financial liabilities for unit-linked contracts	49	237,459	251,577
Investment contract liabilities	49	1,382,071	4,940,511
Other life insurance contract liabilities	50	1,429,933	1,359,147
Insurance and reinsurance creditors	51	3,109,676	3,740,375
Due to banks and other financial institutions	52	715,681	—
Placements from banks and other financial institutions		270,276	—
		137,571,488	131,408,748
Liabilities directly associated with the assets classified as held for sale	39	40,674,050	—
Total current liabilities		178,245,538	131,408,748
<b>NET CURRENT ASSETS</b>		43,102,607	11,511,532
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		308,533,938	276,009,196

Consolidated Statement of Financial Position  
31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	40	82,094,953	65,859,536
Convertible bonds	41	307,730	268,983
Finance lease payables	45	197,224	120,334
Deposits from customers	46	68,715	—
Derivative financial instruments	34	802,875	—
Deferred income	53	1,514,423	1,019,108
Other long term payables	54	4,160,042	4,086,385
Deferred tax liabilities	27	8,841,545	9,042,528
Provision for outstanding claims	48	16,764,930	32,548,001
Financial liabilities for unit-linked contracts	49	3,510,787	3,814,339
Investment contract liabilities	49	55,370,424	48,204,699
Other life insurance contract liabilities	50	11,420,408	11,374,815
Insurance and reinsurance creditors	51	175,360	117,333
Due to banks and other financial institutions	52	426,987	—
Placements from banks and other financial institutions		3,707	—
Total non-current liabilities		185,660,110	176,456,061
Net assets		122,873,828	99,553,135
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	55	36,157,089	36,046,143
Treasury shares		(93,008)	—
Equity component of convertible bonds		68,674	68,674
Other reserves		56,234,244	39,629,492
		92,366,999	75,744,309
Non-controlling interests		30,506,829	23,808,826
Total equity		122,873,828	99,553,135

Guo Guangchang  
Director

Wang Can  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to owners of the parent											
	Available-for-sale											Total equity RMB'000
	Issued capital RMB'000 (note 55)	Treasury share RMB'000	Other deficits RMB'000 (note 56(a))	Statutory surplus reserve RMB'000 (note 56(b))	revaluation reserve RMB'000	Other reserve RMB'000	Convertible bonds RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2016 (as previously reported)	36,046,143	—	(443,540)	4,641,387	435,425	1,578,712	68,674	34,381,707	(1,455,999)	75,252,509	22,901,566	98,154,075
Retrospective adjustments of business combination under common control and finalised purchase price allocation (note 2.4.1 and 2.4.2)	—	—	—	—	7,644	520,000	—	(35,844)	—	491,800	907,260	1,399,060
At 1 January 2016 (as restated)	36,046,143	—	(443,540)	4,641,387	443,069	2,098,712	68,674	34,345,863	(1,455,999)	75,744,309	23,808,826	99,553,135
Profit for the year	—	—	—	—	—	—	—	10,268,185	—	10,268,185	2,418,013	12,686,198
Other comprehensive income for the year:												
Changes in fair value of available-for-sale investments, net of tax	—	—	—	—	7,282,799	—	—	—	—	7,282,799	2,731,632	10,014,431
Reclassification adjustments for gains /(losses) in the consolidated statement of profit or loss												
– gain on disposal, net of tax	—	—	—	—	(1,357,446)	—	—	—	—	(1,357,446)	(333,907)	(1,691,353)
– impairment loss, net of tax	—	—	—	—	982,863	—	—	—	—	982,863	122,407	1,105,270
Share of other comprehensive income of associates	—	—	—	—	148,821	293,811	—	—	2,604	445,236	70,155	515,391
Fair value adjustments of hedging instruments in cash flow hedges, net of tax	—	—	—	—	—	(16,737)	—	—	—	(16,737)	(747)	(17,484)
Fair value adjustments of hedging of a net investment in a foreign operation, net of tax	—	—	—	—	—	210,323	—	—	—	210,323	37,116	247,439
Revaluation gain upon transfer from owner-occupied property to investment property, net of tax	—	—	—	—	—	38,401	—	—	—	38,401	695	39,096
Actuarial reserve relating to employee benefit, net of tax	—	—	—	—	—	(24,154)	—	—	—	(24,154)	(5,284)	(29,438)
Share of other comprehensive income of joint ventures	—	—	—	—	67,074	—	—	—	—	67,074	—	67,074
Change in other life insurance contract liabilities due to potential gains on financial assets, net of tax	—	—	—	—	—	(8,890)	—	—	—	(8,890)	(1,569)	(10,459)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	443,560	443,560	52,676	496,236
Total comprehensive income for the year	—	—	—	—	7,124,111	492,754	—	10,268,185	446,164	18,331,214	5,091,187	23,422,401

Consolidated Statement of Changes in Equity  
Year ended 31 December 2016

	Attributable to owners of the parent											
	Available-											
	for-sale											
	Issued capital	Treasury share	Other deficits	Statutory surplus reserve	investment revaluation reserve	Other reserve	Convertible bonds	Retained earnings	Exchange fluctuation reserve	Total	Non-controlling interests	Total equity
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
(note 55)		(note 56(a))	(note 56(b))									
Acquisition of subsidiaries (note 58(a))	—	—	—	—	—	—	—	—	—	—	129,807	129,807
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	3,540,338	3,540,338
Share issue expenses	(2,602)	—	—	—	—	—	—	—	—	(2,602)	—	(2,602)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(901,986)	(901,986)
Final 2015 dividend declared	—	—	—	—	—	—	—	(1,226,568)	—	(1,226,568)	—	(1,226,568)
Transfer from retained profits	—	—	—	1,718,512	—	—	—	(1,718,512)	—	—	—	—
Share of other reserve of associates	—	—	—	—	—	(205,417)	—	—	—	(205,417)	(285,403)	(490,820)
Deemed disposal of partial interests in subsidiaries without losing control	—	—	—	—	—	640,909	—	—	—	640,909	(640,909)	—
Fair value adjustment on the stock redemption option granted to non-controlling shareholders of a subsidiary	—	—	—	—	—	5,862	—	—	—	5,862	60,467	66,329
Equity-settled share-based payments of the Company (note 59)**	113,548	(93,008)	—	—	—	65,477	—	—	—	86,017	—	86,017
Equity-settled share-based payment of a subsidiary	—	—	—	—	—	14,413	—	—	—	14,413	22,705	37,118
Deemed acquisition of additional interests in a subsidiary	—	—	—	—	—	1,629	—	—	—	1,629	(1,629)	—
Acquisition of additional interests in subsidiaries	—	—	—	—	—	(208,049)	—	—	—	(208,049)	(316,574)	(524,623)
Transformation of joint stock system of a subsidiary based on net assets	—	—	—	—	—	(45,670)	—	45,670	—	—	—	—
Business combination under common control***	—	—	—	—	—	(582,000)	—	—	—	(582,000)	—	(582,000)
Re-purchase of shares	—	—	—	—	—	—	—	(232,718)	—	(232,718)	—	(232,718)
At 31 December 2016	36,157,089	(93,008)	(443,540)*	6,359,899*	7,567,180*	2,278,620*	68,674	41,481,920*	(1,009,835)*	92,366,999	30,506,829	122,873,828

\* These reserve accounts comprise the consolidated other reserves of RMB56,234,244,000 (31 December 2015 as restated: RMB39,629,492,000) in the consolidated statement of financial position.

\*\* According to the share award scheme announced by the Company, during the year of 2016, the Company issued and the employee benefit trust established by the Company allotted 5,150,000 new shares which were awarded to selected participants and will be vested based on certain vesting conditions. During the year, 1,438,800 shares were vested.

\*\*\* As stated in note 2.4.1, in June 2016, the Group completed the acquisition of Shanghai Fosun Chuanghong Equity Investment Fund Partnership (L.P.) which has been accounted for as business combination under common control and the settlement of the consideration amounting to RMB582,000,000 was accounted for as a deemed distribution to the shareholder.



Consolidated Statement of Changes in Equity  
Year ended 31 December 2016

	Attributable to owners of the parent										
	Available-for-sale										
	Issued capital	Other deficits	Statutory surplus reserve	investment revaluation reserve	Other reserve	Convertible bonds	Retained earnings	Exchange fluctuation reserve	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 55)	(note 56(a))	(note 56(b))								
At 1 January 2015 (as previously reported)	16,281,011	(443,540)	3,229,375	1,259,885	1,171,059	721,171	28,614,104	(1,424,642)	49,408,423	26,276,069	75,684,492
Retrospective adjustments of business combination under common control	—	—	—	5,117	520,000	—	(35,844)	—	489,273	828,870	1,318,143
At 1 January 2015 (as restated)	16,281,011	(443,540)	3,229,375	1,265,002	1,691,059	721,171	28,578,260	(1,424,642)	49,897,696	27,104,939	77,002,635
Profit for the year	—	—	—	—	—	—	8,038,282	—	8,038,282	2,915,145	10,953,427
Other comprehensive income for the year:											
Changes in fair value of available-for-sale investments, net of tax	—	—	—	2,179,831	—	—	—	—	2,179,831	553,017	2,732,848
Reclassification adjustments for gains /(losses) included in the consolidated statement of profit or loss											
– gain on disposal, net of tax	—	—	—	(2,883,113)	—	—	—	—	(2,883,113)	(980,769)	(3,863,882)
– impairment loss, net of tax	—	—	—	(59,166)	—	—	—	—	(59,166)	(10,441)	(69,607)
Share of other comprehensive loss of associates	—	—	—	(59,485)	—	—	—	(3,894)	(63,379)	(101,146)	(164,525)
Change in other life insurance contract liabilities due to potential losses on financial assets, net of tax	—	—	—	—	436,495	—	—	—	436,495	79,621	516,116
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(27,463)	(27,463)	(91,140)	(118,603)
Total comprehensive (loss)/income for the year	—	—	—	(821,933)	436,495	—	8,038,282	(31,357)	7,621,487	2,364,287	9,985,774

Consolidated Statement of Changes in Equity  
Year ended 31 December 2016

	Attributable to owners of the parent										
	Available-for-sale								Total	Non-controlling interests	Total equity
	Issued capital	Other deficits	Statutory surplus reserve	investment revaluation reserve	Other reserve	Convertible bonds	Retained earnings	Exchange fluctuation reserve			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
(note 55)	(note 56(a))	(note 56(b))									
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	373,565	373,565
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	1,263,076	1,263,076
Rights issue of new shares	9,537,094	—	—	—	—	—	—	—	9,537,094	—	9,537,094
Placing of shares**	7,288,395	—	—	—	—	—	—	—	7,288,395	—	7,288,395
Transfer from retained profits	—	—	1,412,012	—	—	—	(1,412,012)	—	—	—	—
Share issue expenses	(20,061)	—	—	—	—	—	—	—	(20,061)	—	(20,061)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(743,052)	(743,052)
Final 2014 dividend declared	—	—	—	—	—	—	(1,035,103)	—	(1,035,103)	—	(1,035,103)
Share of other reserve of associates	—	—	—	—	12,395	—	—	—	12,395	(33,338)	(20,943)
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	(5,620,224)	(5,620,224)
Deemed disposal of partial interests in a subsidiary without losing control	—	—	—	—	86,318	—	—	—	86,318	(86,318)	—
Fair value adjustment on the stock redemption option granted to non-controlling shareholders of a subsidiary	—	—	—	—	(971)	—	—	—	(971)	(3,435)	(4,406)
Equity-settled share-based payments	—	—	—	—	25,676	—	—	—	25,676	5,809	31,485
Deemed acquisition of additional interests in a subsidiary	—	—	—	—	(7,364)	—	—	—	(7,364)	7,364	—
Acquisition of additional interests in subsidiaries	—	—	—	—	(144,896)	—	176,436	—	31,540	(823,847)	(792,307)
Conversion of convertible bonds to ordinary shares	2,959,704	—	—	—	—	(652,497)	—	—	2,307,207	—	2,307,207
At 31 December 2015 (restated)	36,046,143	(443,540)*	4,641,387*	443,069*	2,098,712*	68,674	34,345,863*	(1,455,999)*	75,744,309	23,808,826	99,553,135

\* These reserve accounts comprise the consolidated other reserves of RMB39,629,492,000 as restated in the consolidated statement of financial position.

\*\* During the year of 2015, the Company completed the placing of 465,000,000 shares at the placing price of HKD20.00 per share.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>16,280,817</b>	16,182,549
Adjustments for:			
Depreciation of items of property, plant and equipment	8	<b>1,644,506</b>	2,746,177
Amortisation of prepaid land lease payments	8	<b>48,841</b>	76,107
Amortisation of intangible assets	8	<b>1,109,249</b>	414,535
Amortisation of mining rights	8	<b>18,609</b>	26,945
Amortisation of oil and gas assets	8	<b>355,837</b>	483,401
Exploration expensed and written off	16	<b>34,772</b>	86,411
Provision for impairment of items of property, plant and equipment	8	<b>30,923</b>	125,975
Provision for impairment of intangible assets	8	<b>3,548</b>	—
Provision for impairment of oil and gas assets	8	—	338,224
Provision for impairment of mining rights	8	—	101,523
Provision for impairment of available-for-sale investments	8	<b>2,306,787</b>	1,823,695
Provision for impairment of investments in associates	8	<b>524,420</b>	49,153
Provision for impairment of receivables	8	<b>165,361</b>	142,892
Reversal for impairment of insurance and reinsurance debtors	6	<b>(2,605)</b>	(204,104)
Provision for inventories	8	<b>70,255</b>	381,595
Provision for impairment of completed properties for sale	8	<b>293,065</b>	401,926
Provision for impairment of loans and advances to customers	8	<b>64,361</b>	—
Provision for impairment of properties under development	8	—	377,631
Gain on disposal of subsidiaries	6	<b>(559,558)</b>	(7,180,957)
Gain on bargain purchase of subsidiaries	6	<b>(279,589)</b>	(847,409)
Gain on bargain purchase of associates	6	<b>(1,276,423)</b>	—
Gain on disposal of available-for-sale investments	6	<b>(4,962,845)</b>	(6,671,444)
Gain on disposal of investments at fair value through profit or loss	6	<b>(56,899)</b>	(434,394)
Gain on disposal of associates	6	<b>(4,790,497)</b>	(361,587)
(Gain)/loss on disposal of joint ventures	6/8	<b>(191,508)</b>	73,946
Gain on disposal of partial investments in associates	6	—	(2,534,538)
Gain on deemed disposal of partial investments in associates	6	<b>(328,640)</b>	—
Gain on disposal of items of property, plant and equipment	6	<b>(108,619)</b>	(1,714)
Gain on disposal of non-current assets held for sale	6	—	(130,600)
Gain on disposal of investment properties	6	<b>(183,685)</b>	—
(Gain)/loss on fair value adjustment on investments at fair value through profit or loss	6/8	<b>(1,322,215)</b>	1,912,096
Gain on fair value gains on investment properties	6	<b>(1,315,460)</b>	(1,838,511)
Gain on fair value adjustment on derivative financial instruments	6	<b>(1,784)</b>	—
Interest expenses		<b>4,433,471</b>	4,492,741
Interest income	6	<b>(514,755)</b>	(912,697)
Dividends and interests from investments at fair value through profit or loss	6	<b>(959,535)</b>	(467,971)
Dividends and interests from available-for-sale investments	6	<b>(3,200,957)</b>	(2,683,723)
Share of profits and losses of associates		<b>(2,620,224)</b>	(2,074,079)
Share of profits and losses of joint ventures		<b>(106,827)</b>	(1,066,950)
Subtotal carried forward		<b>4,602,197</b>	2,826,844

Consolidated Statement Of Cash Flows  
Year ended 31 December 2016

	2016 RMB'000	2015 RMB'000 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b> <i>(continued)</i>		
Subtotal brought forward	4,602,197	2,826,844
<b>CASH INFLOW BEFORE WORKING CAPITAL CHANGES</b>	4,602,197	2,826,844
Increase in properties under development	(2,863,423)	(11,392,141)
Decrease in completed properties held for sale	7,142,813	12,533,841
Increase in trade and notes receivables	(232,609)	(1,133,356)
Increase in prepayments, deposits and other receivables	(3,271,531)	(3,050,713)
(Increase)/decrease in inventories	(323,305)	895,080
Increase in insurance and reinsurance debtors	(2,529,970)	(1,553,931)
Increase in reinsurers' share of insurance contract provisions	(2,245,454)	(948,323)
(Increase)/decrease in amounts due from related companies	(5,176,628)	1,485,096
Decrease in loans and advances to customers	312,288	—
Decrease in trade and notes payables	(1,066,867)	(332,511)
Increase/(decrease) in accrued liabilities and other payables	16,247,354	(2,799,606)
Increase in deferred income	442,701	561,934
(Decrease)/increase in other long term payables	(235,855)	237,275
Decrease in amounts due to the holding company	—	(313,490)
Increase/(decrease) in amounts due to related companies	702,481	(835,757)
Increase in accounts payable to brokerage clients	34,361	—
Decrease in placements with and loans to banks and other financial institutions	32,791	—
Decrease in placements from banks and other financial institutions	(489,936)	—
Decrease in amounts due to banks and other financial institutions	(279,748)	—
Increase/(decrease) in deposits from customers	462,437	(395,432)
Increase in restricted pre-sale proceeds of properties	(976,956)	(367,010)
(Increase)/decrease in required reserve deposits	(890,098)	188,383
Increase in unearned premium provisions	55,382	282,159
Increase in provision for outstanding claims	3,289,636	949,793
Increase in insurance and reinsurance creditors	1,362,612	533,398
Decrease in provision for unexpired risks	(71,787)	(6,055)
(Decrease)/increase in other life insurance contract liabilities	(281,935)	93,823
Increase in investment contract liabilities	2,029,431	3,588,333
<b>CASH GENERATED FROM OPERATIONS</b>	15,780,382	1,047,634
Tax paid	(3,777,217)	(4,467,307)
<b>NET CASH FLOWS GENERATED/(USED IN) FROM OPERATING ACTIVITIES</b>	12,003,165	(3,419,673)

Consolidated Statement Of Cash Flows  
Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of items of property, plant and equipment		(3,852,270)	(2,965,343)
Increase of prepaid land lease payments		(9,890)	(412,939)
Increase of investment properties		(1,033,799)	(4,034,045)
Purchase of intangible assets		(871,340)	(518,358)
Purchase of exploration and evaluation assets		(122,011)	(135,325)
Purchase of oil and gas assets		(278,260)	(342,417)
Purchase of available-for-sale investments		(60,825,540)	(41,722,865)
Purchase of investments at fair value through profit or loss		(5,273,777)	(5,709,420)
Proceeds from disposal of investments at fair value through profit or loss		5,359,899	6,171,394
Proceeds from disposal of available-for-sale investments		48,815,399	39,726,532
Proceeds from disposal of items of property, plant and equipment		356,647	183,137
Proceeds from disposal of prepaid land lease payments		—	108,254
Proceeds from disposal of intangible assets		67,588	175,182
Proceeds from disposal of subsidiaries	58(b)	3,670,461	6,114,148
Proceeds from disposal of associates and disposal of partial interests in associates		1,179,171	5,625,147
Proceeds from disposal of joint ventures		843,369	11,272
Proceeds from disposal of non-current assets held for sale		58,947	338,495
Acquisition of subsidiaries	58(a)	(3,831,093)	(24,984,835)
Acquisition of associates		(4,888,219)	(7,485,114)
Acquisition of joint ventures		(919,518)	(918,579)
Dividends and interests received from available-for-sale investments		3,767,481	2,779,969
Dividends and interests received from investments at fair value through profit or loss		914,902	461,568
Dividends received from associates		739,709	863,159
Dividends received from joint ventures		20,459	—
Shareholder loans (provided)/repaid		(655,043)	2,686,208
(Increase)/ decrease in pledged bank balances and time deposits with original maturity of more than three months		(2,865,920)	2,525,353
Prepayments for proposed acquisitions of long term assets		(785,203)	(1,751,643)
Collection of the prepayment for proposed acquisition of investments or other long term assets		—	1,331,370
Proceeds received from disposal of investment properties		2,075,249	—
Interest received		500,796	844,599
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(17,841,806)</b>	<b>(21,035,096)</b>

Consolidated Statement Of Cash Flows  
Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital element of finance lease rental payments		(16,573)	(100,732)
Capital contribution from non-controlling shareholders of subsidiaries		3,540,338	974,076
New bank and other borrowings		76,032,384	97,744,310
Repayment of bank and other borrowings		(64,688,517)	(70,984,816)
Dividends paid to non-controlling shareholders of subsidiaries		(751,986)	(743,052)
Acquisition of additional interests in subsidiaries		(666,977)	(883,201)
Dividends paid to shareholders		(1,824,023)	(501,667)
Rights issue of new shares (net of share issue expenses)		—	9,537,094
Placing of shares		—	7,268,334
Deemed distribution to the ultimate controlling shareholder	58(a)(iv)	(582,000)	—
Repurchase of shares		(232,718)	—
Interest paid		(4,838,214)	(5,828,772)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>5,971,714</b>	<b>36,481,574</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		38,572,210	26,545,405
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>38,705,283</b>	<b>38,572,210</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
<b>CASH AND CASH EQUIVALENTS AS STATED IN</b>			
<b>THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>			
Cash and cash equivalents attributable to assets of a disposal group	32	36,103,302	38,572,210
classified as held for sale	39	2,601,981	—
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS</b>		<b>38,705,283</b>	<b>38,572,210</b>

# NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2016

## 1. CORPORATE AND GROUP 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 businesses of the Company and its subsidiaries (collectively referred to as the "Group") include integrated finance (wealth) and industrial operations. The integrated finance (wealth) business includes three major segments: insurance, investment and wealth management and innovative finance while the industrial operations include four key segments: health, happiness, property development and sales and resources.

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 ultimate controlling shareholder is Mr. Guo Guangchang.

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 PREPARATION

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 investments which have been measured at fair value. Non-current assets/assets of a disposal group classified as held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.5. 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 2016. 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.



## 2.1 BASIS OF PREPARATION *(Continued)*

### **Basis of consolidation** *(Continued)*

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 above. 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.

Amendments to HKFRS 10,  
HKFRS 12 and HKAS 28 (2011)  
Amendments to HKFRS 11  
HKFRS 14  
Amendments to HKAS 1  
Amendments to HKAS 16  
and HKAS 38  
Amendments to HKAS 16  
and HKAS 41  
Amendments to HKAS 27 (2011)  
*Annual Improvements 2012-2014 Cycle*

*Investment Entities: Applying the Consolidation Exception*  
*Accounting for Acquisitions of Interests in Joint Operations*  
*Regulatory Deferral Accounts*  
*Disclosure Initiative*  
*Clarification of Acceptable Methods of Depreciation*  
*and Amortisation*  
*Agriculture: Bearer Plants*  
*Equity Method in Separate Financial Statements*  
Amendments to a number of HKFRSs

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

- (a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:
- (i) the materiality requirements in HKAS 1;
  - (ii) that specific line items in the consolidated statement of profit or loss and the consolidated statement of financial position may be disaggregated;
  - (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
  - (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the consolidated statement of financial position and the consolidated statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

- (b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.
- (c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

**HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*:** Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions<sup>2</sup></i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts<sup>2</sup></i>
HKFRS 9	<i>Financial Instruments<sup>2</sup></i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i>
HKFRS 15	<i>Revenue from Contracts with Customers<sup>2</sup></i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers<sup>2</sup></i>
HKFRS 16	<i>Leases<sup>3</sup></i>
Amendments to HKAS 7	<i>Disclosure Initiative<sup>1</sup></i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

## 2.4 PRIOR YEAR RESTATEMENT

### 2.4.1 Restatement of prior years' financial statements as a result of business combinations for entities under common control

In June 2016, Yadong Fosun Industrial Technology Development Co., Ltd., an indirectly wholly-owned subsidiary of the Company, completed the acquisition of 35.21% equity interest in Shanghai Fosun Chuanghong Equity Investment Fund Partnership (L.P.) ("Chuanghong Fund") at a purchase consideration of RMB582,000,000. After the completion of the acquisition, Chuanghong Fund was accounted for as a subsidiary of the Group, because the Group could control Chuanghong Fund a general partner and the 35.21% interests as a limited partner. Since the Company and Chuanghong Fund were under common control of Mr. Guo Guangchang ("Mr. Guo", the ultimate controlling shareholder of the Company) before and after the completion of the aforesaid acquisition, the business combination of Chuanghong Fund has been accounted for by applying pooling of interest method.

Business combinations arising from transfers of interests in entities that are under the control of the ultimate shareholder that controls the Group are accounted for as if the acquisitions had occurred at the beginning of the earliest date presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the acquired entities' financial statements from the perspective of controlling shareholder.

Upon transfer of interest in an entity to another entity that is under the control of the ultimate shareholder that controls the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognised directly in equity.

The consolidated statement of comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full on consolidation.

The opening balances as at 1 January 2015 and comparative information as at 31 December 2015 and for the year ended 31 December 2015 have been restated in the consolidated financial statements.

**2.4 PRIOR YEAR RESTATEMENT** (Continued)**2.4.2 Restatement of prior year's financial statements as a result of finalised purchase price allocation of the acquisition of Club Med**

In February 2015, Club Med Invest (former name: Gaillon Invest II), an indirectly owned subsidiary of the Company, acquired 100% of the equity interests in Club Med, at a total consideration of EUR916,664,000 (equivalent to RMB6,240,832,000). The assessment of the fair values of the identifiable assets and liabilities of Club Med was still undergoing and the information of the fair values of the identifiable assets and liabilities was provisional as at 31 December 2015.

During the year, the Company finalised the assessment of the fair values of the identifiable assets and liabilities of Club Med and the Company retrospectively adjusted the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as at the acquisition date.

The comparative information as at 31 December 2015 and comparative information for the year ended 31 December 2015 have been restated in the consolidated financial statements.

**2.4.3 Quantitative impact on the consolidated financial statements****i. Restated consolidated statement of comprehensive income for the year ended 31 December 2015**

	As previously reported RMB'000	Effect of prior year adjustments		As restated RMB'000
		RMB'000 (note 2.4.1)	RMB'000 (note 2.4.2)	
Net other comprehensive loss				
to be reclassified to profit or loss				
in subsequent periods	(974,632)	6,979	—	(967,653)
Total comprehensive income for the year	9,978,795	6,979	—	9,985,774
Attributable to:				
Owners of the parent	7,618,960	2,527	—	7,621,487
Non-controlling interests	2,359,835	4,452	—	2,364,287

Details of the restated consolidated statement of comprehensive income for the year ended 31 December 2015 include the following:

	As previously reported RMB'000	Effect of prior year adjustments		As restated RMB'000
		RMB'000 (note 2.4.1)	RMB'000 (note 2.4.2)	
Available-for-sale investments:				
Changes in fair value	3,005,509	6,979	—	3,012,488

**2.4 PRIOR YEAR RESTATEMENT** (Continued)**2.4.3 Quantitative impact on the consolidated financial statements** (Continued)**ii. Restated consolidated statement of financial position as at 31 December 2015**

	As previously reported RMB'000	Effect of prior year adjustments		As restated RMB'000
		RMB'000 (note 2.4.1)	RMB'000 (note 2.4.2)	
Total non-current assets	262,586,561	1,191,912	719,191	264,497,664
Total current assets	142,748,650	152,430	19,200	142,920,280
Total current liabilities	130,967,192	220	441,336	131,408,748
Total non-current liabilities	176,213,944	—	242,117	176,456,061
Equity attributable to owners of the parent	75,252,509	491,800	—	75,744,309
Non-controlling interests	22,901,566	852,322	54,938	23,808,826
Total equity	98,154,075	1,344,122	54,938	99,553,135

Details of the restated consolidated statement of financial position as at 31 December 2015 include the following:

	As previously reported RMB'000	Effect of prior year adjustments		As restated RMB'000
		RMB'000 (note 2.4.1)	RMB'000 (note 2.4.2)	
<b>Non-current assets</b>				
Property, plant and equipment	17,176,435	—	847,167	18,023,602
Goodwill	10,713,380	—	(347,218)	10,366,162
Investments in associates	31,209,652	370,000	—	31,579,652
Available-for-sale investments	97,134,211	821,912	—	97,956,123
Deferred tax assets	5,002,561	—	219,242	5,221,803
<b>Current assets</b>				
Cash and bank	46,601,795	152,250	—	46,754,045
Prepayments, deposits and other receivables	10,338,976	180	19,200	10,358,356
<b>Current liabilities</b>				
Trade and notes payables	10,436,233	—	211,345	10,647,578
Accrued liabilities and other payables	24,220,044	220	229,991	24,450,255
<b>Non-current liabilities</b>				
Deferred tax liabilities	8,800,411	—	242,117	9,042,528



**2.4 PRIOR YEAR RESTATEMENT** (Continued)**2.4.3 Quantitative impact on the consolidated financial statements** (Continued)**iii. Restated consolidated statement of cash flows as for the year ended 31 December 2015**

	As previously reported RMB'000	Effect of prior year adjustments		As restated RMB'000
		RMB'000 (note 2.4.1)	RMB'000 (note 2.4.2)	
Net cash flows used in operating activities	(3,420,245)	572	—	(3,419,673)
Net cash flows used in investing activities	(20,512,722)	(522,374)	—	(21,035,096)
Net cash flows from financing activities	36,462,574	19,000	—	36,481,574
Net increase in cash and cash equivalents	12,529,607	(502,802)	—	12,026,805
Cash and cash equivalents at beginning of the year	25,890,353	655,052	—	26,545,405
Cash and cash equivalents at end of the year	38,419,960	152,250	—	38,572,210

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****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. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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 statement of 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 assets 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.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Investments in associates and joint ventures *(Continued)***

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*.

### **Interests in joint operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. 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 recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

### **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 of 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 is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Business combinations and goodwill** *(Continued)*

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 operation disposed of and the portion of the cash-generating unit retained.

### **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.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Fair value measurement** *(Continued)*

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 for sale, financial assets, deferred tax assets, investment properties 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.

## 2.5 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);
  - (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); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

### 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.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Property, plant and equipment and depreciation *(Continued)*

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	4 to 50 years
Plant and machinery	3 to 20 years
Office equipment	2 to 10 years
Motor vehicles	4 to 15 years
Leasehold improvements	The shorter of the lease terms and their useful lives
Freehold land	Not depreciated

Depreciation of mining infrastructure included in property, plant and equipment is calculated using the units of production basis to write off the cost of the asset proportionately to the extraction of the proven and probable mineral reserves.

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 a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction 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.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Investment properties *(Continued)***

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 inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation gain recognised in other comprehensive income. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the consolidated 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.

### **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 life 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.



## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Intangible assets (other than goodwill) *(Continued)***

#### **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 25 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 with indefinite useful lives 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.

#### **Customer relationship**

Customer relationship is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of not exceeding 22 years.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Exploration and evaluation assets

#### For mining rights

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.

#### For oil and gas assets

Exploration and evaluation expenditure in respect of each area of interest is accounted for using the successful efforts method of accounting. An area of interest refers to an individual geological area which is considered to constitute a favourable environment for the presence of an oil or gas field, usually represented by an individual oil or gas field.

The successful efforts method requires all exploration and evaluation expenditure in relation to an area of interest to be expensed in the period it is incurred, except the costs of successful wells, the costs of acquiring interests in new exploration assets and pre-development costs where the rights to the tenure of the area of interest are current and the expenditure either:

- is expected to be recovered through sale or successful development and exploitation of the area of interest; or
- relates to an exploration discovery for which at balance date a reasonable assessment of the existence or otherwise of economically recoverable reserves is not yet completed, or additional appraisal work is underway or planned.

Pending assessment of the results of a well, the costs are initially capitalised then expensed or remain capitalised, depending on a review of the results in accordance with successful efforts accounting criteria. When an oil or gas field has been approved for development, the accumulated exploration and evaluation costs are transferred to oil and gas assets.

#### 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.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Oil and gas assets

Development expenditure is stated at cost less accumulated depletion and any impairment in value. Where commercial production in an area of interest has commenced, the associated costs together with any forecast future capital expenditure necessary to develop proved and probable reserves are amortised over the estimated economic life of the field, on a unit-of-production basis. Costs are amortised only once production begins. Changes in factors such as estimates of proved and probable reserves that affect UOP calculations do not give rise to prior year financial period adjustments and are dealt with on a prospective basis.

### 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.

When the Group is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the consolidated statement of financial position as loans and accounts receivables. Any unguaranteed residual value is also recognised at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognised as unearned finance income. Unearned finance income is recognised over the period of the lease using the effective interest rate method.

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 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 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.

## 2.5 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 consolidated 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 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.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Investments and other financial assets** *(Continued)*

#### **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 and debt 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. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

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 consolidated 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 consolidated 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.

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.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Impairment of financial assets

The Group assesses at the end of each reporting period whether there is 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.

### 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).

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Impairment of financial assets** *(Continued)*

#### **Financial assets carried at amortised cost** *(Continued)*

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 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, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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 assets 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.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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 consolidated statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset 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 consolidated 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 consolidated statement of profit or loss.



## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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, amounts 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 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 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.

## 2.5 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 consolidated 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 consolidated 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.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Derivative financial instruments and hedge accounting

#### Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and commodity derivative contracts, to hedge its foreign currency risk, interest rate risk and commodity price risk, respectively. These 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, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

#### Fair value hedges

The change in the fair value of a hedging derivative is recognised in the consolidated statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the consolidated statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the consolidated statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated statement of profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated statement of profit or loss. The changes in the fair value of the hedging instrument are also recognised in the consolidated statement of profit or loss.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Derivative financial instruments and hedge accounting** *(Continued)*

#### **Cash flow hedges**

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss.

Amounts recognised in other comprehensive income are transferred to the consolidated statement of profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

#### **Hedges of a net investment**

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the consolidated statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated statement of profit or loss.

#### **Current versus non-current classification**

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Treasury shares**

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

### **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 the 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 form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

## 2.5 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 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 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 liability 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.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Income tax** *(Continued)*

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.



## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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 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**

Non-life insurance contract premiums, life insurance and investment contracts with a discretionary profit sharing component are recognised as income when written in "Net premiums written" in the consolidated statement of profit or loss.

Premiums written on non-life insurance contracts are recognised as income over the corresponding risk periods, through the use of the unearned premiums provision.

**(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.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Share-based payments

The Company and certain subsidiaries of the Group operate share incentive schemes and a share option scheme for the purpose of providing incentives and rewards to their employees (including directors). Employees (including directors) receive remuneration in the form of share-based payments, whereby employees (including directors) 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 59 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, 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 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.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether 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.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Employee benefits

The Group provides the post-employment benefits mainly as follows: (i) defined contribution pension schemes for all employees of the companies in Mainland China; (ii) employee benefits to qualified former employees ("Qualified SOE Employees") and qualified retirees ("Qualified Retirees") of former state-owned enterprises in Mainland China; (iii) a pension scheme for all eligible employees of the companies in Hong Kong; (iv) accommodation benefits for all eligible employees of the companies in Mainland China, details of which are set out below; (v) employee benefits to all eligible employees of the subsidiaries in Portugal; and (vi) employee benefits to all eligible employees of the subsidiary in France.

#### (i) Defined contribution pension schemes

The full-time employees of the companies in Mainland China, other than Qualified SOE Employees and Qualified Retirees of former state-owned enterprises ("Former SOEs") as set out below, are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred.

#### (ii) Other employee benefits to Qualified SOE Employees and Qualified Retirees

The Group took over Qualified SOE Employees and Qualified Retirees from the Former SOEs upon the Group's acquisition of the Former SOEs in Mainland China. 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 their 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 their statutory retirement age as stipulated by the State Regulations.

- (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 the State Regulations. These Qualified SOE Employees are not entitled to early retirement benefits upon reaching their statutory retirement age.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Employee benefits *(Continued)*

#### (ii) Other employee benefits to Qualified SOE Employees and Qualified Retirees *(Continued)*

##### *Qualified Retirees*

The Former SOEs also provided post-retirement benefits to their employees who were not covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. Upon being acquired by the Group, the Former SOEs had certain Qualified Retirees to whom the Former SOEs had an obligation to pay a fixed amount on a monthly basis until their death, where the Group is required to continue paying such monthly payments to these Qualified Retirees. The post-retirement benefits of Qualified Retirees were calculated based on the monthly pension multiplied by an estimated life expectancy of Qualified Retirees.

The Group recognises the liability taken over as a non-current liability at initial recognition, and subsequent payments of the retirement benefits to Qualified SOE Employees and Qualified Retirees are debited against the non-current liability. Payments are made by the Group to Qualified SOE Employees and Qualified Retirees, but the use of the fund is monitored and supervised jointly by the former parent company of the Former SOEs and the union. Except for the payment of the retirement benefits of the Qualified SOE Employees and the Qualified Retirees, the fund cannot be used for any other purpose including the transfer to the Group's consolidated 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.

#### (iii) Pension scheme for all eligible employees of the companies in Hong Kong

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.

#### (iv) Accommodation benefits for all eligible employees of the companies in Mainland China

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 administered by government agency are charged to the consolidated statement of profit or loss as and when they are incurred.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Employee benefits (continued)

#### (v) Employee benefits to all eligible employees of the subsidiaries in Portugal

As per the collective labour agreement in force at the time for the insurance activity, the companies in Portugal undertook the commitment to make cash payments to complement the retirement pensions paid by the social security services to the employees hired prior to 22 June 1995, the date when the labour agreement became effective. These payments corresponded to a percentage, which grew with the number of years of employment, applied to the table of salaries in force at the date of retirement.

Following the new labour agreement for the insurance activity, signed at 23 December 2011, the previous defined benefit pension plan was replaced, regarding workers actively employed, effective 1 January 2012, with a plan of defined contributions, with the current value of liabilities for services rendered at 31 December 2011 being transferred to the individual account of each participant. This change has not been applied to pensions due to workers who were retired or pre-retired at 31 December 2011, or to employees who did not sign up to the current collective employment agreement.

In addition, the former Império Bonança also committed itself to providing whole life medical assistance benefits to those in retirement or pre-retirement who had switched to that status between June 1998 and July 2005.

Contributions by the companies in Portugal to the defined contribution plan are made in accordance with the rules set forth in the collective labour agreement, and recorded as an expense in the period they are due as a charge to administrative expenses.

#### (vi) Employee benefits to all eligible employees of the subsidiary in France

All eligible employees of the subsidiary in France receive certain short-term benefits, such as vacation pay, "13th month" bonuses, sick leave, health insurance, and unemployment insurance in France.

The post-employment benefit plans of the subsidiary in France are based on legal obligations in each host country and on its subsidiaries' compensation policies. Long-term benefit plans include both defined contribution and defined benefit plans.

##### (a) *Defined contribution plans*

Under defined contribution plans, the subsidiary in France pays contributions to an external fund that is responsible for paying the benefits. The payment of contributions releases the employer of its further obligation towards his employees. The main defined contribution plans consist of government-sponsored basic and supplementary pension plans in Europe and defined-contribution pension plans in North America.

Contributions to all of these plans are recognised as an expense for the period in which they are due.

##### (b) *Defined benefit plans*

Under defined benefit plans, the subsidiary in France has an obligation to pay benefits to employees either at the end of their employment or during their retirement. The defined benefit plans of the subsidiary in France are unfunded and are covered by provisions recorded in the financial statements.

The main defined benefit plans of the subsidiary in France concern indemnities payable to employees on retirement (France, Greece and Turkey) or when they leave the subsidiary in France (Italy and Japan).

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **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 cost 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 are recognised as a liability when they are approved by the shareholders in a general meeting.

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 currencies of the Company and PRC subsidiaries are Hong Kong dollars ("HKD") and RMB, respectively. The financial statements are presented in RMB. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the 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 with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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).

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 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.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currencies *(Continued)*

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 average exchange rates for the year.

### Insurance and investment contracts

#### (a) Classification of contracts

Transactions associated with insurance contracts written and reinsurance contracts held by the Group are recognised in accordance with HKFRS 4 "Insurance Contracts". Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Contracts without a significant insurance risk are considered to be investment contracts.

As provided for in HKFRS 4, investment contracts with a discretionary profit sharing component also continue to be classified as insurance contracts, and other investment contracts are accounted for under HKAS 39.

An insurance or investment contract is considered to include profit sharing with a discretionary component when the respective contractual conditions provide for the allocation of additional benefits to the insured, as a complement to the contract's guaranteed component part.

The liabilities related to life insurance contracts and investment contracts with discretionary profit sharing component are recorded in the "Other life insurance contract liabilities" account heading. This provision and the respective cost are recognised simultaneously with the income associated with premiums.

Potential capital gains, net of capital losses, resulting from the revaluation of assets allocated to life insurance contracts with profit sharing and which are expected to be paid to policyholders are recognised in the other life insurance contract liabilities (profit sharing provision).

#### (b) Provision for unearned premiums

The provision for unearned premiums comprises the value of insurance contract premiums written and allocated to following periods, i.e., the part comprising the period between financial statements close and end of the period to which the premium refers. It is calculated, for each contract in force, by the application of the pro rata temporis method on the respective gross premiums written.

Expenditure incurred with the acquisition of non-life insurance contracts, including brokerage commissions and other expenses allocated to the acquisition, is deferred over the course of the period to which it relates and is recognised as a deduction from the amount of the unearned premium reserves on insurance contracts.



## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Insurance and investment contracts *(Continued)*

#### (c) Claims provision

This provision recognises the estimated amount of indemnities payable on accidents which have already occurred, including claims incurred but not reported (IBNR) and administrative costs on future claims settlements whose management procedure is currently being processed together with IBNR claims. Except for mathematical provisions and whole-life assistance for workman's compensation, the claims provisions set up by the Group are not discounted.

#### (d) Mathematical provision for life insurance

This corresponds to the estimated actuarial value of the insurance company's commitments, including profit sharing payments already distributed and following the deduction of the actuarial value of future premiums, calculated for each policy in accordance with actuarial methods and their respective technical bases.

In the case of life insurance contracts in which the investment risk is borne by the policyholder, this account heading only includes any additional technical provisions which may be set up to cover mortality risks, administrative or other expenditure (e.g., guaranteed payments on maturity or guaranteed redemption values).

#### (e) Profit sharing provision

The profit sharing provision in the other life insurance contract liabilities includes amounts payable to policyholders or contract beneficiaries, in the form of a profit sharing scheme, whether already allocated or yet to be allocated, provided that such amounts have not yet been distributed.

##### *Profit sharing provision to be allocated*

This provision includes the balances originated by the net capital gains attributable to the insured and it also reflects the net amount of the subsequent potential capital gains and losses (fair value adjustments) relating to investments linked to life insurance contracts with a profit sharing component, for the estimated part of the policy holder or contract beneficiary, as long as the balances by portfolio are not negative.

This provision is set up as a charge to profit sharing to be attributed, in the consolidated statement of profit or loss, or as a direct charge to the other comprehensive income resulting from adjustments to the fair value of available-for-sale financial assets linked to life insurance with a profit sharing component, depending on the assets' classification.

Throughout the duration of the contracts of each type or set of types, the balance of the provision for profit sharing to be allocated corresponding to this is used in full.

##### *Provision for allocated profit sharing*

This provision includes the amounts payable to policyholders or contract beneficiaries, in the form of profit sharing, which have still not been distributed but which have been attributed to them.

For most of the products, the provision is calculated on the basis of income generated by the allocated assets, including realised capital gains and losses and the recognition of impairment losses for the period, less the negative balances of past years, in which cases the said deduction is contractually provided for.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Insurance and investment contracts *(Continued)*

#### (f) Provision for interest rate commitments

The provision for interest rate commitments is set up for all life insurance and life insurance operations with a guaranteed interest rate, whenever the effective yield on investments representing mathematical provisions on certain insurance contracts, lower than the technical interest rate used to determine the mathematical provisions of those contracts.

#### (g) Portfolio stabilisation provision

The portfolio stabilisation provision is set up for annually renewable group insurance contracts, guaranteeing death risk as their principal cover, and it is designed to provide for the heightened risk inherent to the progression of the average age of the insured group, whenever the tariff is based on a single rate, which, owing to contractual commitments, is to be maintained over a certain period.

#### (h) Provision for unexpired risks

This provision is calculated for all non-life insurance and is intended to respond to situations in which premiums to be allocated to subsequent years regarding contracts in force at the date of the financial statements are not sufficient to pay for the indemnities and the expenses to be allocated to the respective technical lines of business. This provision is calculated on the basis of the ratios for claims, operating costs, ceding and income, in accordance with which is defined by the Portuguese Insurance Regulator.

#### (i) Technical provisions for outwards reinsurance

These provisions are assessed by applying the above described criteria for direct insurance, based on ceding percentages, in addition to other clauses existing in the treaties in force.

#### (j) Liabilities to subscribers of unit-linked products

Liabilities, associated with unit-linked investment contracts issued by the Group in which the risk is borne by the policyholder, are recognised at fair value and assessed on the basis of the fair value of investment portfolio assets allocated to each of the products, less the corresponding management costs and recognised in "financial liabilities for unit-linked contracts".

Investment portfolios allocated to unit-linked products comprise financial assets, including fixed-income securities, variable-income securities, derivative instruments and deposits in credit institutions, which are recognised at fair value and whose corresponding unrealised capital gains and losses are recognised in the consolidated statement of profit or loss for the year.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Insurance and investment contracts *(Continued)*

#### (k) Liabilities to subscribers of other investment contracts

Liabilities to subscribers of other regulated products, classified as investment contracts under HKFRS 4, which do not include a discretionary profit sharing component, are valued in accordance with the requirements of HKAS 39 and recognised in "Investment contract liabilities".

#### (l) Impairment of debtor balances related with insurance and reinsurance contracts

At each reporting date, the Group assesses the existence of evidence of impairment on assets originated by insurance or reinsurance contracts, namely accounts receivable from policyholders, agents, inwards and outwards reinsurers, and technical provisions for outwards reinsurance.

If impairment losses are identified, the financial statements value of the respective assets is reduced as a charge to the consolidated statement of profit or loss for the year.

#### (m) Liability adequacy test

In accordance with HKFRS 4, at the financial statements date, the Group performs liability adequacy tests relating to contracts in force. These tests include estimates of the present value of future cash flows under its insurance contracts, including claims handling costs and cash flows resulting from embedded options and guarantees.

If that assessment shows that the carrying amount of the insurance liabilities recognised in the financial statements, net of related intangible assets, is inadequate in light of the estimated future cash flows, the entire insufficiency shall be recognised in profit or loss.

## 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 a 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.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

#### Judgements (Continued)

##### (ii) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately 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 38.83% equity interest as at 31 December 2016. The remaining 61.17% 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 the Shanghai Stock Exchange, there has been no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

##### (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 2016 was RMB90,786,000 (31 December 2015: RMB178,779,000). Further details are contained in note 27 to the financial statements.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

#### 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 2016 was RMB9,862,200,000 (31 December 2015: RMB10,366,162,000). 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 2016, impairment losses in the amount of RMB558,891,000 (2015: RMB614,875,000) have been recognised as set out in note 8 to the financial statements.

##### (iii) Impairment of available-for-sale investments

The Group classifies certain investments as available-for-sale investments and recognises changes in fair value in other comprehensive income. When the fair value declines, management makes judgement 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 2016, impairment losses in the amount of RMB2,306,787,000 (2015: RMB1,823,695,000) have been recognised for available-for-sale investments as set out in note 8 to the financial statements. As at 31 December 2016, the carrying amount of available-for-sale investments (including current and non-current portion) was RMB128,175,432,000 (31 December 2015: RMB118,954,586,000).

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

#### Estimation uncertainty *(Continued)*

##### (iv) Estimation of fair value of investment properties

As described in note 14 to the financial statements, investment properties were revalued on 31 December 2016 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 carrying amount of investment properties at 31 December 2016 was RMB30,493,267,000 (31 December 2015: RMB40,898,689,000). Further details, including the key assumptions used for fair value measurement, are given in note 14 to the financial statements.

##### (v) Fair value of financial instruments determined using valuation techniques

Fair value of financial instruments, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations were based on certain assumptions about credit risk, volatility and liquidity risks, associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. Further details are included in note 66 to the financial statements.

##### (vi) Provision for bad debts of trade and notes receivables and prepayments, deposits and other receivables

The Group reviews the recoverability and ageing of trade and notes receivables and prepayments, deposits and other receivables and provides impairment losses if the balances are not fully recoverable. The assessments involve estimation of the recoverability of these balances. Any change in key assumptions of estimations would affect the carrying amount of the trade and notes receivables and prepayments, deposits and other receivables, and provision expenses in the period in which such estimate has been changed.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

#### Estimation uncertainty *(Continued)*

##### (vii) Estimation of rehabilitation cost provision

###### *For mining rights*

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 expenditure 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.

###### *For oil and gas assets*

The Group estimates the future removal costs of on and offshore oil and gas platforms, production facilities, wells and pipelines at the time of installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal data, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating costs, future removal technologies in determining the removal cost, and asset specific discount rates to determine the present value of these cash flows.

##### (viii) 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.

##### (ix) 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)*

##### (x) 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 2016 was RMB1,331,980,000 (31 December 2015: RMB1,055,320,000). The amount of unrecognised tax losses and deductible temporary differences as at 31 December 2016 was RMB13,842,934,000 (31 December 2015: RMB11,305,062,000). Further details are contained in note 27 to the financial statements.

##### (xi) 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.

##### (xii) Contingent consideration for acquisition of subsidiaries

The Group estimated the fair value of contingent consideration for acquisition of subsidiaries by using 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.

##### (xiii) Assessment of insurance contracts liabilities

The Group's insurance contracts liabilities are assessed on the basis of the methodologies and assumptions described in note 2.5. These liabilities reflect a quantified estimate of the impact of future events on the accounts of the Group's insurance companies, based on actuarial assumptions, claims history and other methods accepted in the sector. Owing to the nature of insurance activity, the assessment of claims provisions and other insurance contracts liabilities is highly subjective and the real amounts payable in the future may differ significantly from the estimates. Management reassesses these estimates at the end of each reporting period, however, that the liabilities on insurance contracts recognised in the consolidated financial statements adequately reflect the best estimate at the end of the reporting period of the amounts to be disbursed by the Group. As at 31 December 2016, the total carrying amount of insurance contracts liabilities was RMB45,688,020,000 (2015: RMB73,057,699,000), which includes unearned premium provisions amounting to RMB5,194,018,000 (2015: RMB12,881,979,000), provision for outstanding claims amounting to RMB27,283,038,000 (2015: RMB47,009,348,000), provision for unexpired risks amounting to RMB360,623,000 (2015: RMB432,410,000) and other life insurance contract liabilities amounting to RMB12,850,341,000 (2015: RMB12,733,962,000).

#### 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 2016 are set out below:

Name of company	Place 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	4,800,000	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	600,000	—	100.0%	100.0%	Investment holding
復星金融控股有限公司 (Fosun Financial Holdings Limited)	Hong Kong	HKD18,598,275,000	100.0%	—	100.0%	Investment holding
復星地產控股有限公司 (Fosun Property Holdings Limited)	Hong Kong	HKD1	100.0%	—	100.0%	Investment holding
Health segment						
上海復星醫藥(集團)股份有限公司* (Shanghai Fosun Pharmaceutical Group) Co., Ltd.)	PRC/ Mainland China	2,414,512	—	38.8%	38.8%	Investment holding
上海復星醫藥產業發展有限公司 (Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.)	PRC/ Mainland China	2,253,308	—	100.0%	38.8%	Investment holding
錦州奧鴻藥業有限責任公司 (Jinzhou Aohong Pharmaceutical Co., Ltd.)	PRC/ Mainland China	107,875	—	95.6%	37.1%	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	440,455	—	95.2%	36.9%	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	51,120	—	51.0%	19.8%	Manufacture and sale of pharmaceutical products

#### 4. PARTICULARS OF THE PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINT VENTURES *(Continued)*

	Place of incorporation/ registration and place of business	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
Name of company			Direct	Indirect	Effective	
Subsidiaries (Continued)						
Health segment (Continued)						
重慶藥友製藥有限責任公司 (Chongqing Yao Pharmaceutical Co., Ltd.)	PRC/ Mainland China	196,540	—	51.0%	19.8%	Manufacture and sale of pharmaceutical products
桂林南藥股份有限公司 (Guilin South Pharma Co., Ltd.)	PRC/ Mainland China	285,030	—	96.0%	37.2%	Manufacture and sale of pharmaceutical products
復星實業(香港)有限公司 (Fosun Industrial Co., Limited)	Hong Kong	USD173,820,000	—	100.0%	38.8%	Investment holding
美中互利醫療有限公司 (Chindex Medical Limited)	Hong Kong	HKD245,000	—	70.0%	27.2%	Manufacture and sale of medical devices
上海復星醫院投資(集團)有限公司 (Shanghai Fosun Hospital Investment (Group) Co., Ltd.)	PRC/ Mainland China	100,000	—	100.0%	38.8%	Investment holding
佛山市禪城區中心醫院有限公司 (Foshan City Chancheng District Central Hospital Co., Ltd.)	PRC/ Mainland China	50,000	—	64.0%	24.8%	Provision of healthcare services
Luz Saúde, S.A.	Portugal	EUR95,542,254		98.8%	84.0%	Provision of healthcare services
Property development and sales segment						
復地(集團)股份有限公司 (Shanghai Forte Land Co., Ltd.)	PRC/ Mainland China	504,155	—	99.4%	99.4%	Property development
上海復地投資管理有限公司 (Shanghai Forte Investment Management Co., Ltd.)	PRC/ Mainland China	80,000	—	100.0%	99.4%	Investment holding
天津湖濱廣場置業發展有限公司 (Tianjin Hubin Plaza Property Development Co., Ltd.)	PRC/ Mainland China	290,000	—	100.0%	99.4%	Property development
南京復地明珠置業有限公司 (Nanjing Forte Pearl Property Co.,Ltd)	PRC/ Mainland China	500,000	—	66.0%	65.6%	Property development

#### 4. PARTICULARS OF THE PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINT VENTURES *(Continued)*

Name of company	Place 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 (Continued)						
Resources segment						
海南礦業股份有限公司 (Hainan Mining Co., Ltd.)	PRC/ Mainland China	1,866,670	—	54.0%	54.0%	Mining and ore processing
Roc Oil Company Limited	Australia	USD734,150,000	—	100.0%	100.0%	Oil and gas exploration
Happiness segment						
Club Med SAS	France	EUR149,000,000	—	100.0%	86.6%	Tourism
Wealth management and innovative finance segment						
上海復星創富投資管理股份有限公司 (Fosun Capital Investment & Management Co., Ltd.)	PRC/ Mainland China	600,000	—	100.0%	100.0%	Capital investment and management
IDERA Capital Management Ltd.	Japan	JPY100,000,000	—	98.0%	98.0%	Capital investment and management
Hauck & Aufhäuser Privatbankiers KGaA	Germany	EUR16,000,000	—	99.9%	99.9%	Private banking and financial service
Insurance segment						
鼎睿再保險有限公司 (Peak Reinsurance Company Limited)	Hong Kong	USD650,000,000	—	86.9%	86.9%	Reinsurance
Fidelidade – Companhia de Seguros, S.A.	Portugal	EUR381,150,000	—	85.0%	85.0%	Underwriting of life and non-life insurance
Meadowbrook Insurance Group, Inc.	United States of America	USD343,353,000	—	100.0%	100.0%	Underwriting of non-life insurance
Ironshore Inc.	Cayman Islands/ United States of America	USD1,433,201,000	—	100.0%	100.0%	Underwriting of non-life insurance

#### 4. PARTICULARS OF THE PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINT VENTURES (Continued)

Name of company	Place 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	
Associates						
國藥產業投資有限公司 (Sinopharm Industrial Investment Co., Ltd.)	PRC/ Mainland China	100,000	—	49.0%	19.0%	Distribution 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	1,437,322	—	26.45%	26.45%	Retail
天津建龍鋼鐵實業有限公司 (Tianjin Jianlong Iron & Steel Industrial Co., Ltd.)	PRC/ Mainland China	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	HKD297,587,000	—	14.8%	14.7%	Property investment and management
上海地傑置業有限公司 (Shanghai Dijie Real Estate Limited)	PRC/ Mainland China	20,000	—	40.0%	39.8%	Property investment and management
永安財產保險股份有限公司 (Yong'an Property Insurance Company Limited)	PRC/ Mainland China	3,009,416	—	40.7%	40.7%	Property insurance
Banco Comercial Português, S.A.®	Portugal	EUR4,268,817,689		16.7%	16.7%	Banking and financial service
Joint ventures						
南京南鋼鋼鐵聯合有限公司# (Nanjing Nangang Iron & Steel United Co., Ltd.)	PRC/ Mainland China	3,000,000	—	60.0%	60.0%	Manufacture and sale of iron and steel products
上海証大外灘國際金融服務中心 置業有限公司 (Shanghai Zendai Bund International Finance Services Centre Real Estate Company Limited)	PRC/ Mainland China	7,000,000	—	50.0%	50.0%	Property development

#### 4. PARTICULARS OF THE PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINT VENTURES *(Continued)*

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 2016 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 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 38.83% as at 31 December 2016.
- @ 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 2016.
- # Although the Group held 60% equity interests in Nanjing Nangang Iron & Steel United Co. Ltd ("Nanjing Nangang") as at 31 December 2015, the Group delegated 10% voting rights in Nanjing Nangang to Nanjing Iron & Steel (Group) Co., Ltd., and Nanjing Nangang was accounted for as a joint venture of the Group.

## 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) Insurance segment engages in the operation of and investment in the insurance businesses;
- (ii) Investment segment comprises, principally, the investments in strategic investments, private equity investments/venture capital investments/capital contribution to the Group's asset management business as a limited partner (PE/VC/LP investments) and secondary market investments; and
- (iii) Wealth management and innovative finance segment mainly comprises wealth management and innovative finance business. Wealth management engages in the asset management business and the operation of and investment in banking and other financial business, while innovative finance comprises the operation of and investment in the financial industry using internet cloud computing technology.

Insurance segment, investment segment, wealth management and innovative finance segment listed above belong to the integrated finance (wealth) sector of the Group.

- (iv) Health segment engages in the research and development, manufacture, sale and trading of pharmaceutical and medical products and provision of healthcare services;
- (v) Happiness segment comprises principally the operation and investments in the wholesale and retail of gold and jewellery, tourism and entertainment industries;
- (vi) Property development and sales segment engages in the development and sale of properties; and
- (vii) Resources segment engages in the mining and ore processing of various metals and the oil and gas exploration.

Health segment, happiness segment, property development and sales segment and resources segment listed above belong to the industrial operations sector of the Group.

As Nanjing Nangang Iron & Steel United Co., Ltd. has ceased to be a subsidiary of the Company since the end of 2015, the Group's investments in the steel industry were classified into the investment segment since 1 January 2016.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. During the year, as the management changed the structure of the Group's internal organisation to match its business development strategy in a manner that caused change to the Group's composition of its reportable segments, 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.

Inter-segment sales and transfers are transacted with reference to the fair selling prices used for sales made to third parties at the then prevailing market prices.



**5. OPERATING SEGMENT INFORMATION** (Continued)

Year ended 31 December 2016

	Integrated Finance (Wealth)			Industrial Operations					Total RMB'000
	Insurance RMB'000	Investment RMB'000	Wealth management and innovative finance RMB'000	Health RMB'000	Happiness RMB'000	Property development and sales RMB'000	Resources RMB'000	Eliminations RMB'000	
<b>Segment revenue:</b>									
Sales to external customers	27,640,715*	1,188,012	1,466,235	17,979,155	10,355,548	13,883,053	1,453,844	—	73,966,562
Inter-segment sales	—	12,399	162,009	281,007	—	15,189	—	(470,604)	—
Other income and gains	5,026,532	8,821,558	31,624	911,319	608,079	2,538,547	67,038	(70,413)	17,934,284
<b>Total</b>	<b>32,667,247</b>	<b>10,021,969</b>	<b>1,659,868</b>	<b>19,171,481</b>	<b>10,963,627</b>	<b>16,436,789</b>	<b>1,520,882</b>	<b>(541,017)</b>	<b>91,900,846</b>
<b>Segment results</b>	<b>1,443,915</b>	<b>8,627,723</b>	<b>403,853</b>	<b>2,807,914</b>	<b>501,354</b>	<b>5,430,664</b>	<b>(342,006)</b>	<b>65,541</b>	<b>18,938,958</b>
Interest and dividend income	3,620,305	640,225	274,237	167,727	22,532	226,634	43,318	(319,731)	4,675,247
Impairment losses recognised in the statement of profit or loss, net	(1,542,349)	(1,410,992)	(14,713)	(79,710)	(3,670)	(371,359)	(35,927)	—	(3,458,720)
Unallocated expenses									(1,756,288)
Finance costs	(375,711)	(3,434,757)	(25,726)	(531,527)	(61,970)	(634,257)	(74,691)	293,208	(4,845,431)
Share of profits and losses of									
– Joint ventures	(130,752)	113,218	4,143	938	(9,934)	129,214	—	—	106,827
– Associates	198,482	311,417	403,268	1,373,590	143,774	260,244	—	(70,551)	2,620,224
Profit/(loss) before tax	3,213,890	4,846,834	1,045,062	3,738,932	592,086	5,041,140	(409,306)	(31,533)	16,280,817
Tax	(514,783)	(642,937)	(191,524)	(389,042)	(146,558)	(1,775,300)	83,667	(18,142)	(3,594,619)
<b>Profit/(loss) for the year</b>	<b>2,699,107</b>	<b>4,203,897</b>	<b>853,538</b>	<b>3,349,890</b>	<b>445,528</b>	<b>3,265,840</b>	<b>(325,639)</b>	<b>(49,675)</b>	<b>12,686,198</b>
<b>Segment and total assets</b>	<b>203,332,120</b>	<b>67,098,705</b>	<b>56,048,140</b>	<b>54,401,409</b>	<b>23,829,170</b>	<b>85,328,592</b>	<b>8,802,621</b>	<b>(12,061,281)</b>	<b>486,779,476</b>
<b>Segment and total liabilities</b>	<b>157,936,107</b>	<b>98,478,032</b>	<b>30,075,649</b>	<b>21,491,784</b>	<b>12,071,350</b>	<b>60,003,257</b>	<b>2,855,626</b>	<b>(19,006,157)</b>	<b>363,905,648</b>
<b>Other segment information:</b>									
Depreciation and amortisation	1,046,072	83,975	10,631	961,311	550,405	41,209	483,439	—	3,177,042
Impairment losses recognised in the statement of profit or loss	1,542,349	1,410,992	14,713	79,710	3,670	371,359	35,927	—	3,458,720
Research and development costs	—	—	—	308,539	—	—	—	—	308,539
Fair value (gains)/loss on fair value adjustments of investment properties	(395,744)	307,474	(58,223)	—	—	(1,168,967)	—	—	(1,315,460)
Fair value (gains)/loss on investments at fair value through profit or loss	(81,163)	(1,229,884)	1,133	(12,301)	—	—	—	—	(1,322,215)
Investments in joint ventures	1,224,818	7,770,001	199,284	249,126	22,725	8,196,550	—	—	17,662,504
Investments in associates	7,815,487	4,635,504	5,536,591	18,658,337	3,966,858	3,660,301	316,323	(473,793)	44,115,608
Capital expenditure**	1,150,452	668,927	43,736	1,580,328	1,731,450	450,275	649,255	—	6,274,423

**5. OPERATING SEGMENT INFORMATION** (Continued)

Year ended 31 December 2015

	Integrated Finance (Wealth)			Industrial Operations						
	Insurance	Investment	Wealth management and innovative finance	Health	Happiness	Steel	Property development and sales	Resources	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Segment revenue:</b>										
Sales to external customers	14,667,408*	399,969	393,386	15,416,454	7,441,623	21,986,032	16,868,011	1,624,006	—	78,796,889
Inter-segment sales	—	42,494	112,559	198,421	—	—	25,695	3,587	(382,756)	—
Other income and gains	4,825,257	13,150,048	252,142	1,352,274	365,266	318,474	1,342,935	221,858	(28,639)	21,799,615
<b>Total</b>	<b>19,492,665</b>	<b>13,592,511</b>	<b>758,087</b>	<b>16,967,149</b>	<b>7,806,889</b>	<b>22,304,506</b>	<b>18,236,641</b>	<b>1,849,451</b>	<b>(411,395)</b>	<b>100,596,504</b>
<b>Segment results</b>	<b>1,347,074</b>	<b>10,914,440</b>	<b>404,549</b>	<b>2,985,901</b>	<b>145,263</b>	<b>(1,263,913)</b>	<b>3,942,813</b>	<b>(34,084)</b>	<b>167,246</b>	<b>18,609,289</b>
Interest and dividend income	2,976,387	457,227	252,338	120,146	23,790	424,993	142,295	47,483	(380,268)	4,064,391
Impairment losses recognised in the statement of profit or loss, net	(1,564,001)	(189,468)	(258)	(93,005)	(13,296)	(478,247)	(799,124)	(401,111)	—	(3,538,510)
Unallocated expenses										(1,369,619)
Finance costs	(97,958)	(2,741,319)	(2)	(553,753)	(39,364)	(899,740)	(656,869)	(57,112)	322,086	(4,724,031)
Share of profits and losses of										
– Joint ventures	(51,302)	(8,099)	22,513	(19,631)	(491)	(9,799)	1,133,759	—	—	1,066,950
– Associates	263,170	366,155	(25,834)	1,130,695	119,363	(327,046)	552,258	(53)	(4,629)	2,074,079
<b>Profit/(loss) before tax</b>	<b>2,873,370</b>	<b>8,798,936</b>	<b>653,306</b>	<b>3,570,353</b>	<b>235,265</b>	<b>(2,553,752)</b>	<b>4,315,132</b>	<b>(444,877)</b>	<b>104,435</b>	<b>16,182,549</b>
Tax	(435,776)	(3,164,680)	(33,331)	(555,457)	(102,180)	277,263	(1,168,135)	(16,978)	(29,848)	(5,229,122)
<b>Profit/(loss) for the year</b>	<b>2,437,594</b>	<b>5,634,256</b>	<b>619,975</b>	<b>3,014,896</b>	<b>133,085</b>	<b>(2,276,489)</b>	<b>3,146,997</b>	<b>(461,855)</b>	<b>74,587</b>	<b>10,953,427</b>
<b>Segment and total assets</b>	<b>180,597,569</b>	<b>39,632,918</b>	<b>18,222,150</b>	<b>46,190,228</b>	<b>20,245,372</b>	<b>9,244,781</b>	<b>96,228,138</b>	<b>8,370,234</b>	<b>(11,313,446)</b>	<b>407,417,944</b>
<b>Segment and total liabilities</b>	<b>144,341,458</b>	<b>80,982,265</b>	<b>5,540,938</b>	<b>19,946,850</b>	<b>8,948,688</b>	<b>—</b>	<b>63,602,215</b>	<b>1,929,061</b>	<b>(17,426,666)</b>	<b>307,864,809</b>
<b>Other segment information:</b>										
Depreciation and amortisation	334,367	66,301	2,529	854,811	255,147	1,594,031	28,895	611,084	—	3,747,165
Impairment losses recognised in the statement of profit or loss	1,768,105	189,468	258	93,005	13,296	478,247	799,124	401,111	—	3,742,614
Impairment losses reversed in the statement of profit or loss	(204,104)	—	—	—	—	—	—	—	—	(204,104)
Research and development costs	—	—	—	622,707	—	137,049	—	—	—	759,756
Fair value gain on fair value adjustments of investment properties	(249,188)	(1,258,029)	(210,564)	—	—	—	(120,730)	—	—	(1,838,511)
Fair value (gains)/loss on investments at fair value through profit or loss	(257,339)	2,015,259	—	2,218	—	151,958	—	—	—	1,912,096
Investments in joint ventures	790,973	76,106	469,698	223,380	7,159	7,226,883	3,082,994	—	(68,068)	11,809,125
Investments in associates	1,392,746	4,129,918	1,886,189	15,287,873	3,142,618	2,017,898	3,656,698	429,096	(363,384)	31,579,652
Capital expenditure**	2,895,088	356,527	780,247	1,617,645	752,253	1,017,085	421,226	735,271	—	8,575,342

\* The sales to external customers of the insurance segment can be further analysed in note 6.

\*\* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, exploration and evaluation assets, mining rights, intangible assets, investment properties and oil and gas assets.

**5. OPERATING SEGMENT INFORMATION** *(Continued)***Geographical information****(a) Revenue from external customers**

	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Mainland China	<b>29,086,978</b>	51,833,431
Portugal	<b>12,476,766</b>	10,796,266
Other countries and regions	<b>32,402,818</b>	16,167,192
	<b>73,966,562</b>	78,796,889

The revenue information above is based on the locations of the customers.

**(b) Non-current assets**

	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Mainland China	<b>88,960,830</b>	101,141,889
Hong Kong	<b>4,012,210</b>	2,433,251
Portugal	<b>20,877,955</b>	14,622,408
Other countries and regions	<b>31,031,414</b>	28,759,635
	<b>144,882,409</b>	146,957,183

The non-current asset information above is based on the locations of the assets and excludes financial instruments, deferred tax assets and rights arising under insurance contracts.

**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 2016 and 2015.

## 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 the net earned premiums from insurance business, the value of services rendered and rental receivables from investment properties during the year.

An analysis of revenue, other income and gains is as follows:

	2016 RMB'000	2015 RMB'000
<b>Revenue</b>		
Insurance revenue:		
Gross premiums written	35,804,699	17,846,826
Less: Premiums ceded to reinsurers and retrocessionaires	(7,559,376)	(2,612,559)
Net premiums written	28,245,323	15,234,267
Change in unearned premium provisions, net of reinsurance	(604,608)	(566,859)
Net earned premiums	27,640,715	14,667,408
Sale of goods:		
Pharmaceuticals and medical products	12,527,396	11,016,596
Properties	14,281,657	16,854,217
Iron and steel products	—	22,067,060
Ore products	843,498	873,403
Oil and gas	662,682	814,074
Others	482,568	196,496
	28,797,801	51,821,846
Rendering of services:		
Tourism	10,356,520	7,441,623
Healthcare	4,967,026	4,309,700
Property agency	469,266	353,768
Property management	447,041	320,916
Leasing from investment properties	705,671	611,477
Asset management	538,097	403,401
Others	614,144	154,204
	18,097,765	13,595,089
Subtotal	74,536,281	80,084,343
Less: Government surcharges	(569,719)	(1,287,454)
	73,966,562	78,796,889

**6. REVENUE, OTHER INCOME AND GAINS** (Continued)

	2016 RMB'000	2015 RMB'000
<b>Other income</b>		
Interest income	514,755	912,697
Dividends and interests from available-for-sale investments	3,200,957	2,683,723
Dividends and interests from investments at fair value through profit or loss	959,535	467,971
Rental income	645,976	357,117
Sale of scrap materials	—	84,369
Government grants	258,545	314,163
Consultancy and other service income	378,231	237,471
Fee income relating to investment contracts	781,217	432,569
Others	489,988	168,668
	<b>7,229,204</b>	<b>5,658,748</b>
<b>Gains</b>		
Gain on disposal of subsidiaries (note 58(b))	559,558	7,180,957
Gain on bargain purchase of subsidiaries (note 58(a))	279,589	847,409
Gain on bargain purchase of associates	1,276,423	—
Gain on disposal of associates	4,790,497	2,896,125
Gain on deemed disposal of partial investments in associates	328,640	—
Gain on disposal of joint ventures	191,508	—
Gain on disposal of available-for-sale investments	4,962,845	6,671,444
Gain on disposal of investments at fair value through profit or loss	56,899	434,394
Gain on disposal of non-current assets held for sale	—	130,600
Gain on disposal of items of property, plant and equipment	108,619	1,714
Gain on disposal of investment properties	183,685	—
Gain on fair value adjustment on investments at fair value through profit or loss	1,322,215	—
Gain on fair value adjustment on derivative financial instruments	1,784	—
Gain on fair value adjustment of investment properties (note 14)	1,315,460	1,838,511
Gain on reversal of impairment of insurance and reinsurance debtors (note 30)	2,605	204,104
	<b>15,380,327</b>	<b>20,205,258</b>
Other income and gains	<b>22,609,531</b>	<b>25,864,006</b>
Total revenue, other income and gains	<b>96,576,093</b>	<b>104,660,895</b>

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 RMB'000	2015 RMB'000
Interest on bank and other borrowings (including convertible bonds)	5,108,046	5,662,882
Incremental interest on other long term payables (note 54)	35,920	10,219
	5,143,966	5,673,101
Less: Interest capitalised, in respect of bank and other borrowings (notes 13 and 24)	(733,111)	(1,313,812)
Interest expenses, net	4,410,855	4,359,289
Interest on discounted bills	7,700	122,074
Interest on finance leases	14,916	11,378
Bank charges and other financial costs	411,960	231,290
Total finance costs	4,845,431	4,724,031

## 8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2016 RMB'000	2015 RMB'000
Cost of sales	48,094,096	61,135,274
Staff costs (including directors' and senior management's remuneration as set out in note 9):		
Wages and salaries	9,381,464	8,780,491
Accommodation benefits:		
Defined contribution fund	99,913	205,740
Retirement costs:		
Defined contribution fund	479,390	671,761
Equity-settled share-based payments (note 59)	123,135	98,185
Total staff costs	10,083,902	9,756,177

**8. PROFIT BEFORE TAX** *(Continued)*The Group's profit before tax is arrived at after charging: *(continued)*

	2016 RMB'000	2015 RMB'000
Research and development costs	633,922	759,756
Auditor's remuneration	9,400	10,700
Depreciation of items of property, plant and equipment (note 13)	1,644,506	2,746,177
Amortisation of prepaid land lease payments (note 15)	48,841	76,107
Amortisation of mining rights (note 17)	18,609	26,945
Amortisation of intangible assets (note 19)	1,109,249	414,535
Amortisation of oil and gas assets (note 18)	355,837	483,401
Provision for impairment of receivables	165,361	142,892
Provision for inventories	70,255	381,595
Provision for impairment of items of property, plant and equipment (note 13)	30,923	125,975
Provision for impairment of investments in associates	524,420	49,153
Provision for impairment of available-for-sale investments	2,306,787	1,823,695
Provision for impairment of intangible assets (note 19)	3,548	—
Provision for impairment of mining rights (note 17)	—	101,523
Provision for impairment of oil and gas assets (note 18)	—	338,224
Provision for impairment of properties under development (note 24)	—	377,631
Provision for impairment of completed properties for sale	293,065	401,926
Operating lease rentals	1,480,725	1,076,657
Exchange loss, net	419	80,980
Loss on fair value adjustment on investments at fair value through profit or loss	—	1,912,096
Loss on the settlement of derivative financial instruments	638,471	121,678
Provision for impairment of loans and advances to customers	64,361	—
Loss on disposal of joint ventures	—	73,946

\* At 31 December 2016, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in the future years (2015: Nil).



## 9. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

### (a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	30,794	28,028
Performance related bonus*	44,463	33,601
Equity-settled share award scheme expense	36,784	7,536
Pension scheme contributions	384	378
	112,425	69,543

\* The executive directors of the Company are entitled to performance related bonus which is determined based on internal appraisal of various performance indicators.

During 2015 and 2016, certain directors were granted share award and share option in respect of their services to the Group under the share award scheme and share option scheme, respectively, of the Company, further details of which are set out in note 59 to the financial statements. The fair value of such award, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

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.

### (i) Independent non-executive directors

The remuneration including the equity-settled share award/option scheme expenses of independent non-executive directors during the year was as follows:

	2016 RMB'000	2015 RMB'000
Zhang Shengman	672	499
Zhang Huaqiao	672	499
David T. Zhang	672	499
Yang Chao	605	443
	2,621	1,940

**9. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION** (Continued)**(a) Directors' remuneration** (Continued)**(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	Equity- settled share award/option scheme expense RMB'000	Total remune- ration RMB'000
<b>Year ended 31 December 2016</b>						
<b>Executive directors:</b>						
Guo Guangchang	—	4,805	7,027	57	—	11,889
Liang Xinjun* (resigned as executive director on 28 March 2017)	—	4,512	6,694	57	—	11,263
Wang Qunbin	—	4,674	6,694	57	—	11,425
Ding Guoqi (resigned as executive director on 28 March 2017)	—	3,768	5,514	57	9,489	18,828
Qin Xuetang	—	3,759	5,466	57	9,220	18,502
Chen Qiyu	—	3,950	5,001	42	8,872	17,865
Xu Xiaoliang	—	3,442	8,067	57	8,466	20,032
	—	28,910	44,463	384	36,047	109,804

**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	Equity- settled share award/option scheme expense RMB'000	Total remune- ration RMB'000
Year ended 31 December 2015						
<b>Executive directors:</b>						
Guo Guangchang	—	4,627	5,584	55	—	10,266
Liang Xinjun*	—	4,427	5,170	55	—	9,652
Wang Qunbin	—	4,427	5,332	55	—	9,814
Ding Guoqi	—	3,627	4,099	55	1,743	9,524
Qin Xuetang	—	3,527	3,808	55	1,631	9,021
Wu Ping (resigned as executive director on 10 July 2015)	—	1,713	2,807	27	1,519	6,066
Chen Qiyu (appointed as executive director on 10 July 2015)	—	1,651	4,991	21	1,406	8,069
Xu Xiaoliang (appointed as executive director on 10 July 2015)	—	1,304	1,810	28	1,069	4,211
	—	25,303	33,601	351	7,368	66,623
<b>Non-executive director:</b>						
Fan Wei (resigned as non-executive director on 10 July 2015)	—	953	—	27	—	980
	—	26,256	33,601	378	7,368	67,603

\* Mr Liang Xinjun has resigned as the chief executive officer of the Company on 28 March 2017 and Mr Wang Qunbin has been redesignated as the chief executive officer of the Company with effect from 28 March 2017.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

**9. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION** (Continued)**(b) Five highest paid employees**

The five highest paid employees during the year included four directors and one senior management member (2015: four directors and one senior management member), details of whose remuneration are set out in note 9(a) above. Details of the remuneration for the year of 2016 and 2015 of the remaining one highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	2,302	2,587
Performance related bonuses	8,621	9,884
Equity-settled share award scheme expense	5,827	791
Pension scheme contributions	57	55
	<b>16,807</b>	<b>13,317</b>

During 2015 and 2016, share award and share option were granted to a non-director highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 59 to the financial statements. The fair value of such award, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director highest paid employee's remuneration disclosures.

**(c) Senior management's remuneration**

The number of senior management members whose remuneration fell within the following bands is as follows:

	Number of employees 2016
Nil to RMB1,000,000	4
RMB1,000,001 to RMB2,000,000	—
RMB2,000,001 to RMB4,000,000	—
RMB4,000,001 to RMB6,000,000	—
RMB6,000,001 to RMB8,000,000	—
RMB8,000,001 to RMB10,000,000	1
RMB10,000,001 to RMB12,000,000	7
RMB12,000,001 to RMB14,000,000	1
RMB14,000,001 to RMB16,000,000	1
RMB16,000,001 to RMB18,000,000	2
RMB18,000,001 to RMB20,000,000	2
RMB20,000,001 to RMB22,000,000	1
	<b>19</b>

## 10. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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 countries/jurisdictions in which the Group operates.

The provision for income tax of Alma Lasers Ltd. ("Alma Lasers"), a subsidiary of Fosun Pharma incorporated in Israel, is based on a preferential rate of 16% (2015: 16%).

The provision for income tax of Fidelidade - Companhia de Seguros, S.A., Multicare - Seguros de Saúde, S.A. and Fidelidade Assistência - Companhia de Seguros, S.A., subsidiaries incorporated in Portugal acquired by the Group in 2014, is based on a rate of 29.5% (2015: 29.5%).

The provision for income tax of Ironshore Inc. ("Ironshore") and its subsidiaries incorporated in the United States acquired by the Group in 2015, is based on a rate of 35% (2015: 35%).

The provision for income tax of Meadowbrook Insurance Group, Inc. ("MIG") and its subsidiaries incorporated in the United States, acquired by the Group in 2015, is based on a rate of 35% (2015: 35%).

The provision for income tax of Club Med Holding (formerly known as Holding Gaillon II) and its subsidiaries incorporated in France, acquired by the Group in 2015, is based on a rate of 38% (2015: 38%).

The provision for income tax of Hauck & Aufhäuser Privatbankiers KGaA (Hauck & Aufhäuser) and its subsidiaries incorporated in Germany acquired by the Group in 2016, is based on a rate of 32.175%.

The provision for income tax of entities incorporated in Mainland China was based on a statutory rate of 25% (2015: 25%) 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 2016 and 2015 are as follows:

	2016 RMB'000	2015 RMB'000
Current - Portugal, Hong Kong and others	1,490,166	1,818,039
Current - Mainland China		
– Income tax in Mainland China for the year	1,242,658	2,776,949
– LAT in Mainland China for the year	690,861	771,557
Deferred	170,934	(137,423)
Tax expenses for the year	3,594,619	5,229,122

**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:

	Portugal, Hong Kong and others RMB'000	Mainland China RMB'000	Total RMB'000
<b>2016</b>			
Profit before tax excluding share of profits and losses of associates and joint ventures	7,906,087	5,647,679	13,553,766
Tax at the applicable tax rate	1,406,264	1,411,920	2,818,184
Different tax rates for specific entities	(226,956)	(287,586)	(514,542)
Tax effect of:			
Income not subject to tax	(376,780)	(246,962)	(623,742)
Tax impact on the outside basis difference recognised in current year	(205,940)	(41)	(205,981)
Expenses not deductible for tax	527,018	87,070	614,088
Tax losses and temporary differences not recognised	219,707	843,033	1,062,740
Tax losses utilised	(122,157)	(45,858)	(168,015)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries (note 27)	—	90,786	90,786
Under provision/(over provision) in prior years	45,711	(20,239)	25,472
Tax incentives on eligible expenditures	(1,141)	(24,499)	(25,640)
Subtotal	1,265,726	1,807,624	3,073,350
Provision for LAT for the year	—	504,213	504,213
Deferred tax effect of provision for LAT (note 27)	—	(126,053)	(126,053)
Prepaid LAT for the year	—	298,676	298,676
Tax effect of prepaid LAT	—	(74,669)	(74,669)
Decrease in deferred LAT in deferred tax liability (note 27)	—	(80,898)	(80,898)
Tax expenses	1,265,726	2,328,893	3,594,619

**10. TAX** (Continued)

	Portugal, Hong Kong and others RMB'000	Mainland China RMB'000	Total RMB'000
<b>2015</b>			
Profit before tax excluding share of profits and losses of associates and joint ventures	2,728,981	10,312,539	13,041,520
Tax at the applicable tax rate	845,601	2,578,135	3,423,736
Different tax rates for specific entities	82,536	(246,237)	(163,701)
Tax effect of:			
Income not subject to tax	(490,648)	(273,405)	(764,053)
Tax impact on the outside basis difference recognised in current year	466,707	233,825	700,532
Expenses not deductible for tax	512,836	88,371	601,207
Tax losses and temporary differences not recognised	300,584	723,662	1,024,246
Tax losses utilised	(30,559)	(230,593)	(261,152)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries (note 27)	—	178,779	178,779
Over provision in prior years	(12,867)	(10,524)	(23,391)
Tax incentives on eligible expenditures	(13,117)	(21,310)	(34,427)
Subtotal	1,661,073	3,020,703	4,681,776
Provision for LAT for the year	—	299,483	299,483
Deferred tax effect of provision for LAT (note 27)	—	(74,871)	(74,871)
Prepaid LAT for the year	—	472,074	472,074
Tax effect of prepaid LAT	—	(118,019)	(118,019)
Decrease in deferred LAT in deferred tax liability (note 27)	—	(31,321)	(31,321)
Tax expenses	1,661,073	3,568,049	5,229,122



**10. TAX** (Continued)

According to the tax notices issued by the relevant local tax authorities, the Group commenced to pay land appreciation tax ("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 RMB298,676,000 (2015: RMB472,074,000).

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 RMB530,101,000 (2015: RMB521,780,000) 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 RMB25,888,000 (2015: RMB222,297,000) 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 accrual of LAT provision for the year was RMB504,213,000 (2015: net accrual of RMB299,483,000).

**11. DIVIDENDS**

	2016 RMB'000	2015 RMB'000
Proposed final – HKD0.21 (2015: HKD0.17) per ordinary share	1,616,101	1,226,242

The proposed final dividend of HKD0.17 per ordinary share for the year ended 31 December 2015 was declared and approved by the shareholders at the annual general meeting of the Company on 1 June 2016.

On 28 March 2017, the board of directors of the Company resolved to propose a final dividend for the year ended 31 December 2016 of HKD0.21 per ordinary share, subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

**12. 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 year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 8,600,742,231 (2015: 7,580,400,646) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the cash dividends distributed to the share award scheme (note 59(a)) and 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 on the deemed vesting or conversion of share award scheme or convertible bonds into ordinary shares.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2016 in respect of a dilution as the impact of share option scheme (note 59(b)) had an anti-dilutive effect on the basic earnings per share amount presented.

## 12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	10,268,185	8,038,282
Less: Cash dividends distributed to share award scheme	(1,424)	(613)
Adjusted profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	10,266,761	8,037,669
Interest on convertible bonds (note 41)	24,420	89,457
Cash dividends distributed to share award scheme	1,424	613
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	10,292,605	8,127,739
	Number of shares	
	2016	2015
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	8,600,742,231	7,580,400,646
Effect of dilution – weighted average number of ordinary shares:		
– Share award scheme	4,359,362	3,070,986
– Convertible bonds	36,900,000	171,925,754
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	8,642,001,593	7,755,397,386
Basic earnings per share (RMB)	1.19	1.06
Diluted earnings per share (RMB)	1.19	1.05

### 13. PROPERTY, PLANT AND EQUIPMENT

	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
<b>Cost:</b>								
At 1 January 2015	17,859,245	26,657,954	1,265,354	550,445	50,702	657,154	4,157,409	51,198,263
Additions	295,436	239,976	197,938	12,247	25,166	35,015	2,326,480	3,132,258
Transferred from construction in progress	988,619	1,583,760	9,890	8,940	—	21,329	(2,612,538)	—
Transfer to investment properties	(90,095)	—	(14)	—	—	—	—	(90,109)
Acquisition of subsidiaries	5,114,359	331,894	418,981	2,219	48,842	—	187,869	6,104,164
Disposal of subsidiaries	(11,285,766)	(24,151,720)	(395,101)	(287,622)	—	(713,498)	(931,594)	(37,765,301)
Disposals	(130,992)	(241,471)	(308,974)	(14,087)	(31,237)	—	(28,999)	(755,760)
Exchange realignment	(107,106)	9,801	(14,921)	—	675	—	(103,391)	(214,942)
At 31 December 2015 and 1 January 2016 (Restated)	12,643,700	4,430,194	1,173,153	272,142	94,148	—	2,995,236	21,608,573
Additions	452,871	333,612	570,499	22,829	76,408	—	2,502,904	3,959,123
Transferred from construction in progress	990,214	362,726	37,173	536	1,123	—	(1,391,772)	—
Transfer to investment properties (note 14)	(120,851)	—	—	—	—	—	—	(120,851)
Acquisition of subsidiaries (note 58(a))	554,324	81,026	41,826	16,203	18,576	—	584	712,539
Disposal of subsidiaries (note 58(b))	—	(26,602)	(1,571)	(583)	—	—	(463)	(29,219)
Disposals	(186,498)	(135,656)	(193,236)	(18,622)	(937)	—	(40,257)	(575,206)
Exchange realignment	451,612	62,318	53,121	(1,555)	7,252	—	(211,552)	361,196
Included in assets of a disposal group held for sale (note 39)	—	—	(300,566)	—	(120,655)	—	—	(421,221)
At 31 December 2016	14,785,372	5,107,618	1,380,399	290,950	75,915	—	3,854,680	25,494,934

**13. PROPERTY, PLANT AND EQUIPMENT** *(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
<b>Accumulated depreciation:</b>								
At 1 January 2015	3,630,015	10,279,519	481,099	292,187	21,261	210,922	—	14,915,003
Charge for the year	755,469	1,596,417	312,880	47,894	11,973	21,544	—	2,746,177
Transfer to investment properties	(4,284)	—	—	—	—	—	—	(4,284)
Disposal of subsidiaries	(2,976,701)	(10,054,316)	(299,977)	(165,266)	—	(232,466)	—	(13,728,726)
Disposals	(103,249)	(147,067)	(256,812)	(12,032)	(4,679)	—	—	(523,839)
Exchange realignment	(82,101)	(15,349)	(37,229)	—	178	—	—	(134,501)
At 31 December 2015 and 1 January 2016	1,219,149	1,659,204	199,961	162,783	28,733	—	—	3,269,830
Charge for the year (note 8)	706,503	490,010	394,583	26,837	26,573	—	—	1,644,506
Transfer to investment properties (note 14)	(48,771)	—	—	—	—	—	—	(48,771)
Disposal of subsidiaries (note 58(b))	—	(19,992)	(899)	(223)	—	—	—	(21,114)
Disposals	(5,486)	(120,264)	(183,897)	(16,238)	—	—	—	(325,885)
Exchange realignment	31,826	5,434	2,333	(1,138)	1,131	—	—	39,586
Included in assets of a disposal group held for sale (note 39)	—	—	(56,814)	—	(12,105)	—	—	(68,919)
At 31 December 2016	1,903,221	2,014,392	355,267	172,021	44,332	—	—	4,489,233
<b>Impairment loss:</b>								
At 1 January 2015	68,746	175,421	561	561	—	—	75	245,364
Charge for the year	45,475	9,065	53	156	1,175	—	70,051	125,975
Transfer to investment properties	(6,082)	—	—	—	—	—	—	(6,082)
Disposals	(11,201)	(39,083)	—	(214)	—	—	—	(50,498)
Exchange realignment	977	(364)	—	—	—	—	(231)	382
At 31 December 2015 and 1 January 2016	97,915	145,039	614	503	1,175	—	69,895	315,141
Charge for the year (note 8)	19,808	881	—	—	—	—	10,234	30,923
Transfer to investment properties (note 14)	(12,227)	—	—	—	—	—	—	(12,227)
Disposals	—	(1,293)	—	—	—	—	—	(1,293)
Exchange realignment	1,036	(221)	—	—	—	—	314	1,129
At 31 December 2016	106,532	144,406	614	503	1,175	—	80,443	333,673
<b>Net book value:</b>								
At 31 December 2016	12,775,619	2,948,820	1,024,518	118,426	30,408	—	3,774,237	20,672,028
At 31 December 2015 (Restated)	11,326,636	2,625,951	972,578	108,856	64,240	—	2,925,341	18,023,602

**13. PROPERTY, PLANT AND EQUIPMENT** (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 40):

	2016 RMB'000	2015 RMB'000
Buildings	137,833	368,023
Construction in progress	1,783,652	—
	<b>1,921,485</b>	368,023

- (2) Capitalised interest expenses included in construction in progress of the Group are as follows (note 7):

	2016 RMB'000	2015 RMB'000
Interest expenses capitalised	68,964	82,665

- (3) As at 31 December 2016, the Group was in the process of applying for property certificates of plant and office buildings with a net book value of approximately RMB517,837,000 (2015: RMB512,293,000).
- (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 2016 was RMB30,004,000 (2015: RMB41,265,000).

**14. INVESTMENT PROPERTIES**

	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January	40,898,689	16,883,890
Additions	1,033,799	4,034,045
Acquisition of subsidiaries (note 58(a))	6,209,178	17,684,506
Transfer from properties under development	972,947	—
Transfer from completed properties for sale	123,233	—
Transfer from property, plant and equipment (note 13)	59,853	79,743
Revaluation gain upon transfer from owner occupied property recognised in other comprehensive income	54,114	—
Gain on fair value adjustments (note 6)	1,315,460	1,838,511
Disposal of subsidiaries (note 58(b))	(18,572,407)	—
Disposal	(1,891,564)	(35,920)
Exchange realignment	289,965	413,914
Carrying amount at 31 December	<b>30,493,267</b>	40,898,689

## 14. INVESTMENT PROPERTIES *(Continued)*

The Group's investment properties consist of commercial properties, which are located in Beijing, Shanghai, Hangzhou, Chengdu, Tianjin, Shanxi and Chongqing of Mainland China, New York City of the United States of America, Tokyo of Japan and other cities in Europe and Australia. 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 uses external valuers to support its determination of the fair values of all investment properties and the Group's policy is that property valuations are performed by external valuers on a regular basis. Selection criteria of the valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management of the Company has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for interim and annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 60 to the financial statements.

At 31 December 2016, the Group's certain investment properties with a net carrying amount of approximately RMB8,769,265,000 (2015: RMB19,227,824,000) were pledged to secure bank loans, as set out in note 40 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 2016 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
Recurring fair value measurement for:				
Commercial properties	—	—	30,493,267	30,493,267

	Fair value measurement as at 31 December 2015 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
Recurring fair value measurement for:				
Commercial properties	—	—	40,898,689	40,898,689

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 (2015: Nil).

**14. INVESTMENT PROPERTIES** (Continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	<b>Valuation techniques</b>	<b>Significant unobservable inputs</b>	<b>2016 Range/ weighted average</b>	<b>2015 Range/ weighted average</b>
28 Liberty	Direct comparison approach and discounted cash flow approach	Terminal capitalisation rate (Year 10) Discount rate Market rent: – modified gross (Year 1) (Square foot/year)	<b>5.0%</b> <b>7.0%</b>  <b>USD35 to USD130</b>	5.0% 7.5%  USD39.67 to USD65.92
Tokyo Front Terrace	Direct comparison approach and discounted cash flow approach	Terminal capitalisation rate Discount rate Market rent (per tsubo) Occupancy rate	<b>4.3%</b> <b>3.9%</b> <b>JPY18,095</b> <b>96.0%</b>	4.4% 4.0% JPY18,000 96.0%
Fosun International Center in Beijing	Direct comparison approach and direct capitalisation approach	Term yield Market rent: – per sq.m. and per month – per slot of parking space/month  Level adjustments Market yield Reversionary period	<b>5.5% to 6.5%</b>  <b>RMB330 to RMB480</b> <b>RMB1,000 to RMB1,200</b>  <b>40% to 70%</b> <b>6.0% to 7.0%</b> <b>From 1 January 2017 to 30 August 2054</b>	5.5% to 6.5%  RMB240 to RMB300 RMB1,100  40% to 50% 6.0% to 7.0% From 1 January 2016 to 30 August 2054
Chengdu Forte International	Direct comparison approach and direct capitalisation approach	Term yield Market rent: – per sq.m. and per month Level adjustments Market yield Reversionary period	<b>5.5%</b>  <b>RMB55 to RMB210</b> <b>40% to 70%</b> <b>6.0%</b> <b>From 1 January 2017 to 2 July 2048</b>	5.5%  RMB50 to RMB238 40% to 70% 6.0% From 1 January 2016 to 2 July 2048
Thomas More Square	Term and reversionary approach	Term yield Market Yield Market rent: – per sq.ft. and per annual Occupancy rate	<b>0.54% to 6.59%</b> <b>5.75% to 7%</b>  <b>GBP19.7 to GBP45.5</b> <b>79% to 100%</b>	N/A N/A  N/A N/A



**14. INVESTMENT PROPERTIES** *(Continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties: *(Continued)*

	<b>Valuation techniques</b>	<b>Significant unobservable inputs</b>	<b>2016 Range/ weighted average</b>	<b>2015 Range/ weighted average</b>
Triton Y	Direct comparison approach and direct capitalisation approach	Terminal capitalisation rate Discount rate Market rent: – per tsubo and per month Occupancy rate	4.25% 4.50% JPY19,000 to JPY20,500 100%	N/A N/A N/A N/A
Broggi Palace	Direct comparison approach and direct capitalisation approach	Terminal capitalisation rate Discount rate Market rent: – per sq.m. and per annual – per slot of parking and per annual Occupancy rate	4% to 5% 6.9% to 7.0% EUR510 to EUR2,500 EUR4,500 100%	N/A N/A N/A N/A N/A
Other commercial properties	Direct comparison approach and direct capitalisation approach	Term yield Market rent: – per sq.m. and per month – per slot of parking space/month Level adjustments Market yield Reversionary period	3.5% to 7.0% RMB38 to RMB324 RMB300 to RMB400 20% to 80% 3.0% to 7.5% From 1 January 2017 to 17 August 2073	4.0% to 7.0% RMB48 to RMB400 RMB300 to RMB400 20% to 70% 3.0% to 7.5% From 1 January 2016 to 13 May 2073

## 14. INVESTMENT PROPERTIES *(Continued)*

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 have been 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 direct capitalisation approach (term and reversion method, in particular) is a method by capitalising 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. Capitalisation rate is derived from the relationship between the market rent and the market capital value of other similar properties in the locality.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

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.

## 15. PREPAID LAND LEASE PAYMENTS

	2016 RMB'000	2015 RMB'000
<b>Cost:</b>		
At 1 January	2,336,236	3,174,186
Additions	9,890	412,939
Acquisition of subsidiaries	—	11,594
Disposal of subsidiaries	—	(1,143,359)
Disposals	—	(119,124)
Other changes	(613)	—
At 31 December	2,345,513	2,336,236
<b>Accumulated amortisation:</b>		
At 1 January	192,348	252,793
Amortisation for the year (note 8)	48,841	76,107
Disposal of subsidiaries	—	(125,682)
Disposals	—	(10,870)
Other changes	(1,007)	—
At 31 December	240,182	192,348
<b>Net book value:</b>		
At 31 December	2,105,331	2,143,888
At 1 January	2,143,888	2,921,393
Net book value pledged as security for bank loans (note 40)	1,098,517	1,022,849

As at 31 December 2016, the Group had no leasehold land for which the Group was in the process of applying the land use certificates (2015: Nil).

## 16. EXPLORATION AND EVALUATION ASSETS

	2016 RMB'000	2015 RMB'000
At 1 January	197,500	156,846
Additions	122,011	135,325
Transfer to oil and gas assets (note 18)	(80,663)	(15,885)
Exploration assets expensed and written off	(34,772)	(86,411)
Exchange realignment	7,053	7,625
Others	14,602	—
At 31 December	225,731	197,500

## 17. MINING RIGHTS

	2016 RMB'000	2015 RMB'000
<b>Cost:</b>		
At 1 January	1,376,712	1,541,829
Others	(14,602)	—
Disposal of subsidiaries	—	(165,117)
At 31 December	1,362,110	1,376,712
<b>Accumulated amortisation:</b>		
At 1 January	524,120	570,385
Amortisation for the year (note 8)	18,609	26,945
Disposal of subsidiaries	—	(73,210)
At 31 December	542,729	524,120
<b>Impairment loss:</b>		
At 1 January	288,085	186,562
Charge for the year (note 8)	—	101,523
At 31 December	288,085	288,085
<b>Net book value:</b>		
At 31 December	531,296	564,507
At 1 January	564,507	784,882

## 18. OIL AND GAS ASSETS

	2016 RMB'000	2015 RMB'000
<b>Cost:</b>		
At 1 January	1,961,125	1,670,546
Additions	278,260	342,417
Transferred from exploration and evaluation assets (note 16)	80,663	15,885
Disposal of subsidiaries	—	(169,976)
Exchange realignment	161,034	102,253
At 31 December	2,481,082	1,961,125
<b>Accumulated amortisation:</b>		
At 1 January	480,582	—
Amortisation for the year (note 8)	355,837	483,401
Disposal of subsidiaries	—	(11,187)
Exchange realignment	59,806	8,368
At 31 December	896,225	480,582
<b>Impairment loss:</b>		
At 1 January	510,307	158,340
Charge for the year (note 8)	—	338,224
Exchange realignment	24,033	13,743
At 31 December	534,340	510,307
<b>Net book value:</b>		
At 31 December	1,050,517	970,236
At 1 January	970,236	1,512,206

## 19. INTANGIBLE ASSETS

	Medicine licences RMB'000	Trademarks RMB'000	Business network and customer relationship RMB'000	Patent and technical know-how RMB'000	Others RMB'000	Total RMB'000
<b>Cost:</b>						
At 1 January 2015	495,000	231,287	556,598	1,010,099	295,813	2,588,797
Additions	88,283	2,178	—	288,828	139,069	518,358
Acquisition of subsidiaries	—	2,465,102	1,898,386	—	2,490,761	6,854,249
Disposal of subsidiaries	—	—	—	—	(42)	(42)
Exchange realignment	—	90,954	47,678	90	42,400	181,122
Disposals	—	(718)	—	(161,094)	(14,727)	(176,539)
At 31 December 2015 and 1 January 2016	<b>583,283</b>	<b>2,788,803</b>	<b>2,502,662</b>	<b>1,137,923</b>	<b>2,953,274</b>	<b>9,965,945</b>
Additions	188	2,095	5,380	362,077	501,600	871,340
Acquisition of subsidiaries (note 58(a))	—	—	40,096	82,520	158,137	280,753
Disposal of subsidiaries (note 58(b))	—	—	—	—	(626)	(626)
Included in assets of a disposal group classified as held for sale (note 39)	—	(346,850)	(1,619,233)	—	(2,303,342)	(4,269,425)
Exchange realignment	—	57,703	(33,107)	12,855	161,599	199,050
Disposals	—	—	(8,553)	(8,083)	(61,258)	(77,894)
At 31 December 2016	<b>583,471</b>	<b>2,501,751</b>	<b>887,245</b>	<b>1,587,292</b>	<b>1,409,384</b>	<b>6,969,143</b>
<b>Accumulated amortisation:</b>						
At 1 January 2015	—	564	81,575	132,630	62,246	277,015
Provided during the year	1,962	12,915	64,155	66,821	268,682	414,535
Disposal of subsidiaries	—	—	—	—	(36)	(36)
Exchange realignment	—	105	653	51	(60)	749
Disposals	—	(421)	—	—	(936)	(1,357)
At 31 December 2015 and 1 January 2016	<b>1,962</b>	<b>13,163</b>	<b>146,383</b>	<b>199,502</b>	<b>329,896</b>	<b>690,906</b>
Provided during the year (note 8)	5,896	40,757	179,484	57,300	825,812	1,109,249
Disposal of subsidiaries (note 58(b))	—	—	—	—	(283)	(283)
Included in assets of a disposal group classified as held for sale (note 39)	—	(20,041)	(103,826)	—	(862,193)	(986,060)
Exchange realignment	—	402	9,630	124	41,876	52,032
Disposals	—	—	—	(3,159)	(7,147)	(10,306)
At 31 December 2016	<b>7,858</b>	<b>34,281</b>	<b>231,671</b>	<b>253,767</b>	<b>327,961</b>	<b>855,538</b>
<b>Impairment loss:</b>						
At 1 January 2015, 31 December 2015, and 1 January 2016	64,000	—	—	20,142	947	85,089
Charge for the year	—	—	—	—	3,548	3,548
At 31 December 2016	<b>64,000</b>	<b>—</b>	<b>—</b>	<b>20,142</b>	<b>4,495</b>	<b>88,637</b>
<b>Net book value:</b>						
At 31 December 2016	<b>511,613</b>	<b>2,467,470</b>	<b>655,574</b>	<b>1,313,383</b>	<b>1,076,928</b>	<b>6,024,968</b>
At 31 December 2015	517,321	2,775,640	2,356,279	918,279	2,622,431	9,189,950

## 20. GOODWILL

	2016 RMB'000	2015 RMB'000 (Restated)
<b>Cost:</b>		
At 1 January	10,811,470	7,287,339
Acquisition of subsidiaries (note 58(a))	926,826	3,890,461
Disposal of subsidiaries	—	(6,259)
Included in assets of a disposal group classified as held for sale (note 39)	(1,731,038)	—
Others	300,250	(360,071)
At 31 December	10,307,508	10,811,470
<b>Accumulated impairment:</b>		
At 1 January and 31 December	(445,308)	(445,308)
<b>Net book value:</b>		
At 31 December	9,862,200	10,366,162

### Impairment testing of goodwill

Goodwill acquired through business combinations is primarily allocated to the cash-generating units ("CGUs") of the following segments for impairment testing:

- Happiness
- Health
- Property development and sales
- Investment
- Insurance
- Resources
- Wealth management and innovative finance

The carrying amounts of goodwill are as follows:

	Happiness RMB'000	Health RMB'000	Property development and sales RMB'000	Investment RMB'000	Insurance RMB'000	Resources RMB'000	Wealth management and innovative finance RMB'000	Total RMB'000
2016	1,617,682	4,042,990	70,526	34,698	3,659,852	181,007	255,445	9,862,200
2015 (Restated)	1,570,835	3,471,856	70,526	33,909	5,049,599	169,437	—	10,366,162



## 20. GOODWILL (Continued)

### Impairment testing of goodwill (Continued)

The recoverable amount of each CGU is determined based on a value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a period ranging from 5 to 12 years. The discount rates applied to the cash flow projections range from 9.31% to 18% (2015: 6.21% to 15%). Cash flows beyond the period of the financial budget are extrapolated using the estimated long-term growth rate of 1.9% to 3%. Discount rates and estimated long-term growth rate used by major segments for the year ended 31 December 2016 are as follows:

	Discount rates	Estimated long-term growth rate
– Happiness	9.8%	1.9% to 2.5%
– Health	15% to 18%	3%
– Insurance	9.31%	2%

Assumptions were used in the value-in-use calculation of the CGUs for 31 December 2016 and 2015. 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 JOINT VENTURES

	2016 RMB'000	2015 RMB'000
Share of net assets	17,604,004	11,550,962
Loans to joint ventures	58,500	258,163
	17,662,504	11,809,125
Net book value pledged as security for bank loans (note 40)	500,920	—

Loans to joint ventures of RMB58,500,000 are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these loans are considered as part of the Group's net investments in joint ventures.

The Group's amounts due from joint ventures and amounts due to joint ventures are disclosed in note 38 to the financial statements.

As at 31 December 2016, there was no material joint venture within the Group.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2016 RMB'000	2015 RMB'000
Share of the joint ventures' profit for the year	106,827	1,066,950
Share of the joint ventures' total comprehensive income	173,901	1,066,950
Aggregate carrying amount of the Group's investments in the joint ventures	17,662,504	11,809,125

## 22. INVESTMENTS IN ASSOCIATES

	2016 RMB'000	2015 RMB'000 (Restated)
Share of net assets	38,632,287	28,420,676
Goodwill on acquisition	6,206,872	3,358,107
	44,839,159	31,778,783
Provision for impairment	(723,551)	(199,131)
	44,115,608	31,579,652
Net book value pledged as security for bank loans (note 40)	10,376	52,292

Particulars of the Group's material 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 38 to the financial statements.

Sinopharm Industrial Investment Co., Ltd. ("Sinopharm"), which is considered a material associate of the Group, is accounted for using the equity method.

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:

	2016 RMB'000	2015 RMB'000
Current assets	132,546,745	116,694,552
Non-current assets	25,102,229	21,625,639
Current liabilities	(99,829,230)	(94,773,697)
Non-current liabilities	(12,956,750)	(2,414,391)
Net assets	44,862,994	41,132,103
Net assets attributable to the Group	18,422,927	17,552,385

**22. INVESTMENTS IN ASSOCIATES** *(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: (continued)

	2016 RMB'000	2015 RMB'000
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	9,027,234	8,600,668
Carrying amount of the investment	9,027,234	8,600,668
Revenues	258,387,689	227,069,433
Total comprehensive income for the year	6,844,568	5,736,121
Profit for the year attributable to owners of the parent	2,630,021	2,135,981
Other comprehensive (loss)/income attributable to owners of the parent	(12,931)	12,622
Dividend received	372,400	245,000

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2016 RMB'000	2015 RMB'000
Share of the associates' profit for the year	1,331,514	1,027,448
Share of the associates' other comprehensive income/(loss)	521,727	(170,710)
Share of the associates' total comprehensive income	1,853,241	856,738
Aggregate carrying amount of the Group's investments in the associates	35,088,374	22,608,984

**23. AVAILABLE-FOR-SALE INVESTMENTS**

	2016 RMB'000	2015 RMB'000 (Restated)
Listed equity investments, at fair value	29,096,546	22,415,992
Listed debt investments, at fair value	71,880,907	79,573,389
Listed investments, at fair value	100,977,453	101,989,381
Unlisted equity investments, at cost	9,610,214	12,221,251
Unlisted equity investments, at fair value	14,806,047	3,291,084
Unlisted debt investments, at fair value	2,781,718	1,452,870
Unlisted investments	27,197,979	16,965,205
Total	128,175,432	118,954,586
Portion classified as current assets	(22,390,416)	(20,998,463)
Non-current portion	105,785,016	97,956,123

## 23. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB11,103,463,000 (2015 as restated: RMB3,012,488,000), of which RMB2,107,386,000 (2015: RMB4,868,248,000) was recycled from other comprehensive income to the consolidated statement of profit or loss for the year on the date of disposal.

There was a significant decline in the market value of certain listed equity investments during the year. The directors consider that such a decline indicates that the listed equity investments have been impaired and an impairment loss of RMB 1,454,241,000 (2015: RMB1,117,060,000), which included a reclassification from other comprehensive income of RMB1,092,865,000 (2015: loss of RMB112,968,000), has been recognised in the consolidated statement of profit or loss for the year. The impairment loss on the listed debt investments as at 31 December 2016 amounted to RMB294,694,000 (2015: RMB554,892,000), which included a reclassification from other comprehensive income of RMB380,332,000 (2015: RMB13,555,000), has been recognised in the consolidated statement of profit or loss for the year. The impairment losses on the unlisted equity investments and unlisted debt investments as at 31 December 2016 amounted to RMB537,921,000 (2015: RMB117,225,000) and RMB19,931,000 (2015: RMB34,518,000) respectively, which have been recognised in the consolidated statement of profit or loss for the year.

At 31 December 2016, the Group's available-for-sale investment with a carrying amount of RMB5,365,658,000 (2015: RMB909,356,000) was pledged to secure bank loans, as set out in note 40 to the financial statements.

Certain unlisted equity and debt 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.

## 24. PROPERTIES UNDER DEVELOPMENT

	2016 RMB'000	2015 RMB'000
Land cost	23,337,085	28,193,253
Construction costs	6,818,101	6,322,869
Capitalised finance costs	1,913,428	1,743,948
	32,068,614	36,260,070
Less: Provision for impairment of properties under development (note 8)	—	(377,631)
Portion classified as current assets	(22,738,105)	(18,846,968)
	9,330,509	17,035,471

The properties pledged to banks to secure bank loans and other borrowings are as follows:

	2016 RMB'000	2015 RMB'000
Net book value pledged (note 40)	14,488,486	20,976,098
Additions to properties under development include:		
Interest expense capitalised in respect of bank and other borrowings (note 7)	664,147	1,231,147

The Group's properties under development are all situated in Mainland China and Hong Kong.

## 25. LOANS RECEIVABLE

	Notes	2016 RMB'000	2015 RMB'000
Loans receivable		<b>2,943,898</b>	2,288,855
Portion classified as current	(1)	<b>(2,130,688)</b>	(1,735,066)
Non-current portion	(2)	<b>813,210</b>	553,789

(1) As at 31 December 2016, the current portion of loans receivable comprises:

- an entrusted bank loan of RMB177,709,000 provided to a third party, which is unsecured, bears interest at a fixed interest rate of 9.50% per annum and is repayable in December 2017;
- an entrusted bank loan of RMB32,600,000 provided to a third party, which is guaranteed, bears interest at a fixed interest rate of 10.00% per annum and is repayable in May 2017;
- an entrusted bank loan of RMB50,000,000 provided to a third party, which is unsecured, bears interest at a fixed interest rate of 5.66% per annum and is repayable in June 2017;
- an entrusted bank loan of RMB95,000,000 provided to a third party, which is unsecured, interest-free and is repayable in June 2017;
- an entrusted bank loan of RMB400,000,000 provided to Yantai Xingyi Properties Co., Ltd., a joint venture, which is unsecured, bears interest at a fixed interest rate of 4.00% per annum and is repayable in August 2017;
- a shareholders' loan of RMB103,300,000 provided to Yantai Xingyi Properties Co., Ltd., a joint venture, which is unsecured, bears interest at a fixed interest rate of 9.48% per annum and is repayable in September 2017;
- an entrusted bank loan of RMB116,885,000 provided to a third party, which is unsecured, bears interest at a fixed interest rate of 4.50% per annum and is repayable in December 2017;
- an entrusted bank loan of RMB174,608,000 provided to a third party, which is unsecured, bears interest at a fixed interest rate of 4.50% per annum and is repayable in October 2017; and
- an entrusted bank loan of RMB980,586,000 provided to a third party, which is unsecured, bears interest at a fixed interest rate of 5.00% per annum and is repayable on demand.

**25. LOANS RECEIVABLE** *(Continued)*

(2) As at 31 December 2016, the non-current portion of loans receivable comprises:

- a shareholders' loan of RMB72,500,000 provided to a third party, which is unsecured, bears interest at a fixed interest rate of 2.75% per annum and is repayable in 2021;
- a shareholders' loan of RMB77,500,000 provided to a third party, which is unsecured, bears interest at a fixed interest rate of 4.13% per annum and is repayable in 2021;
- a shareholders' loan of RMB95,000,000 provided to a third party, which is unsecured, bears interest at a fixed interest rate of 4.13% per annum and is repayable in 2021;
- an entrusted bank loan of RMB235,000,000 provided to Yantai Xingyi Properties Co., Ltd., a joint venture, which is unsecured, bears interest at a fixed interest rate of 9.48% per annum and is repayable in 2018;
- an entrusted bank loan of RMB112,517,000 provided to a third party, which is unsecured, bears interest at a fixed interest rate of 12.00% per annum and is repayable in 2019;
- an entrusted bank loan of RMB40,000,000 provided to Cloud Vision Networks Technology Corporation, an associate, which is unsecured, interest-free and has no fixed terms of repayment;
- a shareholders' loan of RMB95,000,000 provided to a third party, which is unsecured, bears interest at a fixed interest rate of 3.03% per annum and is repayable in 2021;
- a shareholders' loan of RMB20,122,000 provided to a third party, which is unsecured, bears interest at a fixed interest rate of 6.00% per annum and is repayable in 2025;
- a shareholders' loan of RMB32,150,000 provided to SAS Val Thorens Le Cairn, an associate, which is unsecured, bears interest at a fixed interest rate of 2.72% per annum and has no fixed terms of repayment; and
- a shareholders' loan of RMB33,421,000 provided to a third party, which is unsecured, interest-free and has no fixed terms of repayment.

**26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<b>2016</b> <b>RMB'000</b>	<b>2015</b> <b>RMB'000</b> (Restated)
Prepayments consist of:		
Prepayments for purchase of pharmaceutical materials	<b>271,227</b>	161,642
Prepayments for purchase of construction materials	<b>564,021</b>	605,697
Prepayments for purchase of equipment and others	<b>459,755</b>	241,551
Prepaid tax	<b>738,212</b>	376,541
Prepaid expenses	<b>925,287</b>	1,056,314
Deposits	<b>3,032,086</b>	1,184,172
Other receivables consist of:		
Funding provided to third parties	<b>4,050,730</b>	2,973,488
Tax recoverable	<b>1,284,210</b>	748,418
Receivable for consideration of disposal of subsidiaries (note 58(b))	<b>1,330,000</b>	12,722
Others	<b>4,981,667</b>	3,580,352
Prepayments for the proposed acquisitions of equity interests	<b>235,105</b>	660,772
Prepayments for the acquisition of the land	<b>646,145</b>	2,611,380
	<b>18,518,445</b>	14,213,049
Portion classified as current assets	<b>15,977,831</b>	10,358,356
Non-current portion	<b>2,540,614</b>	3,854,693



## 27. 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	Fair value adjustments arising from available- for-sale investment 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 2015	1,562,209	1,323,891	11,845	7,931	408,155	1,058,039	4,372,070
Acquisition of subsidiaries	451,373	210,511	—	—	—	890,221	1,552,105
Disposal of subsidiaries	(1,526,544)	(159,881)	—	—	—	(244,195)	(1,930,620)
Deferred tax credited to reserve during the year	—	—	489,077	—	—	—	489,077
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	531,833	573,052	—	(5,053)	74,871	(104,419)	1,070,284
Exchange realignment	36,451	(19,805)	(573)	—	—	7,641	23,714
Gross deferred tax assets at 31 December 2015 and 1 January 2016	<b>1,055,322</b>	<b>1,927,768</b>	<b>500,349</b>	<b>2,878</b>	<b>483,026</b>	<b>1,607,287</b>	<b>5,576,630</b>
Acquisition of subsidiaries (note 58(a))	<b>45,321</b>	<b>41,439</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>129,664</b>	<b>216,424</b>
Deferred tax credited/(charged) to reserve during the year	<b>—</b>	<b>32,611</b>	<b>(74,284)</b>	<b>—</b>	<b>—</b>	<b>6,310</b>	<b>(35,363)</b>
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	<b>180,932</b>	<b>88,170</b>	<b>—</b>	<b>(2,878)</b>	<b>126,053</b>	<b>15,050</b>	<b>407,327</b>
Included in assets of a disposal group classified as held for sale (note 39)	<b>—</b>	<b>(130,409)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(468,865)</b>	<b>(599,274)</b>
Exchange realignment	<b>50,405</b>	<b>49,540</b>	<b>13,798</b>	<b>—</b>	<b>—</b>	<b>71,365</b>	<b>185,108</b>
Gross deferred tax assets at 31 December 2016	<b>1,331,980</b>	<b>2,009,119</b>	<b>439,863</b>	<b>—</b>	<b>609,079</b>	<b>1,360,811</b>	<b>5,750,852</b>

**27. 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 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 2015	1,124,524	647,629	1,281,880	758,874	1,157,676	226,027	430,618	950,462	6,577,690
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year	(224,224)	(515,754)	—	572,778	—	(31,321)	178,779	952,603	932,861
Deferred tax credited to reserve during the year	—	—	(265,454)	—	—	—	—	—	(265,454)
Acquisition of subsidiaries	2,582,515	—	—	9,066	—	23,839	—	426,968	3,042,388
Exchange realignment	42,355	15,123	(41,342)	16,710	—	—	—	16,518	49,364
Disposal of subsidiaries	(18,809)	8,770	—	—	—	—	—	(929,455)	(939,494)
Gross deferred tax liabilities at 31 December 2015 and 1 January 2016	<b>3,506,361</b>	<b>155,768</b>	<b>975,084</b>	<b>1,357,428</b>	<b>1,157,676</b>	<b>218,545</b>	<b>609,397</b>	<b>1,417,096</b>	<b>9,397,355</b>
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year	(56,595)	189,521	(33,896)	268,964	—	(80,898)	90,786	200,379	578,261
Deferred tax credited to reserve during the year	—	—	966,642	15,018	4,485	—	—	—	986,145
Acquisition of subsidiaries (note 58(a))	82,238	—	133,535	—	—	—	—	23,975	239,748
Included in liabilities directly associated with the assets classified as held for sale (note 39)	—	—	(28,053)	—	—	—	—	(252,424)	(280,477)
Exchange realignment	8,044	11,631	20,741	26,985	—	—	—	81,480	148,881
Disposal of subsidiaries (note 58(b))	(1,278,657)	—	—	—	—	—	—	—	(1,278,657)
Gross deferred tax liabilities at 31 December 2016	<b>2,261,391</b>	<b>356,920</b>	<b>2,034,053</b>	<b>1,668,395</b>	<b>1,162,161</b>	<b>137,647</b>	<b>700,183</b>	<b>1,470,506</b>	<b>9,791,256</b>

**27. DEFERRED TAX** *(Continued)***Deferred tax liabilities** *(Continued)*

For presentation purposes, certain deferred tax assets and liabilities amounting to RMB949,711,000 have been offset in the consolidated statement of financial position. After offsetting, the following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	<b>2016</b> <b>RMB'000</b>
Net deferred tax assets recognised in the consolidated statement of financial position	<b>4,801,141</b>
Net deferred tax liabilities recognised in the consolidated statement of financial position	<b>8,841,545</b>

As at 31 December 2016, the deferred tax assets were recognised for certain entities within the Group which suffered accumulated losses as at the end of 2016. 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 2016.

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:

	<b>2016</b> <b>RMB'000</b>	2015 RMB'000
Tax losses	<b>12,546,040</b>	11,002,530
Deductible temporary differences	<b>1,296,894</b>	302,532
	<b>13,842,934</b>	11,305,062

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.

**28. INVENTORIES**

	2016 RMB'000	2015 RMB'000
Raw materials	1,105,814	1,040,552
Work in progress	671,094	338,520
Finished goods	1,162,867	1,159,553
Spare parts and consumables	189,541	245,065
	3,129,316	2,783,690
Less: Provision for inventories	(156,462)	(111,993)
	2,972,854	2,671,697
Portion classified as non-current assets	(267,836)	(323,708)
	2,705,018	2,347,989

**29. POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF UNIT-LINKED CONTRACTS**

	2016 RMB'000	2015 RMB'000
Financial assets designated as at fair value through profit or loss:		
Debt instruments	3,025,805	3,310,257
Equity instruments	29,709	31,833
Investment funds	110,631	133,234
Term deposits	291,189	424,379
Sight deposits	305,325	182,791
Others	(14,413)	(16,578)
	3,748,246	4,065,916
Portion classified as current assets	(636,076)	(471,535)
Non-current portion	3,112,170	3,594,381

The above assets are held for policyholders of unit-linked products.

### 30. INSURANCE AND REINSURANCE DEBTORS

	2016 RMB'000	2015 RMB'000
Amounts due from insurance customers and suppliers	6,829,539	8,570,354
Less: Provision for impairment	(279,318)	(295,381)
	6,550,221	8,274,973
Portion classified as current assets	(6,434,748)	(8,146,186)
Non-current portion	115,473	128,787

The following is an ageing analysis of the amounts due from insurance customers:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	4,378,101	6,482,245
Past due but not impaired	2,164,946	1,782,709
Past due and impaired	286,492	305,400
	6,829,539	8,570,354

Amounts due from insurance customers that were past due but not impaired relate to a number of independent policyholders and reinsurers that have a good track record with the Group. Based on past experience, management believes that no impairment provision is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The amount of impaired debts is RMB279,318,000 (31 December 2015: RMB295,381,000). Various actions have been taken to recover the debts, but these debts have not been recovered and hence impairment is provided.

Movements in the provision for impaired debts:

	2016 RMB'000	2015 RMB'000
At 1 January	295,381	401,716
Acquisition of subsidiaries	—	56,709
Amount written off as uncollectible	(8,349)	(26,129)
Reversal of impairment losses	(2,605)	(204,104)
Others	6,187	—
Exchange realignment	9,374	67,189
Included in assets of a disposal group classified as held for sale (note 39)	(20,670)	—
At 31 December	279,318	295,381

### 31. REINSURERS' SHARE OF INSURANCE CONTRACT PROVISIONS

The reinsurers' share of insurance contract provisions represents the reinsurers' share of life insurance contract liabilities, unearned premium provisions and provision for outstanding claims arising from the life insurance, property and casualty insurance and reinsurance businesses.

	2016 RMB'000	2015 RMB'000
Life insurance contract liabilities	82,248	88,259
Unearned premium provisions	600,836	2,819,412
Provision for outstanding claims	5,162,950	10,164,925
	5,846,034	13,072,596
Portion classified as current assets	(1,468,553)	(3,452,133)
Non-current portion	4,377,481	9,620,463

### 32. CASH AND BANK AND TERM DEPOSITS

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
Cash on hand		800,711	83,641
Cash at banks, unrestricted		35,302,591	38,488,569
Cash and cash equivalents		36,103,302	38,572,210
Pledged bank balances	(1)	2,183,681	2,515,049
Time deposits with original maturity of more than three months		8,313,571	5,116,283
Restricted pre-sale proceeds	(2)	1,851,379	874,423
Required reserve deposits	(3)	3,704,463	141,215
		52,156,396	47,219,180
Portion classified as current assets		(51,807,704)	(46,754,045)
Non-current portion – term deposits		348,692	465,135

**32. CASH AND BANK AND TERM DEPOSITS** (Continued)

Notes:

It mainly comprises the following:

	2016 RMB'000	2015 RMB'000
(1) Pledged bank balances to secure notes payable	906,195	554,639
Pledged bank balances to secure bank loans (note 40)	352,478	577,432
Bank balances as various deposits	681,540	1,310,355

- (2) 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 the construction of related properties. The deposits can only be used for purchases of construction materials and payments of construction fees for the relevant property projects when approval from the PRC State-Owned Land and Resource Bureau is obtained.
- (3) Required reserve deposits amounting to RMB204,084,000 (2015: RMB141,215,000) 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 ("PBOC"). Required reserve deposits amounting to RMB3,500,379,000 are placed by Hauck & Aufhäuser with German Central Bank. The reserve deposits with the PBOC and German Central Bank 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 from properties 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.



**33. LOANS AND ADVANCES TO CUSTOMERS**

	2016 RMB'000	2015 RMB'000
Corporate loans and advances		
– Loans and advances	2,396,142	—
Personal loans		
– Mortgages	887,205	—
– Other	256,870	247,581
	1,144,075	—
Total loans and advances	3,540,217	247,581
Less: Provision for impairment		
– corporate loans and advances	(116,892)	—
– personal loans	(64,452)	—
	(181,344)	—
Loans and advances to customers, net	3,358,873	247,581
Portion classified as current assets	(2,904,371)	(247,581)
Non-current portion	454,502	—
	2016 RMB'000	2015 RMB'000
Gross loans and advances to customers	3,540,217	247,581
Less: Provision for impairment		
– individually assessed	(169,130)	—
– collectively assessed	(12,214)	—
	(181,344)	—
Loans and advances to customers, net	3,358,873	247,581

The movements in the provision for impairment of loans and advances to customers are as follows:

	2016 RMB'000	2015 RMB'000
As at 1 January 2016	—	—
Acquisitions of subsidiaries	121,050	—
Provision for impairment losses	63,193	—
Reversal	(2,038)	—
Transfer in		
– Exchange differences	(861)	—
At 31 December 2016	181,344	—

### 34. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2016

	Fair value	
	Assets RMB'000	Liabilities RMB'000
<b>Derivatives held for trading</b>		
Currency derivatives		
Currency forwards and swaps, and cross-currency interest rate swaps	274,090	254,632
Currency options	3,810	3,810
Interest rate derivatives		
Interest rate swaps	359,275	416,181
Interest rate options	10,567	10,567
	647,742	685,190
<b>Qualifying for hedge accounting</b>		
Currency derivatives		
Currency forwards and swaps, and cross-currency interest rate swaps	166,367	81,676
Interest rate derivatives		
Interest rate swaps	10,925	530,307
Commodity derivatives and others	—	10,817
	177,292	622,800
	825,034	1,307,990
Portion classified as current assets/liabilities	(445,382)	(505,115)
Non-current portion	379,652	802,875

As at 31 December 2015

	Fair value	
	Assets RMB'000	Liabilities RMB'000
<b>Derivatives held for trading</b>		
Currency derivatives		
Currency forwards and swaps, and cross-currency interest rate swaps	6,797	76,790
Interest rate derivatives		
Interest rate swaps	—	54,092
	6,797	130,882
<b>Qualifying for hedge accounting</b>		
Currency derivatives		
Currency forwards and swaps, and cross-currency interest rate swaps	9,124	45,809
Interest rate derivatives		
Interest rate swaps	—	27,324
	9,124	73,133
	15,921	204,015
Portion classified as current assets/liabilities	(15,921)	(204,015)
Non-current portion	—	—

### 35. FINANCE LEASE RECEIVABLES

Total future minimum lease receivables under finance leases and their present values are as follows:

	2016 RMB'000	2015 RMB'000
Gross lease receivables:		
Within one year	1,058,984	—
In the second year	256,945	—
In the third to fifth years, inclusive	95,257	—
Total minimum finance lease receivables	1,411,186	—
Less:		
Unearned finance income	(66,135)	—
Future value-added tax	(106,862)	—
Provision for lease receivables	(19,913)	—
	1,218,276	—
Portion classified as current finance lease receivables	(929,759)	—
Non-current portion	288,517	—

At 31 December 2016, the Group's finance lease receivables with a carrying amount of RMB562,857,000 (2015: Nil) were pledged to secure bank loans, as set out in note 40 to the financial statements.

The movement in the provision for impairment of lease receivables is as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	—	—
Acquisition of subsidiaries	19,913	—
At 31 December	19,913	—

**36. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2016 RMB'000	2015 RMB'000
Listed investments, at fair value		
Equity investments	6,468,622	6,961,737
Debt investments	237,963	2,786,496
	6,706,585	9,748,233
Unlisted investments, at fair value	1,622,111	967,934
	8,328,696	10,716,167

At 31 December 2016, the Group's investments at fair value through profit or loss with a carrying amount of RMB940,778,000 (2015: RMB2,105,531,000) were pledged to secure bank loans, as set out in note 40 to the financial statements.

**37. TRADE AND NOTES RECEIVABLES**

	2016 RMB'000	2015 RMB'000 (Restated)
Trade receivables	3,694,175	3,491,695
Notes receivable	627,558	629,274
	4,321,733	4,120,969

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2016 RMB'000	2015 RMB'000
Outstanding balances with ages:		
Within 90 days	2,552,417	2,478,148
91 to 180 days	537,061	676,826
181 to 365 days	592,950	382,548
1 to 2 years	112,707	86,792
2 to 3 years	62,974	17,078
Over 3 years	32,532	31,856
	3,890,641	3,673,248
Less: Provision for impairment of trade receivables	(196,466)	(181,553)
	3,694,175	3,491,695

**37. TRADE AND NOTES RECEIVABLES** (Continued)

The movements in the provision for impairment of trade receivables are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	181,553	110,633
Amount written off as uncollectible	(59,396)	(37,279)
Acquisition of subsidiaries	2,758	—
Disposal of subsidiaries	—	(40,869)
Provision for impairment losses	71,551	149,068
At 31 December	196,466	181,553

The ageing analysis of the trade receivables that are not considered to be impaired is as follows:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	1,125,449	975,860
Within 90 days past due	1,076,991	1,028,834
91 to 180 days past due	111,088	378,663
Over 180 days past due	412,382	287,174
	2,725,910	2,670,531

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 2016, the Group's trade and notes receivables with a carrying amount of approximately RMB255,216,000 (2015: RMB219,768,000) were pledged to secure bank loans, as set out in note 40 to the financial statements.

Trade and notes receivables of the Group mainly arose from the resources segment, health segment, and property development and sales segment. Credit terms granted to the major customers of these segments are as follows:

	Credit terms
Resources segment	0 to 360 days
Health segment	90 to 180 days
Property development and sales segment	30 to 360 days

### 38. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES

	Notes	2016 RMB'000	2015 RMB'000
Due from related companies:			
Associates	(i)	2,177,863	2,433,581
Joint ventures	(ii)	9,534,297	1,270,811
Other related companies	(iii)	29,575	3,249
		<b>11,741,735</b>	<b>3,707,641</b>

Notes:

- (i) As at 31 December 2016, the balances due from associates included the amount of RMB1,833,304,000 (2015: RMB2,208,795,000), which were non-trade in nature, 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 2016, the balances due from joint ventures included the amount of RMB9,534,047,000 (2015: RMB1,270,811,000), which were non-trade in nature, unsecured, interest-free and repayable on demand. The remaining balances due from joint ventures amounting to RMB250,000 (2015: Nil) are trade in nature, interest-free and repayable on demand.
- (iii) As at 31 December 2016, the balances due from other related companies were non-trade in nature, unsecured, interest-free and repayable on demand.

	Notes	2016 RMB'000	2015 RMB'000
Due to the holding company	(iv)	381,646	979,101
Due to related companies:			
Associates	(v)	1,793,316	2,419,051
Non-controlling shareholders of subsidiaries	(vi)	498,556	218,141
Joint ventures	(vii)	1,355,301	307,500
		<b>3,647,173</b>	<b>2,944,692</b>

- (iv) The balances due to the holding company were non-trade in nature, unsecured, interest-free and repayable on demand.
- (v) As at 31 December 2016, the balances due to associates included the amount of RMB1,787,816,000 (2015: RMB2,378,106,000), which were non-trade in nature, unsecured, interest-free and repayable on demand. The remaining balances due to associates are trade in nature, interest-free and repayable on demand.
- (vi) As at 31 December 2016, the balances due to non-controlling shareholders of subsidiaries comprised of:
- an amount of RMB176,403,000, being the payables for purchase of low grade ore products from Hainan Iron and Steel Co., Ltd., which is interest-free.
  - an amount of RMB150,000,000, being dividends payable to the non-controlling shareholders of subsidiaries.
  - the remaining balances of RMB172,153,000, being non-trade in nature, interest-free and repayable on demand.
- (vii) As at 31 December 2016, the balances due to joint ventures included the amount of RMB1,349,499,000 (2015: RMB294,990,000), which were non-trade in nature, unsecured, interest-free and repayable on demand. The remaining balances due to joint ventures are trade in nature, interest-free and repayable on demand.

### 39. NON-CURRENT ASSET/ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	Notes	2016 RMB'000	2015 RMB'000
Carrying amount of available-for-sale investments before classification as held for sale		—	44,298
Carrying amount of property, plant and equipment before classification as held for sale		—	58,947
Carrying amount of the assets of a disposal group	(i)	58,650,003	—
Carrying amount after impairment		58,650,003	103,245
Liabilities directly associated with the assets classified as held for sale	(i)	40,674,050	—

Note:

- (i) On 5 December 2016, the Group through its subsidiary, Mettlesome Investments (HK), and Mettlesome Investments (Cayman) entered into an equity transfer agreement with Liberty Mutual, an independent third-party, for the disposal of the Group's equity interest of 100% in Ironshore for a cash consideration of USD3,000,000,000 (subject to price adjustments). The equity transfer agreement is subject to regulatory approval and the satisfaction or waiver of customary closing conditions. The management expects the disposal will be completed in the first half of 2017. The Group has decided to dispose of Ironshore for the purpose of enhancing overall competitiveness and positioning for long-term success of both the Group and the investees. As at 31 December 2016, all the assets and liabilities of Ironshore were classified as assets of a disposal group held for sale and liabilities directly associated with the assets classified as held for sale in aggregate in the consolidated statement of financial position.

### 39. NON-CURRENT ASSET/ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *(Continued)*

The assets and liabilities of Ironshore classified as held for sale as at 31 December 2016 are as follows:

	Notes	2016 RMB'000
<b>Assets</b>		
Property, plant and equipment	13	352,302
Intangible assets	19	3,283,365
Goodwill	20	1,731,038
Investments in associates		23,475
Available-for-sale investments		34,387,458
Deferred tax assets	27	599,274
Reinsurers' share of insurance contract provisions		9,472,016
Cash and bank balances		2,601,981
Investments at fair value through profit or loss		1,007,235
Prepayments, deposits and other receivables		934,532
Insurance and reinsurance debtors		4,257,327
<b>Assets of a disposal group classified as held for sale</b>		<b>58,650,003</b>
<b>Liabilities</b>		
Interest-bearing bank and other borrowings		2,610,372
Accrued liabilities and other payables		1,481,609
Unearned premium provisions	47	8,697,715
Provision for outstanding claims	48	25,668,593
Insurance and reinsurance creditors		1,935,284
Deferred tax liabilities	27	280,477
<b>Liabilities directly associated with the assets classified as held for sale</b>		<b>40,674,050</b>



**40. INTEREST-BEARING BANK AND OTHER BORROWINGS**

	Notes	2016 RMB'000	2015 RMB'000
Bank loans:	(1)		
Guaranteed		3,729,760	1,493,528
Secured		35,881,524	31,312,177
Unsecured		35,328,083	44,689,840
		74,939,367	77,495,545
Corporate bonds and enterprise bonds	(2)	20,667,981	6,598,361
Private placement note	(3)	1,990,046	7,560,499
Private placement bond	(4)	2,986,689	—
Senior notes	(5)	11,520,603	5,873,726
Medium-term notes	(6)	4,389,895	5,981,017
Short-term commercial papers		—	2,053,979
Super short-term commercial papers	(7)	2,005,397	—
Other borrowings, secured	(8)	4,107,492	3,624,268
Other borrowings, unsecured	(8)	3,361,571	5,460,584
Total		125,969,041	114,647,979
Repayable:			
Within one year		43,874,088	48,788,443
In the second year		25,357,639	20,016,093
In the third to fifth years, inclusive		49,222,810	37,324,484
Over five years		7,514,504	8,518,959
		125,969,041	114,647,979
Portion classified as current liabilities		(43,874,088)	(48,788,443)
Non-current portion		82,094,953	65,859,536

**40. INTEREST-BEARING BANK AND OTHER BORROWINGS** (Continued)

## Notes:

- (1) Certain of the Group's bank loans are secured by the pledge of certain of the Group's buildings amounting to RMB137,833,000 (2015: RMB363,023,000), construction in progress amounting to RMB1,783,652,000 (31 December 2015: Nil), investment properties amounting to RMB8,769,265,000 (2015: RMB19,227,824,000), prepaid land lease payments amounting to RMB1,098,517,000 (2015: RMB1,022,849,000), properties under development amounting to RMB14,488,486,000 (2015: RMB20,976,098,000), completed properties for sale amounting to RMB3,452,109,000 (2015: RMB5,031,742,000), trade and notes receivables amounting to RMB255,216,000 (2015: RMB219,768,000), finance lease receivables amounting to RMB562,857,000 (2015: Nil), equity investment at fair value through profit or loss amounting to RMB940,778,000 (2015: RMB2,105,531,000), investments in associates amounting to RMB10,376,000 (2015: RMB52,292,000), an investment in a joint venture amounting to RMB500,920,000 (2015: Nil), investments in available-for-sale entities amounting to RMB5,365,658,000 (2015: RMB909,356,000) and investments in subsidiaries.

Bank balances amounting to RMB352,478,000 (2015: RMB577,432,000) were pledged to secure the interest-bearing bank and other borrowings.

The Group's interest-bearing bank and other borrowings amounting to RMB3,329,760,000 (2015: RMB1,493,528,000) were guaranteed by Fosun Holdings Limited which is the holding company of the Group, and RMB400,000,000 were guaranteed by management of Hainan Mining Co., Ltd. which is the subsidiary of the Group.

The bank loans bear interest at rates ranging from 0.13% to 6.65% (2015: 0.57% to 7.48%) per annum.

- (2) Corporate bonds and enterprise bonds

On 24 December 2010, Shanghai Fosun High Technology (Group) Co., Ltd. ("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 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.

On 20 November 2015, Forte issued five-year domestic corporate bonds with a par value of RMB4,000,000,000 and an effective interest rate of 4.39% per annum. The interest is paid annually in arrears and the maturity date is 20 November 2020.

On 17 December 2015, Eynsford Tokutei Mokuteki Kaisha, an indirect subsidiary of Fosun Property Holdings Limited, issued five-year corporate bonds with a par value of JPY1,000,000,000 and an interest rate of 3 month Tokyo Interbank Offered Rate plus 5.30% per annum. The interest will be paid quarterly in arrears since April 2016. The principal amount of the corporate bonds will be repaid by instalments and the final maturity date is 17 December 2020.

On 21 January 2016, Fosun Group issued five-year domestic corporate bonds with a par value of RMB4,000,000,000 and an effective interest rate of 3.89% per annum. The interest is paid annually in arrears and the maturity date is 21 January 2021.

On 4 March 2016, Fosun Pharma issued five-year domestic corporate bonds with a par value of RMB3,000,000,000 and an effective interest rate of 3.46% per annum. The interest is paid annually in arrears and the maturity date is 4 March 2021.

On 21 March 2016, Forte issued three-year domestic corporate bonds with a par value of RMB1,000,000,000 and an effective interest rate of 3.76% per annum. The interest is paid annually in arrears and the maturity date is 21 March 2019.

**40. INTEREST-BEARING BANK AND OTHER BORROWINGS** *(Continued)*Notes: *(continued)***(2) Corporate bonds and enterprise bonds** *(continued)*

On 14 April 2016, Fosun Group issued five-year domestic corporate bonds with a par value of RMB1,600,000,000 and an effective interest rate of 3.81% per annum. The interest is paid annually in arrears and the maturity date is 14 April 2021.

On 26 May 2016, Fosun Group issued five-year domestic corporate bonds with a par value of RMB4,400,000,000 and an effective interest rate of 3.87% per annum. The interest is paid annually in arrears and the maturity date is 26 May 2021.

On 30 August 2016, Hainan Mining issued five-year domestic corporate bonds with a par value of RMB106,000,000 and an effective interest rate of 5.65% per annum. The interest is paid annually in arrears and the maturity date is 30 August 2021.

**(3) Private placement note**

On 3 April 2015, Fosun Group issued three-year private placement notes with a par value of RMB1,000,000,000 and the effective interest rate is 5.82% per annum. The interest is paid annually in arrears and the maturity date is 3 April 2018.

On 18 November 2016, Fosun Group issued three-year private placement notes with a par value of RMB1,000,000,000 and the effective interest rate is 3.91% per annum. The interest is paid annually in arrears and the maturity date which is 18 November 2019.

**(4) Private placement bond**

On 24 August 2016, Forte issued three-year private placement bonds with a par value of RMB3,000,000,000 and the effective interest rate is 4.56% per annum. The interest is paid annually in arrears and the maturity date which is 24 August 2019.

**(5) Senior notes**

On 30 January 2013, Sparkle Assets Limited, a direct subsidiary of Fosun Industrial Holdings Limited, issued seven-year senior notes with a 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.

In 2015, eight-year senior notes with a par value of EUR642,000,000 and an effective interest rate of 3.31% per annum issued by Xingtiao Assets Limited, a direct subsidiary of Fosun Industrial Holdings Limited, were purchased by third party investors. The interest will be paid annually in arrears and the maturity date is 9 October 2022.

On 17 August 2016, Wealth Driven Limited, a subsidiary of Fosun Industrial Holdings Limited, issued three tranches of seven-year senior notes with the par values of USD180,000,000, USD120,000,000 and USD290,000,000 and the effective interest rates of 5.603%, 5.599% and 5.41%, respectively. The interest is paid annually in arrears and the maturity date which is 17 August 2023.

## 40. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes: *(continued)*

(6) Medium-term notes

On 24 October 2014, Fosun Group issued three-year medium-term notes with a par value of RMB2,000,000,000 and an effective interest rate of 5.26% per annum. The interest is paid annually in arrears and the maturity date is 24 October 2017.

On 5 March 2015, Fosun Group issued three-year medium-term notes with a par value of RMB2,000,000,000 and an effective interest rate of 5.21% per annum. The interest is paid annually in arrears and the maturity date is 5 March 2018.

On 10 September 2015, Fosun Pharma issued three-year medium-term notes with a par value of RMB400,000,000 and an effective interest rate of 4.05% per annum. The interest is paid annually in arrears and the maturity date is 10 September 2018.

(7) Super short-term commercial papers

On 18 August 2016, Fosun Pharma issued the first tranche of super short-term commercial papers with a maturity of six months in an aggregate amount of RMB500,000,000, which bear interest at 2.66% per annum. The principal and interest are paid in lump sum on maturity and the maturity date is 15 May 2017.

On 24 October 2016, Fosun Group issued super short-term commercial paper with a par value of RMB1,500,000,000 and an effective interest rate of 3.21% per annum. The interest is payable at the maturity date which is 21 July 2017.

(8) Other borrowings

The other borrowings represent borrowings from third parties, which bear interest at rates ranging from 1.13% to 8.5% (31 December 2015: 0.65% to 8.7%) per annum.

## 41. CONVERTIBLE BONDS

Logo Star Limited (the "Issuer"), an indirect wholly-owned subsidiary of the Company, issued convertible bonds in a principal amount of HKD3,875,000,000 (equivalent to RMB3,068,225,000) on 22 November 2013 guaranteed by the Company and certain of its subsidiaries (the "Convertible Bonds"). The Convertible Bonds are convertible into fully-paid ordinary shares of a par value of HKD0.10 each of the Company. The Convertible Bonds bear interest at the rate of 1.5% per annum payable semi-annually in arrears on 22 May and 22 November in each year. The Convertible Bonds will mature on 22 November 2018 ("Maturity 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.

As at 31 December 2016, there are 36,900,000 convertible bonds with the principal amount of HKD369,000,000 still outstanding and the movement of the liability component is as follows:

	2016 RMB'000	2015 RMB'000
Liabilities component at the beginning of year	268,983	2,485,546
Interest expense	24,420	89,457
Interest paid	(17,627)	(18,348)
Conversion into equity	—	(2,307,207)
Exchange realignment	31,954	19,535
Liability component at 31 December	307,730	268,983

The effective interest rate of the liability component is 8.93% per annum.

## 42. LOANS FROM RELATED COMPANIES

	2016 RMB'000	2015 RMB'000
Loans from a joint venture	—	193,000
Repayable:		
Within one year	—	193,000

## 43. TRADE AND NOTES PAYABLES

	2016 RMB'000	2015 RMB'000 (Restated)
Trade payables	9,348,109	10,470,642
Notes payable	221,830	142,474
	9,569,939	10,613,116

**43. TRADE AND NOTES PAYABLES** (Continued)

An ageing analysis of the trade payables as at the end of the reporting period is as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Outstanding balances with ages:		
Within 90 days	2,196,510	3,867,475
91 to 180 days	1,319,954	1,821,188
181 to 365 days	2,134,960	2,247,450
1 to 2 years	2,070,265	606,355
2 to 3 years	288,259	703,743
Over 3 years	1,338,161	1,224,431
	<b>9,348,109</b>	10,470,642

Trade and notes payables of the Group mainly arose from the resources segment, health segment and property development and sales segment. The trade and notes payables are non-interest-bearing and the credit terms granted by the Group's suppliers are as follows:

	Credit terms
Resources segment	0 to 90 days
Health segment	0 to 360 days
Property development and sales segment	180 to 360 days

**44. ACCRUED LIABILITIES AND OTHER PAYABLES**

	2016 RMB'000	2015 RMB'000 (Restated)
Advances from customers	18,614,929	8,968,936
Payables related to:		
Purchases of property, plant and equipment	187,607	71,185
Deposits received	920,439	748,980
Payroll	1,486,440	1,838,582
Business tax	—	411,647
Accrued interest expenses	1,147,700	826,125
Value-added tax	312,110	84,020
Accrued utilities	145,444	182,206
Acquisition of subsidiaries	230,337	54,722
Acquisition of additional interests in subsidiaries	—	13,000
Liability of financial guarantee contract (note 62)	70,178	—
Current portion of other long term payables (note 54)	10,746	63,980
Funding from third parties for business development	4,151,069	5,558,165
Other accrued expense	2,795,640	2,170,833
Others	3,638,318	3,457,874
	<b>33,710,957</b>	24,450,255

## 45. FINANCE LEASE PAYABLES

Total future minimum lease payments under finance leases and their present values are as follows:

	2016 RMB'000	2015 RMB'000
Repayable:		
Within one year	53,072	51,012
In the second year	71,591	37,450
In the third to fifth years, inclusive	137,293	93,429
Total minimum finance lease payments	261,956	181,891
Less: Future finance charges	(16,046)	(15,396)
	245,910	166,495
Portion classified as current finance lease payables	(48,686)	(46,161)
Non-current portion	197,224	120,334

## 46. DEPOSITS FROM CUSTOMERS

	2016 RMB'000	2015 RMB'000
Demand deposits		
– Corporate deposits	15,355,680	1,300,688
– Personal deposits	2,740,496	—
	18,096,176	1,300,688
Time deposits		
– Corporate deposits	382,285	—
– Personal deposits	101,784	—
	484,069	—
Total deposits from customers at amortised cost	18,580,245	1,300,688
Portion classified as current liabilities	(18,511,530)	(1,300,688)
Non-current portion	68,715	—

Deposits from customers which are related parties are disclosed in note 63 to the financial statements.

## 47. UNEARNED PREMIUM PROVISIONS

	Notes	31 December 2016			31 December 2015		
		Reinsurers'			Reinsurers'		
		Gross RMB'000	share RMB'000	Net RMB'000	Gross RMB'000	share RMB'000	Net RMB'000
Life insurance	(i)	15,272	(998)	14,274	16,619	(869)	15,750
Non-life insurance	(ii)	5,178,746	(599,838)	4,578,908	12,865,360	(2,818,543)	10,046,817
		5,194,018	(600,836)	4,593,182	12,881,979	(2,819,412)	10,062,567

Notes:

- (i) Analysis of movements in the unearned premium provisions for the life insurance business:

	31 December 2016			31 December 2015		
	Reinsurers'			Reinsurers'		
	Gross RMB'000	share RMB'000	Net RMB'000	Gross RMB'000	share RMB'000	Net RMB'000
At 1 January	16,619	(869)	15,750	11,301	(907)	10,394
Premiums written during the year	2,690,356	(102,883)	2,587,473	2,530,029	(683,216)	1,846,813
Premiums earned during the year	(2,692,342)	102,779	(2,589,563)	(2,524,370)	683,211	(1,841,159)
Exchange realignment	639	(25)	614	(341)	43	(298)
At 31 December	15,272	(998)	14,274	16,619	(869)	15,750

- (ii) Analysis of movements in the unearned premium provisions for the non-life insurance business:

	31 December 2016			31 December 2015		
	Reinsurers'			Reinsurers'		
	Gross RMB'000	share RMB'000	Net RMB'000	Gross RMB'000	share RMB'000	Net RMB'000
At 1 January	12,865,360	(2,818,543)	10,046,817	2,848,926	(227,877)	2,621,049
Acquisition of subsidiaries	—	—	—	9,810,566	(2,481,230)	7,329,336
Premiums written during the year	33,114,343	(7,456,493)	25,657,850	15,316,797	(1,929,343)	13,387,454
Premiums earned during the year	(33,056,975)	6,972,504	(26,084,471)	(15,040,297)	1,849,276	(13,191,021)
Exchange realignment	953,733	(153,692)	800,041	(70,632)	(29,369)	(100,001)
Included in liabilities directly associated with the assets classified as held for sale (note 39)	(8,697,715)	2,856,386	(5,841,329)	—	—	—
At 31 December	5,178,746	(599,838)	4,578,908	12,865,360	(2,818,543)	10,046,817



## 48. PROVISION FOR OUTSTANDING CLAIMS

	Notes	31 December 2016			31 December 2015		
		Gross RMB'000	Reinsurers' share RMB'000	Net RMB'000	Gross RMB'000	Reinsurers' share RMB'000	Net RMB'000
Life insurance	(i)	1,612,183	(73,357)	1,538,826	1,364,432	(79,182)	1,285,250
Non-life insurance	(ii)	25,670,855	(5,089,593)	20,581,262	45,644,916	(9,932,876)	35,712,040
		27,283,038	(5,162,950)	22,120,088	47,009,348	(10,012,058)	36,997,290
Portion classified as current liabilities		(10,518,108)			(14,461,347)		
Non-current portion		16,764,930			32,548,001		

Notes:

- (i) Analysis of movements in the provision for outstanding claims for the life insurance business:

	31 December 2016			31 December 2015		
	Gross RMB'000	Reinsurers' share RMB'000	Net RMB'000	Gross RMB'000	Reinsurers' share RMB'000	Net RMB'000
At 1 January	1,364,432	(79,182)	1,285,250	923,124	(65,592)	857,532
Claims paid during the year	(1,969,939)	71,564	(1,898,375)	(1,966,823)	45,679	(1,921,144)
Claims incurred during the year	2,164,667	(63,394)	2,101,273	2,433,740	(61,922)	2,371,818
Exchange realignment	53,023	(2,345)	50,678	(25,609)	2,653	(22,956)
At 31 December	1,612,183	(73,357)	1,538,826	1,364,432	(79,182)	1,285,250

- (ii) Analysis of movements in the provision for outstanding claims for the non-life insurance business:

	31 December 2016			31 December 2015		
	Gross RMB'000	Reinsurers' share RMB'000	Net RMB'000	Gross RMB'000	Reinsurers' share RMB'000	Net RMB'000
At 1 January	45,644,916	(9,932,876)	35,712,040	13,234,269	(731,860)	12,502,409
Acquisition of subsidiaries	—	—	—	31,570,756	(8,458,092)	23,112,664
Claims paid during the year	(17,885,232)	3,155,302	(14,729,930)	(10,769,140)	2,899,746	(7,869,394)
Claims incurred during the year	20,980,140	(4,486,579)	16,493,561	11,252,016	(3,389,286)	7,862,730
Exchange realignment	2,599,624	(3,297,456)	(697,832)	357,015	(253,384)	103,631
Included in liabilities directly associated with the assets classified as held for sale (note 39)	(25,668,593)	9,472,016	(16,196,577)	—	—	—
At 31 December	25,670,855	(5,089,593)	20,581,262	45,644,916	(9,932,876)	35,712,040

## 49. FINANCIAL LIABILITIES FOR UNIT-LINKED CONTRACTS AND INVESTMENT CONTRACT LIABILITIES

	Notes	2016 RMB'000	2015 RMB'000
Financial liabilities for unit-linked contracts	(i)	3,748,246	4,065,916
Investment contract liabilities	(ii)	56,848,461	53,232,403
Commissions on the issue of financial products		(95,966)	(87,193)
		<b>60,500,741</b>	57,211,126
Portion classified as current liabilities		<b>(1,619,530)</b>	(5,192,088)
Non-current portion		<b>58,881,211</b>	52,019,038

Notes:

(i) Unit-linked contracts

	2016 RMB'000	2015 RMB'000
At 1 January	4,065,916	5,305,884
Issues	265,434	25,552
Redemptions	(704,031)	(1,037,437)
Profit or loss	(1,622)	55,299
Other	(806)	(335)
Exchange realignment	123,355	(283,047)
At 31 December	<b>3,748,246</b>	4,065,916

(ii) Other investment contract liabilities

	2016 RMB'000	2015 RMB'000
At 1 January	53,232,403	52,044,306
Issues	15,275,050	17,219,813
Redemptions	(14,304,527)	(14,908,197)
Profit or loss	1,091,803	1,294,774
Other	(24,122)	(2,538)
Exchange realignment	1,577,854	(2,415,755)
At 31 December	<b>56,848,461</b>	53,232,403

**50. OTHER LIFE INSURANCE CONTRACT LIABILITIES****31 December 2016**

	Life RMB'000	Non-life RMB'000	Total RMB'000
Mathematical provision for life insurance	12,138,017	—	12,138,017
Provision for profit sharing	502,061	2	502,063
Provision for interest rate commitments	51,332	—	51,332
Provision for portfolio stabilisation	158,929	—	158,929
	12,850,339	2	12,850,341
Portion classified as current liabilities			(1,429,933)
Non-current portion			11,420,408

**31 December 2015**

	Life RMB'000	Non-life RMB'000	Total RMB'000
Mathematical provision for life insurance	12,026,825	—	12,026,825
Provision for profit sharing	487,892	13	487,905
Provision for interest rate commitments	39,921	—	39,921
Provision for portfolio stabilisation	179,311	—	179,311
	12,733,949	13	12,733,962
Portion classified as current liabilities			(1,359,147)
Non-current portion			11,374,815

**50. OTHER LIFE INSURANCE CONTRACT LIABILITIES** (Continued)**31 December 2016**

Analysis of movements of other life insurance contract liabilities business:

	Mathematical provision for life insurance RMB'000	Provision for profit sharing RMB'000	Provision for interest rate commitments RMB'000	Provision for portfolio stabilisation RMB'000	Total RMB'000
At 1 January	12,026,825	487,892	39,921	179,311	12,733,949
Liabilities originated in period and interest attributed	(339,432)	70,699	10,269	(25,852)	(284,316)
Amount attributable to insured from shareholders' equity	—	17,280	—	—	17,280
Change in deferred acquisition costs	(453)	—	—	—	(453)
Other movements	24,936	—	—	—	24,936
Income distributed	66,282	(88,373)	—	—	(22,091)
Exchange realignment	359,859	14,563	1,142	5,470	381,034
At 31 December	12,138,017	502,061	51,332	158,929	12,850,339

**31 December 2015**

Analysis of movements of other life insurance contract liabilities business:

	Mathematical provision for life insurance RMB'000	Provision for profit sharing RMB'000	Provision for interest rate commitments RMB'000	Provision for portfolio stabilisation RMB'000	Total RMB'000
At 1 January	12,738,942	813,621	55,580	182,678	13,790,821
Liabilities originated in period and interest attributed	(170,307)	286,702	(12,621)	5,316	109,090
Amount attributable to insured from shareholders' equity	—	(472,029)	—	—	(472,029)
Change in deferred acquisition costs	71	—	—	—	71
Other movements	2,888	—	—	—	2,888
Income distributed	73,628	(91,424)	—	—	(17,796)
Exchange realignment	(618,397)	(48,978)	(3,038)	(8,683)	(679,096)
At 31 December	12,026,825	487,892	39,921	179,311	12,733,949

**51. INSURANCE AND REINSURANCE CREDITORS**

	2016 RMB'000	2015 RMB'000
Amounts due to insurance customers and suppliers	521,994	2,116,415
Amounts due to insurance intermediaries	764,120	641,087
Deposits retained from reinsurers/retrocessionaires	1,853,249	899,881
Prepaid premiums received	145,673	149,694
Other	—	50,631
	<b>3,285,036</b>	<b>3,857,708</b>
Portion classified as current liabilities	<b>(3,109,676)</b>	<b>(3,740,375)</b>
Non-current portion	<b>175,360</b>	<b>117,333</b>

The following is an ageing analysis of the amounts due to insurance customers and suppliers:

	2016 RMB'000	2015 RMB'000
Amounts due to insurance customers and suppliers:		
Within 90 days	2,417,232	3,047,760
91 to 180 days	308,022	272,363
181 to 365 days	79,976	133,211
1 to 2 years	268,545	119,934
2 to 3 years	16,388	32,619
Over 3 years	194,873	251,821
	<b>3,285,036</b>	<b>3,857,708</b>

**52. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS**

	2016 RMB'000	2015 RMB'000
Due to European Central Bank	426,987	—
Due to:		
Banks in Germany	470,254	—
Banks in other European countries	245,030	—
Banks in other countries and regions	397	—
	<b>715,681</b>	<b>—</b>
Total	<b>1,142,668</b>	<b>—</b>
Portion classified as current liabilities	<b>(715,681)</b>	<b>—</b>
Non-current portion	<b>426,987</b>	<b>—</b>

## 53. DEFERRED INCOME

Deferred income represents government grants received related to assets.

	2016 RMB'000	2015 RMB'000
Special purpose fund for technology improvement	436,174	224,862
Government grants for property development and fixed asset construction	1,078,249	794,246
	1,514,423	1,019,108

## 54. OTHER LONG TERM PAYABLES

	Notes	2016 RMB'000	2015 RMB'000
Payables for rehabilitation	(i)	245,015	128,035
Payables for employee benefits	(ii)	642,808	553,252
Payables for restructuring provisions		75,447	310,732
Payables for acquisition of additional interests in subsidiaries		167,420	303,708
Loans from non-controlling shareholders of subsidiaries		1,974,034	2,060,768
Others		1,055,318	729,890
		4,160,042	4,086,385

Notes:

- (i) The movements of payables for rehabilitation are set out below:

	2016 RMB'000	2015 RMB'000
At 1 January	128,035	200,378
Additions	105,415	23,784
Disposal of subsidiaries	—	(72,273)
Payment made	(790)	(1,549)
Classified as current portion (note 44)	—	(31,434)
Exchange realignment	12,355	9,129
At 31 December	245,015	128,035

Payables for rehabilitation are in relation to the costs of the Group's obligations for land reclamation.

**54. OTHER LONG TERM PAYABLES** (Continued)

(ii) The movements of payables for employee benefits are set out below:

	2016 RMB'000	2015 RMB'000
At 1 January	553,252	353,241
Additions	105,246	31,824
Acquisition of subsidiaries	154,546	237,661
Interest increment (note 7)	35,920	10,219
Payments made	(202,464)	(55,885)
Classified as current portion (note 44)	(10,746)	(32,546)
Exchange realignment	7,054	8,738
At 31 December	642,808	553,252

Payables for employee benefits are based on estimates of future payments made by management and are discounted at rates in the range of 1% to 5.4% (2015: 1% to 7.83%).

**55. SHARE CAPITAL****Shares**

	2016 RMB'000	2015 RMB'000
Issued and fully paid:		
8,603,280,644 (2015: 8,609,881,144) ordinary shares	36,157,089	36,046,143

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Issued capital RMB'000
At 1 January 2015	6,922,478,871	16,281,011
Share award scheme	4,620,000	—
Placing of shares	465,000,000	7,288,395
Rights issue of new shares	867,182,273	9,537,094
Share issue expenses	—	(20,061)
Conversion of convertible bonds to ordinary shares	350,600,000	2,959,704
At 31 December 2015 and 1 January 2016	8,609,881,144	36,046,143
Share award scheme (Note)	5,150,000	113,548
Share issue expenses	—	(2,602)
Re-purchase of shares	(11,750,500)	—
At 31 December 2016	8,603,280,644	36,157,089

Note:

According to the share award scheme announced by the Company, the Company issued and the employee benefit trust established by the Company allotted 5,150,000 new shares which were awarded to selected participants and will be vested based on certain vesting conditions.

## 56. RESERVES

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.

### (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 this 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.

In accordance with the Company Law of Portugal, a percentage of not less than 10% or 5% of each year's net profit, depending on whether a company is an insurance or other company, must be transferred to the legal reserve, until it totals the amount of share capital or up to 20% of the capital, respectively. The legal reserve may not be distributed, but only be used to increase share capital or offset accumulated losses.

## 57. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2016	2015
Percentage of equity interest held by non-controlling interests:		
Fosun Pharma	61.17%	60.22%
Portuguese Insurance Group	15.01%	15.01%

Fidelidade - Companhia de Seguros, S.A., Multicare - Seguros de Saúde, S.A. and Fidelidade Assistência - Companhia de Seguros, S.A. are collectively referred to as "Portuguese Insurance Group".



**57. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS** (Continued)

	2016 RMB'000	2015 RMB'000
Profit for the year allocated to non-controlling interests:		
Fosun Pharma	1,716,331	1,480,238
Portuguese Insurance Group	300,559	302,164
Dividends paid to non-controlling interests:		
Fosun Pharma	444,999	389,345
Accumulated balances of non-controlling interests at the reporting dates:		
Fosun Pharma	14,031,539	11,370,517
Portuguese Insurance Group	1,895,866	1,650,857

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2016	Portuguese Insurance Group RMB'000	Fosun Pharma RMB'000
Revenue	10,420,360	14,505,584
Total expenses	(8,584,313)	(11,284,242)
Profit for the year	1,836,047	3,221,342
Total comprehensive income for the year	1,681,553	3,149,202
Current assets	28,366,258	10,764,307
Non-current assets	86,803,465	32,946,593
Current liabilities	(15,927,225)	(10,108,553)
Non-current liabilities	(83,038,015)	(8,408,908)
Net cash flows (used in)/from operating activities	(450,914)	2,110,039
Net cash flows used in investing activities	(9,211,822)	(2,447,096)
Net cash flows from financing activities	1,553,231	1,446,030

## 57. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations: *(Continued)*

2015	Portuguese Insurance Group RMB'000	Fosun Pharma RMB'000
Revenue	8,980,914	12,502,163
Total expenses	(7,020,441)	(9,631,502)
Profit for the year	1,960,473	2,870,661
Total comprehensive (loss)/income for the year	(53,870)	2,677,414
Current assets	34,001,618	8,325,378
Non-current assets	73,747,974	29,819,462
Current liabilities	(18,252,989)	(10,939,200)
Non-current liabilities	(75,030,414)	(6,592,878)
Net cash flows from operating activities	135,892	1,621,028
Net cash flows from/(used in) investing activities	7,981,238	(1,869,910)
Net cash flows from financing activities	3,964,580	550,715

## 58. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

### (a) Acquisition of subsidiaries

#### (i) Acquisition of subsidiaries accounted for as business combination not under common control

The major acquisition of subsidiaries accounted for as business combination not under common control is set out as follows:

In January 2016, Luz Saúde, S.A. an indirectly owned subsidiary of the Company, completed the operation related with the acquisition of the business of Hospital da Luz - Guimarães, S.A. at a consideration of EUR25,202,000 (equivalent to RMB180,162,000). The acquisition was undertaken to further develop the health business of the Group.

In March 2016, the Group through its indirectly owned subsidiaries acquired Thomas More Square Holding at a consideration of EUR130,429,000 (equivalent to RMB957,573,000). The major assets of Thomas More Square Holding are investment properties located in London, the United Kingdom.

In July 2016, Prestige Century Holdings Limited, an indirectly owned subsidiary of the Company, completed the acquisition of 100% equity interest in W.W. (1990) Limited at a consideration of GBP42,500,000 (equivalent to RMB371,930,000). The principal activity of W.W. (1990) Limited is the management and operation of a football team in England.

In July 2016, the Group, through its indirectly owned subsidiaries, acquired GK Moana and GK Praia at a consideration of EUR159,652,000 (equivalent to RMB1,172,121,000). The major assets of GK Moana and GK Praia are investment properties located in Tokyo, Japan.

**58. ACQUISITION AND DISPOSAL OF SUBSIDIARIES** *(Continued)***(a) Acquisition of subsidiaries** *(Continued)***(i) Acquisition of subsidiaries accounted for as business combination not under common control**  
*(Continued)*

The major acquisition of subsidiaries accounted for as business combination not under common control is set out as follows:  
*(continued)*

In September 2016, Zhejiang Fosun Yi Cosmetic Co., Ltd., an indirectly owned subsidiary of the Company, completed the acquisition of 100% equity interest in AHAVA Dead Sea Laboratories LTD. at a consideration of USD80,791,000 (equivalent to RMB539,505,000). The acquisition was undertaken to further develop the health business of the Group.

In September 2016, Bridge Fortune Investment S.à r.l., an indirectly owned subsidiary of the Company, completed the acquisition of 99.91% equity interest in Hauck & Aufhäuser at a consideration of EUR209,811,000 (equivalent to RMB1,571,068,000). The acquisition was undertaken to further develop the wealth management and innovative finance business of the Group.

In October 2016, Forte acquired the remaining 50% equity interest in Wuxi Forte Real Estate Development Co., Ltd. ("Wuxi Forte") at a consideration of RMB83,400,000. Before the acquisition, Forte Investment held 50% equity interest in Wuxi Forte, which was accounted for as a joint venture. The major assets of Wuxi Forte are properties under development and completed properties for sale located in Wuxi, the PRC.

In November 2016, Shanghai Fosun Hospital Investment (Group) Co., Ltd. ("Hospital Investment"), a subsidiary of Fosun Pharma, acquired 52% equity interest in Jinan Qilu Medical Laboratory Co., Ltd. ("Qilu Medical") at a consideration of RMB80,721,000 and obtained control of the operating and financial policies of Qilu Medical. The acquisition was undertaken to further develop the health 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 interest's proportionate share of the acquired subsidiary's identifiable net assets.

**58. ACQUISITION AND DISPOSAL OF SUBSIDIARIES** *(Continued)***(a) Acquisition of subsidiaries** *(Continued)***(i) Acquisition of subsidiaries accounted for as business combination not under common control**  
*(Continued)*

The provisional fair values of the identifiable assets and liabilities of all the subsidiaries acquired during the year were as follows:

	<b>2016 Provisional fair value recognised on acquisition RMB'000</b>
Property, plant and equipment (note 13)	712,539
Available-for-sale investments	11,383,009
Intangible assets (note 19)	280,753
Investment properties (note 14)	6,209,178
Deferred tax assets (note 27)	216,424
Cash and cash equivalents	1,991,197
Required reserve deposits	2,673,150
Investments at fair value through profit or loss	58,772
Trade and notes receivables	171,137
Prepayments, deposits and other receivables	3,147,820
Inventories	67,377
Completed properties for sale	47,386
Properties under development	82,441
Placements with and loans to banks and other financial institutions	105,896
Loans and advances to customers	3,487,941
Derivative financial instruments	627,498
Finance lease receivables	1,218,275
Subtotal carried forward	<b>32,480,793</b>

**58. ACQUISITION AND DISPOSAL OF SUBSIDIARIES** *(Continued)***(a) Acquisition of subsidiaries** *(Continued)***(i) Acquisition of subsidiaries accounted for as business combination not under common control**  
*(Continued)*

The provisional fair values of the identifiable assets and liabilities of all the subsidiaries acquired during the year were as follows: *(Continued)*

	2016 Fair value recognised on acquisition RMB'000
Subtotal brought forward	32,480,793
Interest-bearing bank and other borrowings	(5,108,490)
Trade and notes payables	(427,663)
Accrued liabilities and other payables	(776,046)
Tax payable	(60,515)
Deposits from customers	(16,817,121)
Derivative financials instruments	(1,178,835)
Deferred income	(52,614)
Other long term payables	(557,906)
Deferred tax liabilities (note 27)	(239,748)
Due to banks and other financial institutions	(1,422,416)
Placements from banks and other financial institutions	(763,919)
Total identifiable net assets at provisional fair value*	5,075,520
Non-controlling interests	(129,807)
Total net assets acquired	4,945,713
Gain on bargain purchase of subsidiaries (note 6)	(279,589)
Goodwill on acquisition (note 20)	926,826
	5,592,950
Satisfied by:	
Cash consideration paid	4,951,376
Investment in an associate	239,532
Investment in a joint venture	162,302
Cash consideration unpaid	239,740
	5,592,950

**58. ACQUISITION AND DISPOSAL OF SUBSIDIARIES** *(Continued)***(a) Acquisition of subsidiaries** *(Continued)***(i) Acquisition of subsidiaries accounted for as business combination not under common control**  
*(Continued)*

The provisional fair values of the identifiable assets and liabilities of all the subsidiaries acquired during the year were as follows: *(Continued)*

\* The assessment of the fair value of the identifiable assets and liabilities of W.W. (1990) Limited, AHAVA Dead Sea Laboratories LTD. and Hauck & Aufhäuser is still undergoing and the information of the fair values of the identifiable assets and liabilities was provisional at the date of the approval of this consolidated financial statements. The finalised information will be disclosed in the consolidated financial statements of the Group for the year ended 31 December 2017.

The fair values of the trade receivables and prepayments, deposits and other receivables as at the dates of acquisition amounted to RMB171,137,000 and RMB3,147,820,000, respectively. The gross contractual amounts of trade receivables and prepayments, deposits and other receivables were RMB171,137,000 and RMB3,147,820,000, respectively.

The Group incurred transaction cost of RMB107,891,000 for these acquisitions. These transaction cost have been expensed and are included in other expenses or administrative 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 RMB547,254,000 to the Group's turnover and net profit of RMB26,362,000 to the consolidated profit for the year ended 31 December 2016.

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 2016 would have been RMB75,454,565,000 and RMB12,845,401,000, respectively.

**58. ACQUISITION AND DISPOSAL OF SUBSIDIARIES** *(Continued)***(a) Acquisition of subsidiaries** *(Continued)***(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:

During the year, Paulton Global Limited, an indirectly owned subsidiary of the Company, acquired a 100% equity interest in Coastline International Limited ("Coastline") at a consideration of HKD990,000,000, equivalent to RMB852,361,000. The major asset of Coastline is a piece of land located in Hong Kong.

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 is as follows:

	Allocation of purchase cost RMB'000
Cash and cash equivalents	1,169
Prepayments, deposits and other receivables	175
Properties under development	863,801
Tax payable	(8,314)
Accrued liabilities and other payables	(4,470)
<b>Total purchase costs</b>	<b>852,361</b>
Satisfied by:	
Cash consideration paid	852,361

**58. 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 is as follows:

	RMB'000
Consideration settled by cash	(5,803,737)
Cash and cash equivalents acquired	1,992,366
	(3,811,371)
Cash consideration already paid in the prior year	35,000
Payment of unpaid cash consideration as at 31 December 2015	(54,722)
	(19,722)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(3,831,093)
Transaction costs of these acquisitions included in cash flows from operating activities	(107,891)
	(3,938,984)

**(iv) Acquisition of subsidiaries accounted for as business combination under common control**

Details of acquisition of subsidiaries accounted for as business combination under common control are set out in note 2.4.1.

**(b) Disposal of subsidiaries**

The major disposal during the year is set out as follows:

In April 2016, Shanghai Xinghong Investment Holding Limited ("Shanghai Xinghong"), an indirect wholly-owned subsidiary of the Company, disposed of 51% equity interest in Hefei Xinghong Industrial Co., Ltd. ("Hefei Xinghong") for a consideration of RMB153,000,000. Subsequent to the disposal, Shanghai Xinghong's equity interest in Hefei Xinghong decreased to 49% and Shanghai Xinghong lost the control over the board of directors as well as the operating and financial policies decision of Hefei Xinghong but can exercise significant influence over Hefei Xinghong. The remaining 49% equity interest in Hefei Xinghong was accounted for as an investment in a joint venture.

In December 2016, Zhejiang Fosun Commerce Development Limited ("Zhejiang Fosun"), an indirect wholly-owned subsidiary of the Company, disposed of 50% equity interest in Shanghai Zendai Bund International Finance Services Centre Real Estate Company Limited ("BFC") for a consideration of RMB5,330,000,000. Subsequent to the disposal, Zhejiang Fosun's equity interest in BFC decreased to 50% and Zhejiang Fosun lost the control over the board of directors as well as the operating and financial policies decision of BFC but can exercise jointly control over BFC. The remaining 50% equity interest in BFC was accounted for as an investment in a joint venture.



**58. 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:

	2016 RMB'000	2015 RMB'000
Net assets disposed of:		
Property, plant and equipment (note 13)	8,105	24,083,379
Prepaid land lease payments	—	1,017,937
Mining rights	—	91,907
Oil and gas assets	—	158,789
Intangible assets (note 19)	343	75,876
Goodwill	—	20,152
Investments in joint ventures	—	106,183
Investments in associates	—	222,210
Available-for-sale investments	—	1,200,299
Deferred tax assets (note 27)	—	1,930,620
Properties under development	2,915,012	90,382
Investment properties (note 14)	18,572,407	—
Cash and bank	505,261	5,265,924
Investments at fair value through profit or loss	—	1,736,154
Trade and notes receivables	37,620	4,138,958
Prepayments, deposits and other receivables	3,750,692	4,220,147
Due from related parties	—	212,361
Inventories	19,270	2,918,257
Interest-bearing bank and other borrowings	(4,226,840)	(15,892,571)
Trade and notes payables	(403,973)	(10,880,809)
Due to related companies	(452,228)	(55)
Accrued liabilities and other payables	(8,473,642)	(5,702,617)
Tax payable	(2,872)	(203,574)
Finance lease payables	—	(117)
Deferred income	—	(5,610)
Other long term payables	—	(224,541)
Deferred tax liabilities (note 27)	(1,278,657)	(958,346)
Non-controlling interests	—	(5,620,224)
	10,970,498	8,001,071
Fair value of the retained interests in subsidiaries disposed of	(6,037,056)	(7,342,710)
Net gain on disposal of subsidiaries (notes 6)	559,558	7,180,957
	5,493,000	7,839,318

**58. 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:

	2016 RMB'000	2015 RMB'000
Satisfied by:		
Cash	4,163,000	7,826,596
Other receivables (note 26)	1,330,000	12,722
	<b>5,493,000</b>	<b>7,839,318</b>
Cash consideration	4,163,000	7,826,596
Cash and cash equivalents disposed of	(505,261)	(1,588,138)
Receipt of unreceived cash consideration for disposal as at 31 December 2015	12,722	—
Advance receipt of cash consideration in previous years	—	(124,310)
Net inflow of cash and cash equivalents included in cash flows from investing activities	<b>3,670,461</b>	<b>6,114,148</b>

**59. SHARE-BASED PAYMENTS****(a) Share award scheme of the Company**

The Company adopts a share award scheme ("Share Award Scheme") for the purpose to align the interests of the eligible persons with those of the Group through ownership of shares, dividends and other distributions paid on shares and/or the increase in value of the shares; and to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group.

**Share Award Scheme I**

On 26 March 2015, the Board of Directors of the Company has resolved to award an aggregate of 4,620,000 award shares ("Award Shares 2015") to 71 selected participants under the share award scheme ("Share Award Scheme I"), of which (i) 2,430,000 award shares are awarded to 52 selected participants by way of issue and allotment of new shares pursuant to the general mandate ; and (ii) 2,190,000 award shares are awarded to 19 connected selected participants by way of issue and allotment of new shares pursuant to a specific mandate obtained in the annual general meeting held on 28 May 2015.

Award Shares 2015 shall be locked up immediately upon granting. The Award Shares 2015 granted to participants shall be subject to various lock-up periods ranging from one year to three years, respectively, immediately from the date of grant. Award Shares 2015 held by participants shall be unlocked in three tranches in the proportion of 33%, 33% and 34% of the total number of the Award Shares 2015 granted upon the expiry of each lock-up period.

The aggregate fair value of the Award Shares 2015 granted amounted to approximately HKD60,274,000. The Group has recognised an amount of HKD 28,249,000 (equivalent to RMB24,214,000) as expenses for the year ended 31 December 2016 (2015: equivalent to RMB21,831,000).

**59. SHARE-BASED PAYMENTS** *(Continued)***(a) Share award scheme of the Company** *(Continued)***Share Award Scheme II**

On 1 April 2016, the Board of Directors of the Company has resolved to award an aggregate of 5,410,000 award shares ("Award Shares 2016") to 69 selected participants under the share award scheme ("Share Award Scheme II"). Award Shares are awarded to selected participants by way of issue and allotment of new shares pursuant to a specific mandate obtained in the annual general meeting held on 1 June 2016.

Award Shares 2016 shall be locked up immediately upon granting. The Award Shares 2016 granted to participants shall be subject to various lock-up periods ranging from one year to three years, respectively, immediately from the date of grant. Award Shares 2016 held by participants shall be unlocked in three tranches in the proportion of 33%, 33% and 34% of the total number of the Award Shares 2016 granted upon the expiry of each lock-up period.

The aggregate fair value of the Award Shares 2016 granted amounted to approximately HKD52,048,000. The Group has recognised an amount of HKD21,843,000 (equivalent to RMB18,722,000) as expenses for the year ended 31 December 2016.

**(b) Share option scheme of the Company**

The Company adopts a share option scheme ("Share Option Scheme") for the purpose of providing incentive and/or reward to eligible persons for their contribution to the Group, and continuing efforts to promote the interests of the Group.

On 8 January 2016, the Company has granted 111,000,000 options ("Options") to subscribe for an aggregate of 111,000,000 ordinary shares in the Company under its Share Option Scheme.

The Options are exercisable by each grantee in three tranches as set out below:

- i. up to the first 20% of the Options, at any time from the date falling on the fifth anniversary of the date of grant till the end of the 10-year period commencing from the date of grant ("Option Period");
- ii. up to a further 30% of the Options, at any time from the date falling on the sixth anniversary of the date of grant till the end of the Option Period; and
- iii. in respect of the remaining 50% of the Options, which, for the avoidance of doubt, comprise those Options which have not been exercised (and not lapsed) since the fifth anniversary of the date of grant, at any time from the date falling on the seventh anniversary of the date of grant till the end of the Option Period.

The aggregate fair value of the Share Option Scheme granted amounted to approximately HKD315,876,000. The Group has recognised an amount of HKD50,260,000 (equivalent to RMB43,081,000) as expenses for the year ended 31 December 2016.

**(c) Restricted A share Incentive Scheme by Fosun Pharma**

Fosun Pharma adopts a share incentive scheme (the "Restricted A Share Incentive Scheme") for the purpose of further refining the corporate governance structure of Fosun Pharma, facilitating the establishment of the restricted incentive mechanism, fully motivating the directors and key personnel of Fosun Pharma, as well as balancing the interests of the shareholders, Fosun Pharma and the management for the long-term development of Fosun Pharma.

## 59. SHARE-BASED PAYMENTS *(Continued)*

### (c) Restricted A share Incentive Scheme by Fosun Pharma *(Continued)*

#### Restricted A Share Incentive Scheme I

On 7 January 2014 (the "Date of Grant"), pursuant to the Restricted A Share Incentive Scheme I, 4,035,000 A shares of Fosun Pharma were granted to 28 eligible participants of the Restricted A Share Incentive Scheme (the "Share Incentive Participants") at a grant price of RMB6.08 per share. The Share Incentive Participants include executive directors and the members of senior management of Fosun Pharma and core technical and management personnel.

27 out of 28 of the share incentive participants have accepted and subscribed with their own funds under the Restricted A Share Incentive Scheme and a total of 3,935,000 restricted A Shares ("Restricted Shares") have been issued by Fosun Pharma to the relevant share incentive participants.

The Restricted A Share Incentive Scheme shall be valid for a term of four years, commencing from the Date of Grant of the Restricted Shares and ending on the date on which all the Restricted Shares granted have been unlocked or otherwise repurchased and cancelled.

Restricted Shares shall be locked up immediately upon granting. The Restricted Shares granted to Share Incentive Participants shall be subject to various lock-up periods ranging from one year to three years, respectively, immediately from the Date of Grant. Restricted Shares held by Share Incentive Participants shall be unlocked (or repurchased and cancelled by Fosun Pharma) in three tranches in the proportion of 33%, 33% and 34% of the total number of the Restricted Shares granted upon the expiry of each lock-up period.

The aggregate fair value of the Restricted Shares granted amounted to approximately RMB70,555,000, of which RMB46,630,000 will be charged to profit or loss and the capital reserve as costs of share-based compensation in aggregate from the date of grant to the date on which the unlocking conditions are being fulfilled and the shares may be circulated according to the law, after netting of the total considerations received for the issue of the Restricted Shares amounting to RMB23,925,000. The Group has recognised an amount of RMB14,409,000 as expenses for the year ended 31 December 2016 (2015: RMB7,642,000).

#### Restricted A Share Incentive Scheme II

On 19 November 2015 (the "Date of Grant"), pursuant to the Restricted A Share Incentive Scheme II, 2,695,000 A shares of the Fosun Pharma were granted to 45 eligible participants of the Restricted A Share Incentive Scheme II at a grant price of RMB10.54 per share.

Restricted Shares issued pursuant the Restricted A Share Incentive Scheme II shall be locked up immediately upon granting. The Restricted Shares granted to Share Incentive Participants shall be subject to various Lock-up Periods ranging from one year to three years, respectively, immediately from the Date of Grant. Restricted Shares held by Share Incentive Participants shall be unlocked (or repurchased and cancelled by Fosun Pharma) in three tranches in the proportion of 33%, 33% and 34% of the total number of the Restricted Shares granted upon the expiry of each lock-up period.

The aggregate fair value of the Restricted Shares granted amounted to approximately RMB68,102,000, of which RMB39,697,000 will be charged to profit or loss and the capital reserve as costs of share-based compensation in aggregate from the date of grant to the date on which the unlocking conditions are being fulfilled and the shares may be circulated according to the law, after netting of the total considerations received for the issue of the Restricted Shares amounting to RMB28,405,000. The Group has recognised an amount of RMB22,709,000 as expenses for the year ended 31 December 2016 (2015: RMB2,012,000).

## 60. 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:

	2016 RMB'000	2015 RMB'000
Within one year	569,744	403,008
In the second to fifth years, inclusive	1,103,704	975,727
Over five years	670,322	1,118,716
	<b>2,343,770</b>	<b>2,497,451</b>

### 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 had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	1,385,416	7,735,987
In the second to fifth years, inclusive	4,504,104	6,541,412
Over five years	5,038,329	4,507,313
	<b>10,927,849</b>	<b>18,784,712</b>

## 61. COMMITMENTS

In addition to the operating lease commitments detailed in note 60 above, the Group had the following capital commitments at the end of the reporting period:

	2016 RMB'000	2015 RMB'000
Contracted, but not provided for:		
Plant and machinery	2,744,708	1,881,272
Properties under development	6,977,527	13,679,434
Investments	11,992,159	4,446,210
	21,714,394	20,006,916

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	2016 RMB'000	2015 RMB'000
Contracted but not provided for:		
Buildings	—	80,185
Plant and machinery	—	422,243
Properties under development	11,284	206,628
	11,284	709,056

## 62. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the end of the reporting period:

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
Principal amount of the guaranteed bank loans and corporate bonds of:			
Related parties (note 63)	(1)	2,847,749	5,319,000
Third parties		87,071	—
Qualified buyers' mortgage loans	(2)	2,878,019	2,726,667
Guarantees given related to tourism industry	(3)	727,121	610,187
		6,539,960	8,655,854

**62. CONTINGENT LIABILITIES** (Continued)

- (1) The Group recorded a liability of financial guarantee contract amounting to RMB70,178,000 as at 31 December 2016 (note 44).
- (2) As at 31 December 2016, the Group provided guarantees of approximately RMB2,878,019,000 (31 December 2015: RMB2,726,667,000) in favour of their customers in respect of mortgage loans provided by banks to these 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 principal together with the accrued interest and penalties and therefore no provision has been made in the financial statements for the guarantees.

- (3) Guarantees given related to tourism industry are guarantees given by Club Med, a subsidiary of the Group, including guarantees in connection with travel and transport agent licenses, guarantees for credit card processors, rent guarantees and guarantees given related to development projects. Based on historical experience and information currently available, Club Med does not believe that they will be required to pay any amount under these guarantee arrangements. Therefore, Club Med has not recorded any liability beyond what is required in connection with these guarantee arrangements.
- (4) Owing to the nature of the insurance business, the insurance segment of the Group is involved in legal proceedings in the ordinary course of its activity, including being the plaintiff or the defendant in litigation and arbitration proceedings. Most of such legal proceedings involve claims concerning insurance policies, which are already provisioned, and some additional losses arising therefrom will be indemnified either by reinsurers or by other recoveries, like salvages. Although the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the Group believes that any resulting liabilities will not have a material adverse effect on its financial position or operating results.

**63. 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	2016 RMB'000	2015 RMB'000
<b>Sales of goods</b>			
Sinopharm Group Co., Ltd. (Notes 2 & 9)	Sales of pharmaceutical products	1,135,375	861,223
Nanjing Iron & Steel Co., Ltd. (Notes 2 & 9)	Sales of powdered iron	35,671	—
Healthy Harmony Holdings L.P. (Notes 2 & 9)	Sales of pharmaceutical products	3,354	18,204
Shanghai LONZA Fosun Pharmaceutical Science and Technology Development Ltd. (Notes 2 & 9)	Sales of pharmaceutical products	2,373	1,581
Chindex International, Inc. (Notes 2 & 9)	Sales of pharmaceutical products	2,295	29,680
Nanjing Shengchang Renewable Resources Co., Ltd. (Notes 7 & 9)	Sales of scrap material	—	1,997
Shanghai Banksteel Electronic Commerce Co., Ltd. (Notes 3 & 9)	Sales of steel products	—	564,902
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd. (Notes 7 & 9)	Sales of utilities	—	65,508
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd. (Notes 7 & 9)	Sales of scrap material	—	61,759
Total sales of goods		1,179,068	1,604,854

**63. RELATED PARTY TRANSACTIONS** (Continued)

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: (continued)

Name of related parties	Nature of transactions	2016 RMB'000	2015 RMB'000
<b>Purchases of goods</b>			
Sinopharm Group Co., Ltd. (Notes 2 & 9)	Purchases of pharmaceutical products	97,329	97,273
Nanjing Shengchang Renewable Resources Co., Ltd. (Notes 7 & 9)	Purchases of iron ore	—	33,855
Suzhou Amerigen Pharmaceutical Co., Ltd. (Notes 2 & 9)	Purchases of pharmaceutical products	—	5,660
<b>Total purchases of goods</b>		<b>97,329</b>	<b>136,788</b>
<b>Service income</b>			
Guangzhou Xingjianxingsui Property Co., Ltd (Notes 2 & 10)	Consulting services provided to the related company	13,340	—
Shenyang Yuyuan Tourist Mart Property Co., Ltd. (Notes 2 & 10)	Consulting services provided to the related company	7,271	30,685
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 2 & 10)	Other services provided to the related company	5,256	—
Fuyang Furun Property Co., Ltd. (Notes 2 & 10)	Consulting services provided to the related company	4,616	2,322
Yantai Xingyi Properties Co., Ltd. (Notes 2 & 10)	Other services provided to the related company	2,426	—
Zhejiang Dongyang China Woodcarving City Investment and Development Co., Ltd. (Notes 2 & 10)	Consulting services provided to the related company	—	11,937
Yantai Xingyi Properties Co., Ltd. (Notes 2 & 10)	Consulting services provided to the related company	—	9,795
Wuhu Xingyan Properties Co., Ltd. (Notes 2 & 10)	Consulting services provided to the related company	—	5,803
Shanghai Dijie Real Estate Limited (Notes 2 & 10)	Consulting services provided to the related company	—	4,409
<b>Total service income</b>		<b>32,909</b>	<b>64,951</b>



**63. RELATED PARTY TRANSACTIONS** (Continued)

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: (continued)

Name of related parties	Nature of transactions	2016 RMB'000	2015 RMB'000
<b>Interest income</b>			
Yantai Xingyi Properties Co., Ltd. (Notes 2 & 12)	Interest income	54,746	8,157
Zhejiang Dongyang China Woodcarving City Investment and Development Co., Ltd. (Notes 2 & 12)	Interest income	41,673	—
Shanxi Jianqin Real Estate Development Co., Ltd. (Notes 5 & 12)	Interest income	11,682	—
Shanghai Haizhimen Property Investment Management Co., Ltd. (Notes 12 & 15)	Interest income	—	82,882
Shanghai Jufeng Property Development Co., Ltd. (Notes 2 & 12)	Interest income	—	35,722
Anhui Jinhuangzhuang Mining Co., Ltd. (Notes 7 & 12)	Interest income	—	14,081
SAS Val Thorens Le Cairn (Notes 2 & 12)	Interest income	—	7,939
Wuhu Xingyan Properties Co., Ltd. (Notes 2 & 12)	Interest income	—	3,136
Nanjing Dahua Investment Development Co., Ltd. (Notes 2 & 12)	Interest income	—	2,130
Total interest income		108,101	154,047
<b>Rental income</b>			
Nanjing Xinwu Shipping Co., Ltd. (Notes 7 & 10)	Operating lease in respect of office buildings leased to the related company	—	1,400
<b>Interest expense</b>			
Wuxi Forte Real Estate Development Co., Ltd. (Notes 2, 12 & 14)	Interest expense	1,390	6,383
<b>Interest paid for deposits from related parties</b>			
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 2 & 16)	Interest paid for deposits	11,324	8,228
Shanghai Hongkou Gaungxin Microcredit Co., Ltd. (Notes 2 & 16)	Interest paid for deposits	1,468	—
BFC (Notes 6 & 16)	Interest paid for deposits	—	4,713
Total interest paid for deposits from related parties		12,792	12,941

**63. RELATED PARTY TRANSACTIONS** (Continued)

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: (continued)

Name of related parties	Nature of transactions	2016 RMB'000	2015 RMB'000
<b>Other expenses</b>			
Hainan Haigang Group Co., Ltd. (Notes 4 & 11)	Operating lease in respect of land leased from the related company	20,319	19,983
Fosun Eurasia Capital LLC (Notes 2 & 11)	Consulting fees	1,038	—
Nanjing Xinwu Shipping Co., Ltd. (Notes 7 & 11)	Transportation fees	—	152,343
SPFT – Carthago (Notes 2 & 11)	Operating lease in respect of the operation of villages	—	34,663
Total other expenses		21,357	206,989
<b>Loans from related companies</b>			
Wuxi Forte Real Estate Development Co., Ltd. (Notes 12 & 14)	Loans provided by the related companies	—	193,000
<b>Deposits from related companies</b>			
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 2 & 16)	Deposits from the related company	596,732	594,090
Hefei Xinghong Financial City Development Co., Ltd (Notes 2 & 16)	Deposits from the related company	40,130	—
Shanghai Hongkou Gaungxin Microcredit Co., Ltd. (Notes 2 & 16)	Deposits from the related company	35,735	173,716
BFC (Notes 6 & 16)			
Shanghai Xingyao Real Estate Development Co., Ltd. (Notes 2 & 16)	Deposits from the related company	22,675	—
	Deposits from the related company	596	43,192
Nanjing Iron & Steel Co., Ltd. (Notes 2 & 16)	Deposits from the related company	402	11,754
Hangzhou Likun Investment Development Co., Ltd. (Notes 2 & 16)	Deposits from the related company	271	13,026
Sichuan Huanglong Forte Real Estate Development Co., Ltd. (Notes 2 & 16)	Deposits from the related company	192	10,271
Nanjing Iron & Steel United Co., Ltd. (Notes 2 & 16)	Deposits from the related company	174	200,698
Others	Deposits from the related company	1,317	1,584
Total deposits from related companies		698,224	1,048,331

**63. RELATED PARTY TRANSACTIONS** (Continued)

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: (continued)

Name of related parties	Nature of transactions	2016 RMB'000	2015 RMB'000
<b>Guarantees of bank loans and corporate bonds</b>			
Fosun Holdings Limited (Notes 1, 8 & 13)	Bank loans guaranteed by the related company	3,329,760	1,493,528
Nanjing Iron & Steel Co., Ltd. (Notes 2 & 13)	Guarantees granted for corporate bonds of the related company	2,783,749	4,000,000
Nanjing Iron & Steel Co., Ltd. (Notes 2 & 13)	Guarantees granted for bank loans of the related company	64,000	84,000
Nanjing Iron & Steel United Co., Ltd. (Notes 2 & 13)	Guarantees granted for corporate bonds of the related company	—	1,235,000
Total loans and corporate bonds guaranteed		6,177,509	6,812,528
<b>Loans to related companies</b>			
Yantai Xingyi Properties Co., Ltd. (Notes 2 & 12)	Entrusted loan provided to the related company	738,300	368,000
Tangshan Jianlong Special Steel Co., Ltd (Notes 2 & 12)	Loan provided to the related company	100,000	—
SAS Val Thorens Le Cairn (Notes 2 & 12)	Entrusted loan provided to the related company	65,571	202,281
Cloud Vision Networks Technology Corporation (Notes 2 & 12)	Entrusted loan provided to the related company	40,000	—
BFC (Notes 6 & 12)	Loan provided to the related company	40,000	—
Total loans to related companies		983,871	570,281

Notes:

- (1) It is the holding company of the Group.
- (2) They are associates and joint ventures of the Group.
- (3) It is the entity over which the ultimate controlling shareholder of the Group has significant influence.
- (4) They are non-controlling shareholders of the subsidiaries of the Group.
- (5) Shanxi Jianqin Real Estate Development Co., Ltd. ("Shanxi Jianqin") was a joint venture of Forte as at 31 December 2015. In August 2016, Forte disposed of 50% equity interest in Shanxi Jianqin. Shanxi Jianqin was no longer a related party of the Group thereafter 31 December 2016.
- (6) BFC was a subsidiary of the Group as at 31 December 2015. In December 2016, the Group disposed of 50% equity interest in BFC. The remaining 50% equity interest in BFC was accounted for as an investment in a joint venture as set out in note 58(b) to the financial statements.

**63. RELATED PARTY TRANSACTIONS** (Continued)

Notes: (Continued)

- (7) On 31 December 2015, the Group delegated part of its voting rights on Nanjing Nangang to Nanjing Iron & Steel (Group) Co., Ltd. Upon the date of the delegation, Nanjing Nangang was accounted for as an investment in a joint venture and the joint ventures and associates of Nanjing Nangang were no longer related parties of the Group.
- (8) These transactions constituted connected transactions 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.
- (9) 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.
- (10) The directors consider that the income for consulting services and rental were determined based on prices available to third party customers.
- (11) The directors consider that the fees for property management services, consulting services, transportation services and leasing services paid to the related companies were determined based on prices available to third party customers of the related companies.
- (12) The loans provided by/to the related companies are unsecured, repayable on demand. The directors consider that the applicable interest rates are determined in accordance with the prevailing market borrowing rates.
- (13) 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.
- (14) Wuxi Forte was a joint venture of Forte as at 31 December 2015. In October 2016, Forte acquired the remaining 50% equity interest in Wuxi Forte as set out in note 58(a) to the financial statements. Wuxi Forte became a subsidiary of the Group thereafter 31 December 2016.
- (15) During the year, Shanghai Haizhimen Property Investment Management Co., Ltd. completed the liquidation procedure and was no longer existed as at 31 December 2016.
- (16) Interest paid for deposits from related parties represents the interest 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 PBOC and the prevailing market deposit interest rate. The deposits will be repaid upon demand of the related parties.
- (17) Compensation of key management personnel of the Group:

	2016 RMB'000	2015 RMB'000
Short-term employee benefits	75,257	61,629
Equity-settled share award/option scheme expense	36,784	7,536
Pension scheme contributions	384	378
Total compensation paid to key management personnel	112,425	69,543

## 64. 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:

### 2016

#### Financial assets

	Financial assets at fair value through profit or loss				Total RMB'000
	Designed as such upon initial recognition	Held for trading	Loans and receivables	Available- for-sale financial investments	
	RMB'000	RMB'000	RMB'000	RMB'000	
Available-for-sale investments	—	—	—	128,175,432	128,175,432
Loans receivable	—	—	2,943,898	—	2,943,898
Cash and bank	—	—	51,807,704	—	51,807,704
Term deposits	—	—	348,692	—	348,692
Investments at fair value through profit or loss	1,800,971	6,527,725	—	—	8,328,696
Trade and notes receivables	—	—	4,321,733	—	4,321,733
Financial assets included in prepayments, deposits and other receivables (note 26)	—	—	12,064,483	—	12,064,483
Due from related companies	—	—	11,741,735	—	11,741,735
Derivative financial instruments	825,034	—	—	—	825,034
Policyholder account assets in respect of unit-linked contracts	3,166,145	—	582,101	—	3,748,246
Loans and advances to customers	—	—	3,358,873	—	3,358,873
Placements with and loans to banks and other financial institutions	—	—	73,105	—	73,105
Finance lease receivables	—	—	1,218,276	—	1,218,276
Insurance and reinsurance debtors	—	—	6,550,221	—	6,550,221
	5,792,150	6,527,725	95,010,821	128,175,432	235,506,128

**64. 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)

**2016** (Continued)**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	—	125,969,041	125,969,041
Convertible bonds	—	307,730	307,730
Trade and notes payables	—	9,569,939	9,569,939
Financial liabilities included in accrued liabilities and other payables (note 44)	70,178	13,216,554	13,286,732
Due to related companies and the holding company	—	4,028,819	4,028,819
Deposits from customers	—	18,580,245	18,580,245
Financial liabilities included in other long term payables (note 54)	—	3,272,219	3,272,219
Finance lease payables	—	245,910	245,910
Derivative financial instruments	1,307,990	—	1,307,990
Investment contract liabilities	—	56,752,495	56,752,495
Financial liabilities for unit-linked contracts	3,166,145	582,101	3,748,246
Accounts payable to brokerage clients	—	68,823	68,823
Placements from banks and other financial institutions	—	273,983	273,983
Due to banks and other financial institutions	—	1,142,668	1,142,668
Insurance and reinsurance creditors	—	3,285,036	3,285,036
	4,544,313	237,295,563	241,839,876

**64. 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)*

**2015 (Restated)****Financial assets**

	Financial assets at fair value through profit or loss			Available-for-sale financial investments	Total
	Designed as such upon initial recognition	Held for trading	Loans and receivables		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale investments	—	—	—	118,954,586	118,954,586
Loans receivable	—	—	2,288,855	—	2,288,855
Cash and bank	—	—	46,601,795	—	46,601,795
Term deposits	—	—	465,135	—	465,135
Investments at fair value through profit or loss	3,490,855	7,225,312	—	—	10,716,167
Trade and notes receivables	—	—	4,368,550	—	4,368,550
Financial assets included in prepayments, deposits and other receivables (note 26)	—	—	7,738,012	—	7,738,012
Due from related companies	—	—	3,707,641	—	3,707,641
Derivative financial instruments	15,921	—	—	—	15,921
Policyholder account assets in respect of unit-linked contracts	3,475,324	—	590,592	—	4,065,916
Loans and advances to customers	—	—	247,581	—	247,581
Insurance and reinsurance debtors	—	—	8,274,973	—	8,274,973
	6,982,100	7,225,312	74,283,134	118,954,586	207,445,132

**64. 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)

**2015 (Restated)** (Continued)**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	—	114,647,979	114,647,979
Convertible bonds	—	268,983	268,983
Loans from related companies	—	193,000	193,000
Trade and notes payables	—	10,436,233	10,436,233
Financial liabilities included in accrued liabilities and other payables (note 44)	—	13,083,090	13,083,090
Due to related companies and the holding company	—	3,923,793	3,923,793
Deposits from customers	—	1,300,688	1,300,688
Financial liabilities included in other long term payables (note 54)	64,460	3,340,638	3,405,098
Finance lease payables	—	166,495	166,495
Derivative financial instruments	204,015	—	204,015
Investment contract liabilities	—	53,145,210	53,145,210
Financial liabilities for unit-linked contracts	3,475,324	590,592	4,065,916
Insurance and reinsurance creditors	—	3,857,708	3,857,708
	3,743,799	204,954,409	208,698,208

**65. TRANSFERS OF FINANCIAL ASSETS**

At 31 December 2016, 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 these suppliers with an aggregate carrying amount of RMB719,397,000 (2015: RMB1,076,839,000). 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 RMB243,793,000 (2015: RMB228,169,000). The Endorsed Bills and the Discounted Bills had 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 is 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.



## 66. 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	
	2016 RMB'000	2015 RMB'000 (Restated)	2016 RMB'000	2015 RMB'000 (Restated)
<b>Financial assets</b>				
Available-for-sale investments	118,565,218	106,733,335	118,565,218	106,733,335
Loans receivable	813,210	553,789	813,210	553,789
Investments at fair value through profit or loss	8,328,696	10,716,167	8,328,696	10,716,167
Loans and advances to customers	454,502	—	452,839	—
Policyholder account assets in respect of unit-linked contracts	3,166,145	3,475,324	3,166,145	3,475,324
Derivative financial instruments	825,034	15,921	825,034	15,921
	132,152,805	121,494,536	132,151,142	121,494,536
<b>Financial liabilities</b>				
Interest-bearing bank and other borrowings	82,094,953	65,859,536	81,295,369	64,863,382
Convertible bonds	307,730	268,983	368,033	371,742
Financial liabilities stated at fair value included in accrued liabilities and other payables	70,178	—	70,178	—
Financial liabilities included in other long term payables	3,272,219	3,405,098	3,272,219	3,405,098
Deposits from customers	68,715	—	66,051	—
Placements from banks and other financial institutions	3,707	—	3,707	—
Due to banks and other financial institutions	426,987	—	426,987	—
Financial liabilities for unit-linked contracts	3,166,145	3,475,324	3,166,145	3,475,324
Derivative financial instruments	1,307,990	204,015	1,307,990	204,015
	90,718,624	73,212,956	89,976,679	72,319,561

## 66. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Management has assessed that the fair values of cash and bank, term deposits, finance lease receivables, finance lease payables, placements with and loans to banks and other financial institutions, accounts payable to brokerage clients, trade and notes receivables, trade and notes payables, insurance and reinsurance debtors and creditors, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, the current portion of loans receivables, loans and advances to customers, interest-bearing bank and other borrowings, deposits from customers, placements from banks and other financial institutions, due to banks and other financial institutions, amounts due from related companies and amounts 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 financial liabilities included in other long term payables, non-current portion of loans receivable, interest-bearing bank and other borrowings and convertible bonds 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 the non-current portion of amounts due to related companies, financial liabilities included in other long term payables, loans from related companies, finance lease payables and non-current portion of interest-bearing bank and other borrowings as at 31 December 2016 was assessed to be insignificant. The fair value of the convertible bonds and other listed bonds is based on the quoted market price which represents the fair value for both the liability and equity components of the convertible bonds and the fair values of listed bonds and senior notes are based on quoted market prices.

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 31 December 2016, the fair values of commodity derivative contracts were measured using quoted market prices 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 include 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 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.

## 66. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

As at 31 December 2016, the fair value 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 is 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 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 was RMB 9,610,214,000 (31 December 2015: RMB12,221,251,000), all of which are unlisted equity investments held by the Group in China, North America, European and other countries intended to be disposed of by the Group after getting listed on the designated stock exchanges in the future.

During the year ended 31 December 2016, the available-for-sale investments whose fair value could not be reliably measured with a carrying amount of RMB3,309,617,000 were derecognised and the relevant gain on disposal amounting to RMB1,477,288,000 was recognised 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 2016:

### Unobservable inputs and sensitivity analysis for Level 3 assets

The financial assets measured at fair value held by Portuguese Insurance Group which were 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, the Group 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, the Group do not assess whether applying reasonably possible alternative assumptions would have an impact on the fair value of the Level 3 investment funds.

### 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)

**66. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS** *(Continued)***Fair value hierarchy** *(Continued)***Assets measured at fair value:***As at 31 December 2016*

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	
Available-for-sale investments	73,792,130	39,713,912	5,059,176	118,565,218
Investments at fair value through profit or loss	6,513,012	1,767,482	48,202	8,328,696
Policyholder account assets in respect of unit-linked contracts	2,733,629	432,002	514	3,166,145
Derivative financial instruments	235,521	589,513	—	825,034
	<b>83,274,292</b>	<b>42,502,909</b>	<b>5,107,892</b>	<b>130,885,093</b>

*As at 31 December 2015**(Restated)*

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	
Available-for-sale investments	45,659,366	48,077,579	12,996,390	106,733,335
Investments at fair value through profit or loss	7,150,646	2,879,455	686,066	10,716,167
Policyholder account assets in respect of unit-linked contracts	2,922,987	496,085	56,252	3,475,324
Derivative financial instruments	15,921	—	—	15,921
	<b>55,748,920</b>	<b>51,453,119</b>	<b>13,738,708</b>	<b>120,940,747</b>

During the year, fair value of the available-for-sale investments in Level 2 as at 31 December 2015 amounted to RMB774,895,000 were transferred out to Level 1 due to the end of the lock-up period for these equity investments in 2016 (2015: Nil); and fair value of the available-for-sale investments in Level 2 as at 31 December 2015 amounted to RMB585,672,000 were disposed in 2016 (2015: Nil).

**66. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS** *(Continued)***Fair value hierarchy** *(Continued)*

The movements in fair value measurements within Level 3 during the year are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	13,738,708	6,532,644
Total (losses)/gains recognised in the consolidated statement of profit or loss included in other expenses	(101,356)	105,386
Total gains/(losses) recognised in other comprehensive income	444,254	(16,002)
Addition	1,608,108	3,979,899
Acquisition of subsidiaries	1,856,826	—
Disposals	(9,566,778)	(813,472)
Disposal of subsidiaries	(2,634,557)	—
Exchange realignment	(233,914)	(807,980)
Reclassification	(3,399)	4,758,233
	5,107,892	13,738,708

**Assets for which fair values are disclosed:**

As at 31 December 2016

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	
Loans and advances to customers	—	—	452,839	452,839
Loans receivable	—	813,210	—	813,210
	—	813,210	452,839	1,266,049

As at 31 December 2015

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	
Loans receivable	—	553,789	—	553,789

**66. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS** *(Continued)***Fair value hierarchy** *(Continued)***Liabilities measured at fair value:***As at 31 December 2016*

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	
Financial liabilities stated at fair value included in accrued liabilities and other payables	—	—	70,178	70,178
Financial liabilities for unit-linked contracts	2,733,629	432,002	514	3,166,145
Derivative financial instruments	132,446	1,175,544	—	1,307,99
	2,866,075	1,607,546	70,692	4,544,313

*As at 31 December 2015*

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	
Financial liabilities included in other long term payables	—	—	64,460	64,460
Financial liabilities for unit-linked contracts	2,922,987	496,085	56,252	3,475,324
Derivative financial instruments	106,275	97,740	—	204,015
	3,029,262	593,825	120,712	3,743,799

The movements in fair value measurements within Level 3 during the year are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	120,712	275,653
Total gains/(losses) recognised in the consolidated statement of profit or loss included in other expenses	1,472	(536)
Addition	70,178	11,367
Disposals	(59,161)	(118,472)
Exchange realignment	1,951	(19,580)
Reclassification	(64,460)	(27,720)
At 31 December	70,692	120,712

**66. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS** *(Continued)***Fair value hierarchy** *(Continued)***Liabilities for which fair values are disclosed:***As at 31 December 2016*

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	
Interest-bearing bank and other borrowings	23,787,659	57,507,710	—	81,295,369
Convertible bonds	368,033	—	—	368,033
Deposits from customers	—	—	66,051	66,051
Placements from banks and other financial institutions	—	—	3,707	3,707
Due to banks and other financial institutions	—	—	426,987	426,987
Financial liabilities included in other long term payables	—	3,272,219	—	3,272,219
	24,155,692	60,779,929	496,745	85,432,366

*As at 31 December 2015**(Restated)*

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	
Interest-bearing bank and other borrowings	15,686,572	49,176,810	—	64,863,382
Convertible bonds	371,742	—	—	371,742
Financial liabilities included in other long term payables	—	3,340,638	—	3,340,638
	16,058,314	52,517,448	—	68,575,762

## 67. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and other borrowings, finance lease payables, amounts due from/to related companies, loans receivable and loans 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 deposits 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 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 2016, approximately 47% (2015: 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 rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2016	75 (75)	(357,348) 357,348
2015	75 (75)	(474,608) 474,608



**67. 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 United States dollar, Hong Kong dollar and EUR 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.

	<b>Increase/ (decrease) in foreign currency rate %</b>	<b>Increase/ (decrease) in profit before tax RMB'000</b>
<b>2016</b>		
If RMB weakens against the United States dollar	5	(588,208)
If RMB strengthens against the United States dollar	(5)	588,208
If RMB weakens against the Hong Kong dollar	5	(31,340)
If RMB strengthens against the Hong Kong dollar	(5)	31,340
If RMB weakens against the EUR	5	(123,417)
If RMB strengthens against the EUR	(5)	123,417
<b>2015</b>		
If RMB weakens against the United States dollar	5	(1,100,335)
If RMB strengthens against the United States dollar	(5)	1,100,335
If RMB weakens against the Hong Kong dollar	5	(164,065)
If RMB strengthens against the Hong Kong dollar	(5)	164,065
If RMB weakens against the EUR	5	(447,816)
If RMB strengthens against the EUR	(5)	447,816

**67. 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 and term deposits, 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 62 to the financial statements.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and notes receivables and insurance and reinsurance debtors are disclosed in notes 37 and 30 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 loans from related companies. 32% (2015: 40%) of the Group's debts would mature in less than one year as at 31 December 2016 based on the carrying value of borrowings reflected in the financial statements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

**2016**

	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	—	43,874,088	84,008,111	10,561,779	138,443,978
Convertible bonds	—	—	339,447	—	339,447
Trade and notes payables	3,506,440	6,063,499	—	—	9,569,939
Due to related companies and the holding company	4,028,819	—	—	—	4,028,819
Financial liabilities included in accrued liabilities and other payables	10,760,097	2,526,635	—	—	13,286,732
Other long term payables	—	—	3,272,219	—	3,272,219
Finance lease payables	—	53,072	208,884	—	261,956
Derivative financial instrument	—	678,216	577,348	964,920	2,220,484
Financial liabilities for unit-linked contracts	83,109	154,350	3,235,057	275,730	3,748,246
Investment contract liabilities	96,916	1,285,155	55,094,351	276,073	56,752,495
Insurance and reinsurance creditors	2,741,383	412,509	131,144	—	3,285,036
	21,216,764	55,047,524	146,886,561	12,078,502	235,209,351

**67. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (Continued)**Liquidity risk** (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows: (Continued)

**2015**

	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	—	48,788,443	62,931,679	9,031,010	120,751,132
Convertible bonds	—	—	322,577	—	322,577
Loans from related companies	—	193,000	—	—	193,000
Trade and notes payables	1,546,945	8,889,288	—	—	10,436,233
Due to related companies and the holding company	3,923,793	—	—	—	3,923,793
Financial liabilities included in accrued liabilities and other payables	9,369,393	3,483,486	—	—	12,852,879
Other long term payables	—	—	3,405,098	—	3,405,098
Finance lease payables	—	51,012	130,879	—	181,891
Derivative financial instruments	—	204,015	—	—	204,015
Financial liabilities for unit-linked contracts	94,614	156,963	3,705,317	109,022	4,065,916
Investment contract liabilities	1,342,642	3,597,869	31,006,133	17,198,566	53,145,210
Insurance and reinsurance creditors	1,782,814	1,957,561	117,333	—	3,857,708
	18,060,201	67,321,637	101,619,016	26,338,598	213,339,452

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 62.

**67. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (Continued)**Price risk**

Price risk is the risk that the fair values of equity and debt securities decrease or increase as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to price risk arising from individual investments classified as equity investments at fair value through profit or loss (note 36) and available-for-sale investments measured at fair value (note 23) as at 31 December 2016. The Group's listed investments that are listed on stock exchanges in Hong Kong, Shenzhen, Shanghai, NASDAQ, Athens, Tokyo, Singapore, other countries in Europe, Oceania, Latin America, North America, South America, Africa and Asia are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to a reasonably possible 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. No account is given for factors such as impairment which might impact the statement of profit or loss, and no account is given for impact on other life insurance contract liabilities (profit sharing provision).

	Carrying amount of investments RMB'000	Increase/ (decrease) in equity or debt prices %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000*
<b>2016</b>				
<b>Investments listed in:</b>				
Hong Kong				
– Available-for-sale	7,800,441	5 (5)	— —	390,022 (390,022)
– Held-for-trading	5,437,441	5 (5)	271,872 (271,872)	— —
Shenzhen				
– Available-for-sale	12,335,412	5 (5)	— —	616,771 (616,771)
Shanghai				
– Available-for-sale	2,878,552	5 (5)	— —	143,928 (143,928)
– Held-for-trading	13,142	5 (5)	657 (657)	— —
United States				
– Available-for-sale	16,348,115	5 (5)	— —	817,406 (817,406)
– Held-for-trading	107,995	5 (5)	5,400 (5,400)	— —

**67. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (Continued)**Price risk** (Continued)

	Carrying amount of investments RMB'000	Increase/ (decrease) in equity or debt prices %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000*
<b>2016 (continued)</b>				
<b>Investments listed in: (continued)</b>				
Europe				
– Available-for-sale	59,874,197	5 (5)	— —	2,993,710 (2,993,710)
– Held-for-trading	1,104,495	5 (5)	55,225 (55,225)	— —
Japan				
– Available-for-sale	194,900	5 (5)	— —	9,745 (9,745)
Singapore				
– Available-for-sale	1,174,088	5 (5)	— —	58,704 (58,704)
Africa				
– Available-for-sale	17,167	5 (5)	— —	858 (858)
Oceania				
– Available-for-sale	84,925	5 (5)	— —	4,246 (4,246)
– Held-for-trading	722	5 (5)	36 (36)	— —
Latin America				
– Available-for-sale	37,391	5 (5)	— —	1,870 (1,870)
North America				
– Available-for-sale	84,172	5 (5)	— —	4,209 (4,209)
– Held-for-trading	64	5 (5)	3 (3)	— —
Asia				
– Available-for-sale	148,093	5 (5)	— —	7,405 (7,405)
– Held-for-trading	42,726	5 (5)	2,136 (2,136)	— —

\* Excluding retained profits

**67. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (Continued)**Price risk** (Continued)

	Carrying amount of investments RMB'000	Increase/ (decrease) in equity or debt prices %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000*
2015 (Restated)				
Investments listed in:				
Hong Kong				
– Available-for-sale	8,872,551	5 (5)	— —	443,628 (443,628)
– Held-for-trading	5,983,108	5 (5)	299,155 (299,155)	— —
Shenzhen				
– Available-for-sale	1,259,652	5 (5)	— —	62,983 (62,983)
Shanghai				
– Available-for-sale	1,352,178	5 (5)	— —	67,609 (67,609)
United States				
– Available-for-sale	43,644,787	5 (5)	— —	2,182,239 (2,182,239)
– Held-for-trading	2,876,640	5 (5)	143,832 (143,832)	— —
Europe				
– Available-for-sale	43,256,005	5 (5)	— —	2,162,800 (2,162,800)
– Held-for-trading	828,351	5 (5)	41,418 (41,418)	— —
Japan				
– Available-for-sale	185,639	5 (5)	— —	9,282 (9,282)
Singapore				
– Available-for-sale	1,427,336	5 (5)	— —	71,367 (71,367)
– Held-for-trading	60,134	5 (5)	3,007 (3,007)	— —

**67. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** *(Continued)***Price risk** *(Continued)*

	Carrying amount of investments RMB'000	Increase/ (decrease) in equity or debt prices %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000*
2015 (Restated)				
Investments listed in: <i>(continued)</i>				
Africa				
– Available-for-sale	57,074	5 (5)	— —	2,854 (2,854)
Oceania				
– Available-for-sale	184,616	5 (5)	— —	9,231 (9,231)
Latin America				
– Available-for-sale	111,968	5 (5)	— —	5,598 (5,598)
North America				
– Available-for-sale	1,090,257	5 (5)	— —	54,513 (54,513)
South America				
– Available-for-sale	212,565	5 (5)	— —	10,628 (10,628)
Asia				
– Available-for-sale	334,753	5 (5)	— —	16,738 (16,738)

\* Excluding retained profits

**67. 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 2016 and 31 December 2015.

The Group monitors capital using a total debt to total capitalisation ratio, which is total debt divided by total equity plus total debt. Total debt includes interest-bearing bank and other borrowings, the liability component of convertible bonds and loans from related companies. Total equity includes equity attributable to owners of the parent and non-controlling interests. The total debt to total capitalisation ratios as at the end of the reporting periods were as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Interest-bearing bank and other borrowings	125,969,041	114,647,979
Loans from related companies	—	193,000
Convertible bonds, the liability component	307,730	268,983
Total debt	126,276,771	115,109,962
Total equity	122,873,828	99,553,135
Total equity and total debt	249,150,599	214,663,097
Total debt to total capitalisation ratio	51%	54%

**68. EVENTS AFTER THE REPORTING PERIOD**

- (1) In February 2017, Chiado (Luxembourg) S.à r.l ("Chiado", an indirect wholly-owned subsidiary of the Company) completed increasing its shares in Banco Comercial Português, S.A. ("BCP"), an associate of the Group, at a consideration of EUR374 million. Thereafter, Chiado held a 23.92% equity interest in BCP.
- (2) On 14 March 2017, Fosun Pharma issued five-year domestic corporate bonds with a par value of RMB1.25 billion and a coupon rate of 4.50% per annum.
- (3) On 23 March 2017, Fortune Star (BVI) Limited, an indirect subsidiary of the company, issued five-year senior notes with a par value of USD800 million and an interest rate of 5.25% per annum.

**69. COMPARATIVE AMOUNTS**

Certain comparative amounts have been reclassified to conform with the current year's presentation and as stated in note 2.4 to the consolidated financial statements, the comparative amounts have been restated to reflect the prior year adjustments.

In addition, as stated in note 5 to the consolidated financial statements, the comparative segment information has been restated to reflect the change of the reporting segments of the Group.



## 70. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 RMB'000	2015 RMB'000
<b>NON-CURRENT ASSETS</b>		
Investments in subsidiaries	27,446,986	24,173,606
Investment in an associate	—	82,421
Available-for-sale investment	842,901	418,544
Total non-current assets	28,289,887	24,674,571
<b>CURRENT ASSETS</b>		
Cash and bank	944,830	3,937,013
Investments at fair value through profit or loss	5,408,929	4,590,232
Prepayments, deposits and other receivables	9,417	84,566
Due from subsidiaries	34,789,472	34,363,854
Due from related companies	13,259	3,249
Total current assets	41,165,907	42,978,914
<b>CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	5,405,116	7,675,203
Accrued liabilities and other payables	168,730	76,887
Due to the holding company	381,646	979,101
Due to subsidiaries	13,976,082	13,796,419
Total current liabilities	19,931,574	22,527,610
<b>NET CURRENT ASSETS</b>	21,234,333	20,451,304
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	49,524,220	45,125,875
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	8,963,140	8,452,079
Deferred tax liabilities	62,238	7,748
Total non-current liabilities	9,025,378	8,459,827
Net assets	40,498,842	36,666,048
<b>EQUITY</b>		
Share capital	36,157,089	36,046,143
Equity component of convertible bonds (note)	68,674	68,674
Other reserves (note)	4,273,079	551,231
Total equity	40,498,842	36,666,048

Guo Guangchang  
Director

Wang Can  
Director

**70. STATEMENT OF FINANCIAL POSITION OF THE COMPANY** *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Available- for-sale investment revaluation reserve RMB'000	Convertible bonds RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2015	—	(2,753,980)	—	721,171	4,712,812	2,680,003
Final dividend declared	—	—	—	—	(1,035,103)	(1,035,103)
Conversion of convertible bonds to ordinary shares	—	—	—	(652,497)	—	(652,497)
Equity-settled share-based payments	21,831	—	—	—	—	21,831
Total comprehensive income/(loss) for the year	—	1,825,042	(208,449)	—	(2,010,922)	(394,329)
At 31 December 2015 and 1 January 2016	21,831	(928,938)	(208,449)	68,674	1,666,787	619,905
Final dividend declared	—	—	—	—	(1,226,568)	(1,226,568)
Repurchase of shares	—	—	—	—	(232,718)	(232,718)
Equity-settled share-based payments	(27,531)	—	—	—	—	(27,531)
Total comprehensive income for the year	—	2,507,155	261,196	—	2,440,314	5,208,665
At 31 December 2016	(5,700)	1,578,217	52,747	68,674	2,647,815	4,341,753

**71. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 28 March 2017.

# INDEPENDENT AUDITORS' REPORT



Ernst & Young  
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Central, Hong Kong

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**To the members 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 set out on pages 102 to 247, which comprise the consolidated statement of financial position as at 31 December 2015, 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 405 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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

**Ernst & Young**  
*Certified Public Accountants*

Hong Kong  
30 March 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
<b>REVENUE</b>	6	<b>78,796,889</b>	61,738,449
Cost of sales		(61,135,274)	(47,122,683)
Gross profit		<b>17,661,615</b>	14,615,766
Other income and gains	6	<b>25,864,006</b>	13,789,378
Selling and distribution expenses		(5,187,210)	(3,271,268)
Administrative expenses		(11,260,050)	(8,078,137)
Other expenses		(9,312,810)	(3,264,172)
Finance costs	7	(4,724,031)	(3,884,565)
Share of profits and losses of:			
Joint ventures		<b>1,066,950</b>	1,127,179
Associates		<b>2,074,079</b>	1,671,110
<b>PROFIT BEFORE TAX</b>	8	<b>16,182,549</b>	12,705,291
Tax	10	(5,229,122)	(3,119,231)
<b>PROFIT FOR THE YEAR</b>		<b>10,953,427</b>	9,586,060
Attributable to:			
Owners of the parent		<b>8,038,282</b>	6,853,944
Non-controlling interests		<b>2,915,145</b>	2,732,116
		<b>10,953,427</b>	9,586,060
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
<b>Basic</b>			
– For profit for the year (RMB)	12	<b>1.06</b>	1.02
<b>Diluted</b>			
– For profit for the year (RMB)	12	<b>1.05</b>	0.99

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
<b>PROFIT FOR THE YEAR</b>		<b>10,953,427</b>	9,586,060
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent years:</i>			
Available-for-sale investments:			
Changes in fair value		3,005,509	2,235,085
Reclassification adjustments for gains included in the consolidated statement of profit or loss			
- gain on disposal		(4,868,248)	(1,883,168)
- impairment loss		(99,412)	—
Income tax effect	27	754,531	10,592
		(1,207,620)	362,509
Change in other life insurance contract liabilities due to potential gains on financial assets		472,029	292,530
Income tax effect		44,087	12,091
		516,116	304,621
Share of other comprehensive (loss)/income of associates		(164,525)	158,954
Exchange differences on translation of foreign operations		(118,603)	(1,107,465)
<b>Net other comprehensive loss to be reclassified to profit or loss in subsequent years</b>		<b>(974,632)</b>	(281,381)
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent years</b>		<b>—</b>	—
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>		<b>(974,632)</b>	(281,381)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>9,978,795</b>	9,304,679
Attributable to:			
Owners of the parent		7,618,960	6,806,853
Non-controlling interests		2,359,835	2,497,826
		9,978,795	9,304,679

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	17,176,435	36,037,896
Investment properties	14	40,898,689	16,883,890
Prepaid land lease payments	15	2,143,888	2,921,393
Exploration and evaluation assets	16	197,500	156,846
Mining rights	17	564,507	784,882
Oil and gas assets	18	970,236	1,512,206
Intangible assets	19	9,189,950	2,226,693
Goodwill	20	10,713,380	6,842,031
Investments in joint ventures	21	11,809,125	7,589,150
Investments in associates	22	31,209,652	26,976,404
Available-for-sale investments	23	97,134,211	60,849,499
Properties under development	24	17,035,471	13,671,828
Loans receivable	25	553,789	1,296,977
Prepayments, deposits and other receivables	26	3,854,693	3,862,611
Deferred tax assets	27	5,002,561	4,372,070
Inventories	28	323,708	87,722
Policyholder account assets in respect of unit-linked contracts	29	3,594,381	3,769,975
Insurance and reinsurance debtors	30	128,787	68,099
Reinsurers' share of insurance contract provisions	31	9,620,463	481,360
Term deposits	32	465,135	147,815
Total non-current assets		262,586,561	190,539,347
<b>CURRENT ASSETS</b>			
Cash and bank	32	46,601,795	40,190,807
Investments at fair value through profit or loss	33	10,716,167	14,867,194
Derivative financial instruments		15,921	—
Trade and notes receivables	34	4,368,550	6,371,003
Prepayments, deposits and other receivables	26	10,338,976	7,619,585
Inventories	28	2,347,989	6,252,883
Completed properties for sale		10,898,015	7,626,912
Properties under development	24	18,846,968	23,429,966
Loans receivable	25	1,735,066	843,086
Due from related companies	35	3,707,641	5,249,357
Available-for-sale investments	23	20,998,463	16,388,314
Policyholder account assets in respect of unit-linked contracts	29	471,535	1,535,931
Insurance and reinsurance debtors	30	8,146,186	2,063,919
Reinsurers' share of insurance contract provisions	31	3,452,133	624,909
		142,645,405	133,063,866
Non-current assets/assets of a disposal group classified as held for sale	36	103,245	1,229,570
Total current assets		142,748,650	134,293,436

	Notes	2015 RMB'000	2014 RMB'000
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	37	48,788,443	46,389,197
Loans from related companies	39	193,000	193,000
Trade and notes payables	40	10,436,233	19,590,569
Accrued liabilities and other payables	41	24,220,044	23,289,484
Tax payable		3,787,469	3,210,555
Finance lease payables	42	46,161	119,110
Deposits from customers	43	1,300,688	1,696,120
Due to the holding company	35	979,101	673,617
Due to related companies	35	2,944,692	3,118,393
Derivative financial instruments		204,015	65,670
Unearned premium provisions	44	12,881,979	2,860,227
Provision for outstanding claims	45	14,461,347	6,534,777
Provision for unexpired risks		432,410	438,465
Financial liabilities for unit-linked contracts	46	251,577	1,104,752
Investment contract liabilities	46	4,940,511	8,929,945
Other life insurance contract liabilities	47	1,359,147	1,561,511
Insurance and reinsurance creditors	48	3,740,375	1,453,267
		130,967,192	121,228,659
Liabilities directly associated with the assets classified as held for sale	36	—	589,118
Total current liabilities		130,967,192	121,817,777
<b>NET CURRENT ASSETS</b>		11,781,458	12,475,659
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		274,368,019	203,015,006
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	37	65,859,536	46,766,499
Convertible bonds	38	268,983	2,485,546
Finance lease payables	42	120,334	148,117
Deferred income	49	1,019,108	311,683
Other long term payables	50	4,086,385	3,944,791
Deferred tax liabilities	27	8,800,411	6,577,690
Provision for outstanding claims	45	32,548,001	7,622,616
Financial liabilities for unit-linked contracts	46	3,814,339	4,201,132
Investment contract liabilities	46	48,204,699	43,042,687
Other life insurance contract liabilities	47	11,374,815	12,229,753
Insurance and reinsurance creditors	48	117,333	—
Total non-current liabilities		176,213,944	127,330,514
Net assets		98,154,075	75,684,492



CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	2.2	36,046,143	16,281,011
Equity component of convertible bonds		68,674	721,171
Other reserves	2.2	39,137,692	32,406,241
		75,252,509	49,408,423
<b>Non-controlling interests</b>		22,901,566	26,276,069
<b>Total equity</b>		98,154,075	75,684,492

**Guo Guangchang**  
Director

**Ding Guoqi**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the parent										Non-controlling interests	Total equity
	Issued capital	Other deficits	Statutory surplus reserve	Available-for-sale investment revaluation reserve	Capital redemption reserve	Other reserve	Convertible bonds	Retained earnings	Exchange fluctuation reserve	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 51)	(note 52(a))	(note 52(b))									
At 1 January 2015	16,281,011	(443,540)	3,229,375	1,259,885	—	1,171,059	721,171	28,614,104	(1,424,642)	49,408,423	26,276,069	75,684,492
Profit for the year	—	—	—	—	—	—	—	8,038,282	—	8,038,282	2,915,145	10,953,427
Other comprehensive income for the year:												
Changes in fair value of available-for-sale investments, net of tax	—	—	—	2,177,304	—	—	—	—	—	2,177,304	548,565	2,725,869
Reclassification adjustments for gains included in the consolidated statement of profit or loss												
– gain on disposal, net of tax	—	—	—	(2,883,113)	—	—	—	—	—	(2,883,113)	(980,769)	(3,863,882)
– impairment loss, net of tax	—	—	—	(59,166)	—	—	—	—	—	(59,166)	(10,441)	(69,607)
Share of other comprehensive loss of associates	—	—	—	(59,485)	—	—	—	—	(3,894)	(63,379)	(101,146)	(164,525)
Change in other life insurance contract liabilities due to potential gains on financial assets, net of tax	—	—	—	—	—	436,495	—	—	—	436,495	79,621	516,116
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	(27,463)	(27,463)	(91,140)	(118,603)
Total comprehensive (loss)/income for the year	—	—	—	(824,460)	—	436,495	—	8,038,282	(31,357)	7,618,960	2,339,835	9,978,795
Acquisition of subsidiaries (note 54(a))	—	—	—	—	—	—	—	—	—	—	318,627	318,627
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	1,244,076	1,244,076
Rights issue of new shares	9,537,094	—	—	—	—	—	—	—	—	9,537,094	—	9,537,094
Placing of new shares	7,288,395	—	—	—	—	—	—	—	—	7,288,395	—	7,288,395
Share issue expenses	(20,061)	—	—	—	—	—	—	—	—	(20,061)	—	(20,061)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(743,052)	(743,052)
Final 2014 dividend declared	—	—	—	—	—	—	—	(1,035,103)	—	(1,035,103)	—	(1,035,103)
Transfer from retained profits	—	—	1,412,012	—	—	—	—	(1,412,012)	—	—	—	—
Share of other reserve of associates	—	—	—	—	—	12,395	—	—	—	12,395	(33,338)	(20,943)
Disposal of subsidiaries (note 54(b))	—	—	—	—	—	—	—	—	—	—	(5,620,224)	(5,620,224)
Deemed disposal of partial interests in subsidiaries without losing control	—	—	—	—	—	86,318	—	—	—	86,318	(86,318)	—
Fair value adjustment on the stock redemption option granted to non-controlling shareholders of a subsidiary	—	—	—	—	—	(971)	—	—	—	(971)	(3,435)	(4,406)
Equity-settled share-based payments (note 55)	—	—	—	—	—	25,676	—	—	—	25,676	5,809	31,485
Deemed acquisition of additional interests in a subsidiary	—	—	—	—	—	(7,364)	—	—	—	(7,364)	7,364	—
Acquisition of additional interests in subsidiaries	—	—	—	—	—	(144,896)	—	176,436	—	31,540	(823,847)	(792,307)
Conversion of convertible bonds to ordinary shares (note 38)	2,959,704	—	—	—	—	—	(652,497)	—	—	2,307,207	—	2,307,207
At 31 December 2015	36,046,143	(443,540)*	4,641,387*	435,425*	—	1,578,712*	68,674	34,381,707*	(1,455,999)*	75,252,509	22,901,566	98,154,075

\* These reserve accounts comprise the consolidated other reserves of RMB39,137,692,000 (2014: RMB32,406,241,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
Year ended 31 December 2015

	Attributable to owners of the parent												Total equity RMB'000
	Issued capital RMB'000 (note 51)	Share premium RMB'000	Other deficits RMB'000 (note 52(a))	Statutory surplus reserve RMB'000 (note 52(b))	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	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2014	621,497	11,793,716	(443,540)	3,079,315	713,716	1,465	1,001,959	721,171	22,726,619	(587,685)	39,628,233	21,671,596	61,299,829
Profit for the year	—	—	—	—	—	—	—	—	6,853,944	—	6,853,944	2,732,116	9,586,060
Other comprehensive income for the year:													
Changes in fair value of available-for-sale investments, net of tax	—	—	—	—	1,237,640	—	—	—	—	—	1,237,640	461,800	1,699,440
Reclassification adjustments for gains included in the consolidated statement of profit or loss													
– gain on disposal, net of tax	—	—	—	—	(850,770)	—	—	—	—	—	(850,770)	(486,161)	(1,336,931)
Share of other comprehensive income/(loss) of associates	—	—	—	—	159,299	—	—	—	—	4,996	164,295	(5,341)	158,954
Change in other life insurance contract liabilities due to potential gains on financial assets, net of tax	—	—	—	—	—	—	243,697	—	—	—	243,697	60,924	304,621
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	—	(841,953)	(841,953)	(265,512)	(1,107,465)
Total comprehensive income/(loss) for the year	—	—	—	—	546,169	—	243,697	—	6,853,944	(836,957)	6,806,853	2,497,826	9,304,679
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	2,529,920	2,529,920
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	4,368,698	4,368,698
Rights issue of new shares	3,886,511	—	—	—	—	—	—	—	—	—	3,886,511	—	3,886,511
Share issue expenses	(14,175)	—	—	—	—	—	—	—	—	—	(14,175)	—	(14,175)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(1,223,348)	(1,223,348)
Final 2013 dividend declared	—	—	—	—	—	—	—	—	(816,399)	—	(816,399)	—	(816,399)
Transfer from retained profits	—	—	—	150,060	—	—	—	—	(150,060)	—	—	—	—
Share of other reserve of associates	—	—	—	—	—	—	(142,646)	—	—	—	(142,646)	(203,071)	(345,717)
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(311,038)	(311,038)
Deemed disposal of partial interests in subsidiaries without losing control	—	—	—	—	—	—	1,114,729	—	—	—	1,114,729	(1,114,729)	—
Fair value adjustment on the loan from a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	(738)	—	—	—	(738)	738	—
Fair value adjustment on the stock redemption option granted to non-controlling shareholders of a subsidiary	—	—	—	—	—	—	(2,859)	—	—	—	(2,859)	(14,698)	(17,557)
Equity-settled share-based payments	—	(8,003)	—	—	—	—	21,308	—	—	—	13,305	25,055	38,360
Deemed acquisition of additional interests in subsidiaries	—	—	—	—	—	—	(10,877)	—	—	—	(10,877)	10,877	—
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	(1,053,514)	—	—	—	(1,053,514)	(1,961,757)	(3,015,271)
Transition to no-par value regime	11,787,178	(11,785,713)	—	—	—	(1,465)	—	—	—	—	—	—	—
At 31 December 2014	16,281,011	—	(443,540)	3,229,375	1,259,885	—	1,171,059	721,171	28,614,104*	(1,424,642)	49,408,423	26,276,069	75,684,492

\* Retained earnings have been adjusted for the proposed final 2014 dividend in accordance with the current year's presentation, which is described in note 2.4 to the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		16,182,549	12,705,291
Adjustments for:			
Depreciation of items of property, plant and equipment	8	2,746,177	2,088,031
Amortisation of prepaid land lease payments	8	76,107	46,296
Amortisation of intangible assets	8	414,535	131,814
Amortisation of mining rights	8	26,945	43,298
Amortisation of oil and gas assets	8	483,401	—
Exploration expensed and written off		86,411	—
Provision for impairment of goodwill	8	—	202,500
Provision for impairment of items of property, plant and equipment	8	125,975	5,853
Provision for impairment of intangible assets	8	—	83,995
Provision for impairment of oil and gas assets	8	338,224	158,340
Provision for impairment of mining rights	8	101,523	—
Provision for impairment of available-for-sale investments	8	1,823,695	99,783
Provision for impairment of investments in associates	8	49,153	38,134
Provision for impairment of receivables	8	142,892	241,811
Reversal for impairment of insurance and reinsurance debtors	8	(204,104)	—
Provision for inventories	8	381,595	92,292
Provision for impairment of completed properties for sale	8	401,926	—
Provision for impairment of properties under development	8	377,631	—
(Gain)/loss on disposal of subsidiaries	6/8	(7,180,957)	15,873
Gain on bargain purchase	6	(847,409)	(61,148)
Gain on disposal of available-for-sale investments	6	(6,671,444)	(3,597,875)
Gain on disposal of investments at fair value through profit or loss	6	(434,394)	(209,183)
Gain on disposal of associates	6	(361,587)	(59,081)
Loss on disposal of joint ventures	8	73,946	—
Gain on disposal of partial investments in associates	6	(2,534,538)	(243,302)
Gain on deemed disposal of partial investments in associates	6	—	(728,288)
Gain on disposal of items of property, plant and equipment	6	(1,714)	(13,984)
Gain on disposal of non-current assets held for sale	6	(130,600)	(51,253)
Loss/(gain) on fair value adjustment on investments at fair value through profit or loss	8/6	1,912,096	(2,924,322)
Gain on fair value gains on investment properties	6	(1,838,511)	(916,662)
Interest expenses		4,492,741	3,667,360
Interest income	6	(912,697)	(606,402)
Dividends and interests from investments at fair value through profit or loss	6	(467,971)	(323,900)
Dividends and interests from available-for-sale investments	6	(2,683,723)	(1,858,347)
Share of profits and losses of associates		(2,074,079)	(1,671,110)
Share of profits and losses of joint ventures		(1,066,950)	(1,127,179)
Subtotal carried forward		2,826,844	5,228,635

CONSOLIDATED STATEMENT OF CASH FLOWS  
Year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b> <i>(continued)</i>		
Subtotal brought forward	2,826,844	5,228,635
<b>CASH INFLOW BEFORE WORKING CAPITAL CHANGES</b>	2,826,844	5,228,635
Increase in properties under development	(11,392,141)	(14,437,602)
Decrease in completed properties held for sale	12,533,841	8,852,251
Increase in trade and notes receivables	(1,133,356)	(1,112,574)
Increase in prepayments, deposits and other receivables	(3,051,248)	(1,106,129)
Decrease in inventories	895,080	61,739
Increase in insurance and reinsurance debtors	(1,553,931)	(400,136)
(Increase)/decrease in reinsurers' share of insurance contract provisions	(948,323)	593,063
Decrease/(increase) in amounts due from related companies	1,485,096	(1,965,903)
(Decrease)/increase in trade and notes payables	(332,511)	4,743,676
Decrease in accrued liabilities and other payables	(2,799,643)	(2,043,360)
Increase in deferred income	561,934	77,819
Increase in other long term payables	237,275	1,209,805
Decrease in amounts due to the holding company	(313,490)	(1,131,826)
(Decrease)/increase in amounts due to related companies	(835,757)	581,149
(Decrease)/increase in deposit from customers	(395,432)	59,381
(Increase)/decrease in restricted presale proceeds from properties	(367,010)	8,010
Decrease/(increase) in required reserve deposits	188,383	(53,374)
Increase in unearned premium provisions	282,159	193,137
Increase in provision for outstanding claims	949,793	187,178
Increase/(decrease) in insurance and reinsurance creditors	533,398	(449)
(Decrease)/increase in provision for unexpired risks	(6,055)	85,813
Increase/(decrease) in other life insurance contract liabilities	93,823	(84,727)
Increase in investment contract liabilities	3,588,333	6,490,818
<b>CASH GENERATED FROM OPERATIONS</b>	1,047,062	6,036,394
Tax paid	(4,467,307)	(1,960,024)
<b>NET CASH FLOWS (USED IN) GENERATED FROM OPERATING ACTIVITIES</b>	(3,420,245)	4,076,370

	Notes	2015 RMB'000	2014 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of items of property, plant and equipment		(2,965,343)	(4,645,610)
Increase of prepaid land lease payments		(412,939)	(83,454)
Increase of investment properties		(4,034,045)	(245,991)
Purchase of intangible assets		(518,358)	(134,036)
Purchase of mining rights		—	(33,544)
Purchase of exploration and evaluation assets		(135,325)	(22,272)
Purchase of oil and gas assets		(342,417)	—
Purchase of available-for-sale investments		(41,570,491)	(22,945,480)
Purchase of investments at fair value through profit or loss		(5,709,420)	(3,489,535)
Proceeds from disposal of investments at fair value through profit or loss		6,171,394	5,349,477
Proceeds from disposal of available-for-sale investments		39,726,532	30,181,968
Proceeds from disposal of items of property, plant and equipment		183,137	214,232
Proceeds from disposal of prepaid land lease payments		108,254	—
Proceeds from disposal of intangible assets		175,182	28,518
Proceeds from disposal of subsidiaries	54(b)	6,114,148	(1,717,729)
Proceeds from disposal of associates and disposal of partial interests in associates		5,625,147	550,038
Proceeds from disposal of joint ventures		11,272	—
Proceeds from disposal of non-current assets held for sale		338,495	—
Acquisition of subsidiaries	54(a)	(24,984,835)	(17,165,586)
Acquisition of associates		(7,115,114)	(4,219,889)
Acquisition of joint ventures		(918,579)	(251,772)
Dividends and interests received from available-for-sale investments		2,779,969	1,858,347
Dividends and interests received from investments at fair value through profit or loss		461,568	285,776
Dividends received from associates		863,159	573,757
Dividends received from joint ventures		—	10,000
Shareholder loans repaid		2,686,208	1,153,856
Decrease in pledged bank balances and time deposits with original maturity of more than three months		2,525,353	1,113,224
Decrease in restricted cash in escrow account for an investment		—	425,961
Prepayments for proposed acquisitions of long term asset		(1,751,643)	(2,743,264)
Collection of the prepayment for proposed acquisition of investments or other long term assets		1,331,370	—
Proceeds received from consideration adjustments of a subsidiary acquisition		—	67,785
Interest received		844,599	508,424
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(20,512,722)</b>	<b>(15,376,799)</b>

CONSOLIDATED STATEMENT OF CASH FLOWS  
Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital element of finance lease rental payments		(100,732)	(70,076)
Capital contribution from non-controlling shareholders of subsidiaries		955,076	4,368,698
New bank and other borrowings		97,744,310	69,412,404
Repayment of bank and other borrowings		(70,984,816)	(42,389,766)
Dividends paid to non-controlling shareholders of subsidiaries		(743,052)	(1,223,348)
Acquisition of additional interests in subsidiaries		(883,201)	(2,601,632)
Dividends paid to shareholders		(501,667)	(2,155,820)
Rights issue of new shares (net of share issue expenses)		9,537,094	3,872,336
Placing of shares		7,268,334	—
Interest paid		(5,828,772)	(4,523,085)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>36,462,574</b>	<b>24,689,711</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>12,529,607</b>	<b>13,389,282</b>
Cash and cash equivalents at beginning of year		25,890,353	12,501,071
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>38,419,960</b>	<b>25,890,353</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:</b>			
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	32	<b>38,419,960</b>	<b>25,667,140</b>
Cash and bank attributable to assets of a disposal group classified as held for sale		—	223,213
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS</b>		<b>38,419,960</b>	<b>25,890,353</b>

# NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2015

## 1. CORPORATE AND GROUP 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 businesses of the Company and its subsidiaries (collectively referred to as the "Group") include integrated finance (wealth) and industrial operations. The integrated finance (wealth) business includes the four major segments: insurance, investment, wealth management and internet finance while the industrial operations include five key segments: health, happiness, steel, property development and sales, and resources.

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 ultimate controlling shareholder is Mr. Guo Guangchang.

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 investments which have been measured at fair value. Non-current assets/assets of a disposal group classified as 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 2015. 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 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.



## 2.1 BASIS OF PRESENTATION *(Continued)*

### **Basis of consolidation** *(Continued)*

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 revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19

*Defined Benefit Plans: Employee Contributions*

*Annual Improvements to HKFRSs 2010-2012 Cycle*

*Annual Improvements to HKFRSs 2011-2013 Cycle*

The nature and the impact of each amendment is described below:

- (a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no significant impact on the Group.
- (b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:
  - HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.
  - HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.
  - HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(c) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- **HKFRS 3 *Business Combinations*:** Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.
- **HKFRS 13 *Fair Value Measurement*:** Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.
- **HKAS 40 *Investment Property*:** Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group, as the Group continued to use HKFRS 3 to determine if the transaction is a business combination or a purchase of an asset.

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) came into effect for the first time during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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	<i>Financial Instruments</i> <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> <sup>1</sup>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <sup>1</sup>
HKFRS 14	<i>Regulatory Deferral Accounts</i> <sup>3</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>2</sup>
Amendments to HKAS 1	<i>Disclosure Initiative</i> <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> <sup>1</sup>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> <sup>1</sup>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

<sup>4</sup> No mandatory effective date yet determined but is available for adoption

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group is currently assessing the impact of the amendments and the adoption date has not been determined.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any significant impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- (i) the materiality requirements in HKAS 1;
- (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **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. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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 assets 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.

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)*

### Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. (Include the definition of joint control if not defined elsewhere in other accounting policy notes) 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 recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

### 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 of 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 is measured at fair value with changes in fair value recognised in profit or loss. 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Business combinations and goodwill** *(Continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill 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 operation disposed of and the portion of the cash-generating unit retained.

### **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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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 for sale, financial assets, deferred tax assets, investment properties 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.

### 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);
- (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); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. 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 50 years
Plant and machinery	4 to 16 years
Office equipment	2 to 15 years
Motor vehicles	4 to 12 years
Leasehold improvements	The shorter of the lease terms and their useful lives
Freehold land	Not depreciated

Depreciation of mining infrastructure included in property, plant and equipment is calculated using the units of production basis to write off the cost of the asset proportionately to the extraction of the proven and probable mineral reserves.

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.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated 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 properties 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 properties 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 consolidated 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.

### 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 25 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Intangible assets (other than goodwill)** *(Continued)*

#### **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.

#### **Customer relationship**

Customer relationship is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of not exceeding 22 years.

### **Exploration and evaluation assets**

#### **For mining rights**

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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Exploration and evaluation assets *(Continued)*

#### For oil and gas assets

Exploration and evaluation expenditure in respect of each area of interest is accounted for using the successful efforts method of accounting. An area of interest refers to an individual geological area which is considered to constitute a favourable environment for the presence of an oil or gas field, usually represented by an individual oil or gas field.

The successful efforts method requires all exploration and evaluation expenditure in relation to an area of interest to be expensed in the period it is incurred, except the costs of successful wells, the costs of acquiring interests in new exploration assets and pre-development costs where the rights to the tenure of the area of interest are current and the expenditure either:

- is expected to be recovered through sale or successful development and exploitation of the area of interest; or
- relates to an exploration discovery for which at balance date a reasonable assessment of the existence or otherwise of economically recoverable reserves is not yet completed, or additional appraisal work is underway or planned.

Pending assessment of the results of a well, the costs are initially capitalised then expensed or remain capitalised, depending on a review of the results in accordance with successful efforts accounting criteria. When an oil or gas field has been approved for development, the accumulated exploration and evaluation costs are transferred to oil and gas assets.

#### 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.

#### Oil and gas assets

Development expenditure is stated at cost less accumulated depletion and any impairment in value. Where commercial production in an area of interest has commenced, the associated costs together with any forecast future capital expenditure necessary to develop proved and probable reserves are amortised over the estimated economic life of the field, on a unit-of-production basis. Costs are amortised only once production begins. Changes in factors such as estimates of proved and probable reserves that affect unit-of-production calculations do not give rise to prior year financial period adjustments and are dealt with on a prospective basis.

#### 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Leases** *(Continued)*

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 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 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.

### **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 consolidated 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 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Investments and other financial assets** *(Continued)*

#### **Available-for-sale financial investments**

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt 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. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

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 consolidated 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 consolidated 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.

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.

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. 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.

### **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 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.

## 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 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.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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, due to the holding company, 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:

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial liabilities *(Continued)*

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of 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.

#### 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.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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. These 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.

### 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 the 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 form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank 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 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 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 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.

## 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 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.

**(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**

Non-life insurance contract premiums, life insurance and investment contracts with a discretionary profit sharing component are recognised as income when written in "Net premiums written" in the statement of profit or loss.

Premiums written on non-life insurance contracts recognised as income over the corresponding risk periods, through the use of the unearned premiums provision.

**(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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Revenue recognition *(Continued)*

#### (g) Dividend income

Revenue is recognised when the shareholders' right to receive payment has been established.

### Share-based payments

The Company and certain subsidiaries of the Group operate share incentive schemes and a share option scheme for the purpose of providing incentives and rewards to their employees (including directors). Employees (including directors) receive remuneration in the form of share-based payments, whereby employees (including directors) 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 55 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, 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 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.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether 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.

### Employee benefits

The Group provides the post-employment benefits mainly as follows: (i) defined contribution pension schemes for all employees of the companies in Mainland China; (ii) employee benefits to qualified former employees ("Qualified SOE Employees") and qualified retirees ("Qualified Retirees") of former state-owned enterprises in Mainland China; (iii) a pension scheme for all eligible employees of the companies in Hong Kong; (iv) accommodation benefits for all eligible employees of the companies in Mainland China, details of which are set out below; (v) employee benefits to all eligible employees of the subsidiaries in Portugal; and (vi) employee benefits to all eligible employees of the subsidiary in France.

#### (i) Defined contribution pension schemes

The full-time employees of the companies in Mainland China, 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)*

### Employee 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 in Mainland China. 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 their 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 their 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 the State Regulations. These Qualified SOE Employees are not entitled to early retirement benefits upon reaching their 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)*

### Employee benefits *(Continued)*

#### (iii) Pension scheme for all eligible employees of the companies in Hong Kong

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.

#### (iv) Accommodation benefits for all eligible employees of the companies in Mainland China

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 administered by government agency are charged to the consolidated statement of profit or loss as and when they are incurred.

#### (v) Employee benefits to all eligible employees of the subsidiaries in Portugal

As per the collective labour agreement in force at the time for the insurance activity, the companies in Portugal undertook the commitment to make cash payments to complement the retirement pensions paid by the social security services to the employees hired prior to 22 June 1995, the date when the labour agreement became effective. These payments corresponded to a percentage, which grew with the number of years of employment, applied to the table of salaries in force at the date of retirement.

Following the new labour agreement for the insurance activity, signed at 23 December 2011, the previous defined benefit pension plan was replaced, regarding workers actively employed, effective 1 January 2012, with a plan of defined contributions, with the current value of liabilities for services rendered at 31 December 2011 being transferred to the individual account of each participant. This change has not been applied to pensions due to workers who were retired or pre-retired at 31 December 2011, or to employees who did not sign up to the current collective employment agreement.

In addition, the former Império Bonança also committed itself to providing whole life medical assistance benefits to those in retirement or pre-retirement who had switched to that status between June 1998 and July 2005.

Contributions by the companies in Portugal to the defined contribution plan are made in accordance with the rules set forth in the collective labour agreement, and recorded as an expense in the period they are due as a charge to administrative expenses.

#### (vi) Employee benefits to all eligible employees of the subsidiary in France

All eligible employees of the subsidiary in France receive certain short-term benefits, such as vacation pay, "13th month" bonuses, sick leave, health insurance, unemployment insurance in France, etc.

The post-employment benefit plans of the subsidiary in France are based on legal obligations in each host country and on its subsidiaries' compensation policies. Long-term benefit plans include both defined contribution and defined benefit plans.

##### (a) Defined contribution plans

Under defined contribution plans, the subsidiary in France pays contributions to an external fund that is responsible for paying the benefits. The legal or constructive obligation of the subsidiary in France under these plans is limited to the amount that it agrees to contribute to the fund. The main defined contribution plans consist of government-sponsored basic and supplementary pension plans in Europe and defined-contribution pension plans in North America.

Contributions to all of these plans are recognised as an expense for the period in which they are due.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Employee benefits *(Continued)*

#### (vi) Employee benefits to all eligible employees of the subsidiary in France *(Continued)*

##### (b) Defined benefit plans

Under defined benefit plans, the subsidiary in France has an obligation to pay benefits to employees either at the end of their employment or during their retirement. The defined benefit plans of the subsidiary in France are unfunded and are covered by provisions recorded in the financial statements.

The main defined benefit plans of the subsidiary in France concern indemnities payable to employees on retirement (France, Greece and Turkey) or when they leave the subsidiary in France (Italy and Japan).

### 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 cost 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 are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were 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. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

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 currencies of the Company and PRC subsidiaries are Hong Kong dollars ("HKD") and RMB, respectively. The financial statements are presented in RMB. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the 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).

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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currencies *(Continued)*

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.

### Insurance and investment contracts

#### (a) Classification of contracts

Transactions associated with insurance contracts written and reinsurance contracts held by the Group are recognised in accordance with HKFRS 4 "Insurance Contracts". Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Contracts without a significant insurance risk are considered to be investment contracts.

As provided for in HKFRS 4, investment contracts with a discretionary profit sharing component also continue to be classified as insurance contracts, and other investment contracts are accounted for under HKAS 39.

An insurance or investment contract is considered to include profit sharing with a discretionary component when the respective contractual conditions provide for the allocation of additional benefits to the insured, as a complement to the contract's guaranteed component part.

The liabilities related to life insurance contracts and investment contracts with discretionary profit sharing component are recorded in the "Other life insurance contract liabilities" account heading. This provision and the respective cost are recognised simultaneously with the income associated with premiums.

Potential capital gains, net of capital losses, resulting from the revaluation of assets allocated to life insurance contracts with profit sharing and which are expected to be paid to policyholders are recognised in the other life insurance contract liabilities (profit sharing provision).

#### (b) Provision for unearned premiums

The provision for unearned premiums comprises the value of insurance contract premiums written and allocated to following periods, i.e., the part comprising the period between financial statements close and end of the period to which the premium refers. It is calculated, for each contract in force, by the application of the pro rata temporis method on the respective gross premiums written.

Expenditure incurred with the acquisition of non-life insurance contracts, including brokerage commissions and other expenses allocated to the acquisition, is deferred over the course of the period to which it relates and is recognised as a deduction from the amount of the unearned premium reserves on insurance contracts.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Insurance and investment contracts *(Continued)*

#### (c) Claims provision

This provision recognises the estimated amount of indemnities payable on accidents which have already occurred, including claims incurred but not reported (IBNR) and administrative costs on future claims settlements whose management procedure is currently being processed together with IBNR claims. Except for mathematical provisions and whole-life assistance for workman's compensation, the claims provisions set up by the Group are not discounted.

#### (d) Mathematical provision for life insurance

This corresponds to the estimated actuarial value of the insurance company's commitments, including profit sharing payments already distributed and following the deduction of the actuarial value of future premiums, calculated for each policy in accordance with actuarial methods and their respective technical bases.

In the case of life insurance contracts in which the investment risk is borne by the policyholder, this account heading only includes any additional technical provisions which may be set up to cover mortality risks, administrative or other expenditure (e.g., guaranteed payments on maturity or guaranteed redemption values).

#### (e) Profit sharing provision

The profit sharing provision in the other life insurance contract liabilities includes amounts payable to policyholders or contract beneficiaries, in the form of a profit sharing scheme, to be or already attributed, provided that such amounts have not been distributed.

##### *Profit sharing provision to be attributed*

This provision includes the balances originated by the net capital gains attributable to the insured and it also reflects the net amount of the subsequent potential capital gains and losses (fair value adjustments) relating to investments allocated to life insurance contracts with a profit sharing component, for the estimated part of the policy holder or contract beneficiary, as long as the balances by portfolio are not negative.

This provision is set up as a charge to profit sharing to be attributed, in the statement of profit or loss, or as a direct charge to the other comprehensive income resulting from adjustments to the fair value of available-for-sale financial assets allocated to life insurance with a profit sharing component, depending on the assets' classification.

This provision includes the amounts payable to policyholders or contract beneficiaries, in the form of profit sharing, which have still not been distributed but which have been attributed to them.

For most of the products, the provision is calculated on the basis of income generated by the allocated assets, including realised capital gains and losses and the recognition of impairment losses for the period, less the negative balances of past years, in cases in which the said deduction is contractually provided for.

#### (f) Provision for interest rate commitments

The provision for interest rate commitments is set up for all life insurance and life insurance operations with a guaranteed interest rate, whenever the effective yield on investments representing mathematical provisions on certain insurance contracts, is less than the average weighted technical interest rate used to assess the mathematical provisions for such contracts.

#### (g) Portfolio stabilisation provision

The portfolio stabilisation provision is set up for annually renewable group insurance contracts, guaranteeing death risk as their principal cover, and it is designed to provide for the heightened risk inherent to the progression of the average age of the insured group, whenever the tariff is based on a single rate, which, owing to contractual commitments is to be maintained over a certain period.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Insurance and investment contracts *(Continued)*

#### (h) Provision for unexpired risks

This provision is calculated for all non-life insurance and is intended to respond to situations in which premiums to be allocated to subsequent years regarding contracts in force at the date of the financial statements are not sufficient to pay for the indemnities and the expenses to be allocated to the respective technical lines of business. This provision is calculated on the basis of the ratios for claims, operating costs, ceding and income, in accordance with that which is defined by the Portuguese Insurance Regulator.

#### (i) Technical provisions for outwards reinsurance

These provisions are assessed by applying the above described criteria for direct insurance, based on ceding percentages, in addition to other clauses existing in the treaties in force.

#### (j) Liabilities to subscribers of unit-linked products

Liabilities associated with unit-linked investment contracts issued by the Group in which the risk is borne by the policyholder, are recognised at fair value, assessed on the basis of the fair value of investment portfolio assets allocated to each of the products, less the corresponding management costs and recognised in "financial liabilities for unit-linked contracts".

Investment portfolios allocated to unit-linked products comprise financial assets, including fixed-income securities, variable-income securities, derivative instruments and deposits in credit institutions, which are recognised at fair value and whose corresponding unrealised capital gains and losses are recognised in the statement of profit or loss for the year.

#### (k) Liabilities to subscribers of other investment contracts

Liabilities to subscribers of other regulated products, classified as investment contracts under HKFRS 4, which do not include a discretionary profit sharing component, are valued in accordance with the requirements of HKAS 39 and recognised in "Investment contract liabilities".

#### (l) Impairment of debtor balances related with insurance and reinsurance contracts

At each financial statement date, the Group assesses the existence of evidence of impairment on assets originated by insurance or reinsurance contracts, namely accounts receivable from policyholders, agents, inwards and outwards reinsurers, and technical provisions for outwards reinsurance.

If impairment losses are identified, the financial statements value of the respective assets is reduced as a charge to the statement of profit or loss for the year.

#### (m) Liability adequacy test

In accordance with HKFRS 4, at the financial statements date, the Group performs liability adequacy tests relating to contracts in force. These tests include estimates of the present value of future cash flows under its insurance contracts, including claims handling costs and cash flows resulting from embedded options and guarantees.

If that assessment shows that the carrying amount of the insurance liabilities recognised in the financial statements, net of related intangible assets is inadequate in light of the estimated future cash flows, the entire insufficiency shall be recognised in profit or loss.

### 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 a 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 39.78% equity interest as at 31 December 2015. The remaining 60.22% 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 the Shanghai Stock Exchange, there has been no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

**(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 2015 was RMB178,779,000 (31 December 2014: RMB112,749,000). Further details are contained in note 27 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 2015 was RMB10,713,380,000 (31 December 2014: RMB6,842,031,000). 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 2015, impairment losses in the amount of RMB614,875,000 (2014: RMB286,322,000) have been recognised as set out in note 8 to the financial statements.

#### (iii) Impairment of available-for-sale investments

The Group classifies certain investments as available-for-sale investments and recognises changes in fair value in other comprehensive income. When the fair value declines, management makes judgement 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 2015, impairment losses in the amount of RMB1,823,695,000 (2014: RMB99,783,000) have been recognised for available-for-sale investments as set out in note 8 to the financial statements. As at 31 December 2015, the carrying amount of available-for-sale investments was RMB118,132,674,000 (31 December 2014: RMB77,237,813,000).

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

#### Estimation uncertainty *(Continued)*

##### (iv) Estimation of fair value of investment properties

As described in note 14 to the financial statements, investment properties were revalued on 31 December 2015 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 carrying amount of investment properties at 31 December 2015 was RMB40,898,689,000 (31 December 2014: RMB16,883,890,000). Further details, including the key assumptions used for fair value measurement are given in note 14 to the financial statements.

##### (v) Fair value of financial instruments determined using valuation techniques

Fair value of financial instruments, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations were based on certain assumptions about credit risk, volatility and liquidity risks, etc., associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. Further details are included in note 62 to the financial statements.

##### (vi) Provision for bad debts of trade and notes receivables and prepayments, deposits and other receivables

The Group reviews the recoverability and ageing of trade and notes receivables and prepayments, deposits and other receivables and provides impairment losses if the balances are not fully recoverable. The assessments involve estimation of the recoverability of these balances. Any change in key assumptions of estimations would affect the carrying amount of the trade and notes receivables and prepayments, deposits and other receivables, and provision expenses in the period in which such estimate has been changed.

##### (vii) Estimation of rehabilitation cost provision

###### *For mining rights*

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 expenditure 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.

###### *For oil and gas assets*

The Group estimates the future removal costs of on and offshore oil and gas platforms, production facilities, wells and pipelines at the time of installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal data, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating costs, future removal technologies in determining the removal cost, and asset specific discount rates to determine the present value of these cash flows.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

#### Estimation uncertainty *(Continued)*

##### (viii) 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.

##### (ix) 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.

##### (x) 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 2015 was RMB872,975,000 (31 December 2014: RMB1,562,209,000). The amount of unrecognised tax losses and deductible temporary differences as at 31 December 2015 was RMB11,305,062,000 (31 December 2014: RMB8,978,885,000). Further details are contained in note 27 to the financial statements.

##### (xi) 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.

##### (xii) Contingent consideration for acquisition of subsidiaries

The Group estimated the fair value of contingent consideration for acquisition of subsidiaries by using 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.

##### (xiii) Assessment of insurance and reinsurance contracts liabilities

The Group's insurance and reinsurance contracts liabilities are assessed on the basis of the methodologies and assumptions described in note 2.4. These liabilities reflect a quantified estimate of the impact of future events on the accounts of the Group's insurance companies, based on actuarial assumptions, claims history and other methods accepted in the sector. Owing to the nature of insurance activity, the assessment of claims provisions and other insurance and reinsurance contracts liabilities is highly subjective and the real amounts payable in the future may differ significantly from the estimates. 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 2015 are set out below:

Name of company	Place 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	4,800,000	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	600,000	—	100.0%	100.0%	Investment holding
復星金融控股有限公司 (Fosun Financial Holdings Limited)	Hong Kong	HKD 18,598,275,000	100.0%	—	100.0%	Investment holding
復星地產控股有限公司 (Fosun Property Holdings Limited)	Hong Kong	HKD1	100.0%	—	100.0%	Investment holding
Health segment						
上海復星醫藥(集團)股份有限公司 *	PRC/ Mainland China	2,314,075	—	39.8%	39.8%	Investment holding
上海復星醫藥產業發展有限公司 (Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.)	PRC/ Mainland China	2,253,308	—	100.0%	39.8%	Investment holding
錦州奧鴻藥業有限責任公司 (Jinzhou Aohong Pharmaceutical Co., Ltd.)	PRC/ Mainland China	107,875	—	93.0%	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	440,455	—	95.2%	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	51,120	—	51.0%	20.3%	Manufacture and sale of pharmaceutical products
重慶藥友製藥有限責任公司 (Chongqing Yao Pharmaceutical Co., Ltd.)	PRC/ Mainland China	196,540	—	51.0%	20.3%	Manufacture and sale of pharmaceutical products
桂林南藥股份有限公司 (Guilin South Pharma Co., Ltd.)	PRC/ Mainland China	285,030	—	95.4%	38.0%	Manufacture and sale of pharmaceutical products
復星實業(香港)有限公司 (Fosun Industrial Co., Limited)	Hong Kong	USD 173,820,000	—	100.0%	39.8%	Investment holding
湖南洞庭藥業股份有限公司 (Hunan Dongting Pharmaceutical Co., Ltd.)	PRC/ Mainland China	110,064	—	77.8%	31.0%	Manufacture and sale of pharmaceutical products
上海復星平耀投資管理有限公司 (Shanghai Fosun Pingyao Investment Management Co., Ltd.)	PRC/ Mainland China	10,000	—	100.0%	39.8%	Manufacture and sale of pharmaceutical products
佛山市禪城區中心醫院有限公司 (Foshan City Chancheng District Central Hospital Co., Ltd.)	PRC/ Mainland China	50,000	—	60.0%	23.9%	Provision of medical services

#### 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 2015 are set out below: *(Continued)*

Name of company	Place 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 (Continued)						
Property development and sales segment						
復地(集團)股份有限公司 (Shanghai Forte Land Co., Ltd.)	PRC/ Mainland China	505,861	0.07%	99.08%	99.15%	Property development
上海復地投資管理有限公司 (Shanghai Forte Investment Management Co., Ltd.)	PRC/ Mainland China	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	933,000	—	70.0%	69.3%	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	50,000	—	100.0%	99.1%	Property development
上海櫻花置業有限公司 (Shanghai Yinghua Real Estate Co., Ltd.)	PRC/ Mainland China	USD 111,500,000	—	100.0%	99.1%	Property development
山西復地得一房地產開發有限公司 (Shanxi Forte Deyi Real Estate Co., Ltd.)	PRC/ Mainland China	100,000	—	80.0%	79.3%	Property development
長沙復地房地產開發有限公司 (Changsha Forte Real Estate Co., Ltd.)	PRC/ Mainland China	500,000	—	100.0%	99.1%	Property development
上海精盛房地產開發有限公司 (Shanghai Jingsheng Real Estate Co., Ltd.)	PRC/ Mainland China	10,000	—	80.0%	79.3%	Property development
天津中港置業發展有限公司 (Tianjin Shengang Real Estate Co., Ltd.)	PRC/ Mainland China	30,000	—	70.0%	69.4%	Property development
南京復地東郡置業有限公司 (Nanjing Forte Dongjun Real Estate Co., Ltd.)	PRC/ Mainland China	650,000	—	100.0%	99.1%	Property development
無錫地久置業有限公司 (Wuxi Dijiu Real Estate Co., Ltd.)	PRC/ Mainland China	USD 149,600,000	—	80.0%	79.3%	Property development
杭州金成房屋置業有限公司 (Hangzhou Jincheng Pinwu Real Estate Co., Ltd.)	PRC/ Mainland China	100,000	—	60.0%	59.5%	Property development
上海證大外灘國際金融服務中心置業有限公司 (Shanghai Zendai Bund International Finance Services Centre Real Estate Company Limited)	PRC/ Mainland China	7,000,000	—	100%	100%	Property development
Resources segment						
海南礦業股份有限公司 (Hainan Mining Co., Ltd.)	PRC/ Mainland China	1,866,670	—	54.0%	54.0%	Mining and ore processing
Roc Oil Company Limited	Australia	USD734,150,000	—	100%	100%	Oil and gas exploration



#### 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 2015 are set out below: (Continued)

Name of company	Place 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 (Continued)						
Happiness segment						
Club Méditerranée S.A.	France	Euro 149,000,000	—	100%	85.6%	Tourism
Asset management segment						
上海復星創富投資管理有限公司 (Fosun Capital Investment & Management Co., Ltd.)	PRC/ Mainland China	111,000	—	100.0%	100.0%	Capital investment and management
IDERA Capital Management Ltd.	Japan	JPY 100,000,000	—	98.0%	98.0%	Capital investment and management
Insurance segment						
鼎睿再保險有限公司 (Peak Reinsurance Company Limited)	Hong Kong	USD 550,000,000	—	85.1%	85.1%	Reinsurance
Fidelidade – Companhia de Seguros, S.A.	Portugal	Euro 381,150,000	—	85.0%	85.0%	Underwriting of life and non-life insurance
Meadowbrook Insurance Group, Inc.	United States of America	USD 343,353,000	—	100%	100%	Underwriting of non-life insurance
Ironshore Inc.	Cayman Islands/United States of America	USD 1,433,201,000	—	100%	100%	Underwriting of non-life insurance
Associates						
國藥產業投資有限公司 (Sinopharm Industrial Investment Co., Ltd.)	PRC/ Mainland China	100,000	—	49.0%	19.5%	Distribution 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	1,437,322	—	26.45%	26.45%	Retail
天津建龍鋼鐵實業有限公司 (Tianjin Jianlong Iron & Steel Industrial Co., Ltd.)	PRC/ Mainland China	2,000,000	—	25.7%	25.7%	Manufacture and sale of iron and steel products
上海證大房地產有限公司® (Shanghai Zendai Property Limited)	Bermuda/ Mainland China	HKD 297,587,000	—	14.1%	14.0%	Property investment and management
上海地杰置業有限公司 (Shanghai Dijie Real Estate Limited)	PRC/ Mainland China	20,000	—	40.0%	39.6%	Property investment and management
永安財產保險股份有限公司® (Yong'an Property Insurance Company Limited)	PRC/ Mainland China	2,663,200	—	19.9%	19.9%	Property insurance
七喜控股股份有限公司® (Hedy Holding Co., Ltd)	PRC/ Mainland China	4,116,000	—	8.09%	8.09%	Development and operation 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 2015 are set out below: *(Continued)*

Name of company	Place 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						
南京南鋼鐵聯合有限公司* (Nanjing Nangang Iron & Steel United Co., Ltd.)	PRC/ Mainland China	3,000,000	—	60.0%	60.0%	Manufacture and sale of iron and steel products
無錫復地房地產開發有限公司 (Wuxi Forte Real Estate Development Co., Ltd.)	PRC/ Mainland China	195,000	—	50.0%	49.6%	Property development
陝西省建泰房地產開發有限公司 (Shaanxi Jianqin Real Estate Development Co., Ltd.)	PRC/ Mainland China	130,000	—	50.0%	49.6%	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 2015 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 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 39.78% as at 31 December 2015.
- @ 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 2015.
- # Due to the delegation of 10% voting rights in Nanjing Nangang Iron & Steel United Co., Ltd. ("Nanjing Nangang") by the Group to Nanjing Iron & Steel (Group) Co., Ltd. as at 31 December 2015, the Group lost control of Nanjing Nangang and Nanjing Nangang was accounted for as a joint venture of the Group. Details are set out in note 54(b) to the consolidated financial statements.

## 5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has nine reportable operating segments as follows:

- (i) Insurance segment engages in the operation of and investment in the insurance business;
- (ii) Investment segment comprises, principally, the investments in strategic investments, private equity investments, venture capital investments and capital contribution to the Group's asset management business as a limited partner (PE/VC/LP investment) and secondary market investments;
- (iii) Wealth management segment engages in the asset management business and the operation of and investment in banking and other financial business; and
- (iv) Internet finance segment comprises the operation of financial industry using internet cloud computing technology.

Insurance segment, investment segment, wealth management segment and internet finance segment listed above all belong to one integrated finance (wealth) sector of the Group.

- (v) Health segment engages in the research and development, manufacturing, sale and trading of pharmaceutical and medical products and providing healthcare services;
- (vi) Happiness segment comprises principally the operation and investments in the wholesale and retail of gold and jewellery, tourism and entertainment industries;
- (vii) Steel segment engages in the manufacturing, sale and trading of iron and steel products;
- (viii) Property development and sales segment engages in the development and sale of properties; and
- (ix) Resources segment engages in the mining and ore processing of various metals and the oil and gas exploration.

Health segment, happiness segment, steel segment, property development and sales segment and resources segment listed above all belong to one industrial operations sector of the Group.

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 2015, as the management changes the structure of the Group's internal organisation to match its business development strategy in a manner that causes to change the Group's composition of its reportable segments, 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.

Inter-segment sales and transfers are transacted with reference to the fair selling prices used for sales made to third parties at the then prevailing market prices.

## 5. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2015

	Integrated Finance (Wealth)				Industrial Operations						Total RMB'000
	Insurance RMB'000	Investment RMB'000	Wealth management RMB'000	Internet finance RMB'000	Health RMB'000	Happiness RMB'000	Steel RMB'000	Property development and sales RMB'000	Resources RMB'000	Eliminations RMB'000	
<b>Segment revenue:</b>											
Sales to external customers	14,667,408*	399,969	392,782	604	15,416,454	7,441,623	21,986,032	16,868,011	1,624,006	—	78,796,889
Inter-segment sales	—	42,494	112,559	—	198,421	—	—	25,695	3,587	(382,756)	—
Other income and gains	4,825,257	12,245,751	391,938	133,765	1,983,010	365,266	318,474	1,342,935	221,858	(28,639)	21,799,615
<b>Total</b>	<b>19,492,665</b>	<b>12,688,214</b>	<b>897,279</b>	<b>134,369</b>	<b>17,597,885</b>	<b>7,806,889</b>	<b>22,304,506</b>	<b>18,236,641</b>	<b>1,849,451</b>	<b>(411,395)</b>	<b>100,596,504</b>
<b>Segment results</b>	<b>1,347,074</b>	<b>9,994,198</b>	<b>460,717</b>	<b>131,253</b>	<b>3,616,638</b>	<b>145,263</b>	<b>(1,263,913)</b>	<b>3,942,813</b>	<b>(34,084)</b>	<b>167,246</b>	<b>18,507,205</b>
Interest and dividend income	2,976,387	457,227	252,338	—	120,146	23,790	424,993	142,295	47,483	(380,268)	4,064,391
Impairment losses recognised in the statement of profit or loss, net	(1,564,001)	(189,468)	(258)	—	(93,005)	(13,296)	(478,247)	(799,124)	(401,111)	—	(3,538,510)
Unallocated expenses	—	—	—	—	—	—	—	—	—	—	(1,267,535)
Finance costs	(97,958)	(2,708,502)	(32,819)	—	(553,753)	(39,364)	(899,740)	(656,869)	(57,112)	322,086	(4,724,031)
Share of profits and losses of											
– Joint ventures	(51,302)	(8,099)	22,513	—	(19,631)	(491)	(9,799)	1,133,759	—	—	1,066,950
– Associates	263,170	184,155	(536)	(25,298)	1,312,695	119,363	(327,046)	552,258	(53)	(4,629)	2,074,079
<b>Profit/(loss) before tax</b>	<b>2,873,370</b>	<b>7,729,511</b>	<b>701,955</b>	<b>105,955</b>	<b>4,383,090</b>	<b>235,265</b>	<b>(2,553,752)</b>	<b>4,315,132</b>	<b>(444,877)</b>	<b>104,435</b>	<b>16,182,549</b>
<b>Tax</b>	<b>(435,776)</b>	<b>(3,006,996)</b>	<b>(33,218)</b>	<b>(113)</b>	<b>(713,141)</b>	<b>(102,180)</b>	<b>277,263</b>	<b>(1,168,135)</b>	<b>(16,978)</b>	<b>(29,848)</b>	<b>(5,229,122)</b>
<b>Profit/(loss) for the year</b>	<b>2,437,594</b>	<b>4,722,515</b>	<b>668,737</b>	<b>105,842</b>	<b>3,669,949</b>	<b>133,085</b>	<b>(2,276,489)</b>	<b>3,146,997</b>	<b>(461,855)</b>	<b>74,587</b>	<b>10,953,427</b>
<b>Segment and total assets</b>	<b>180,597,569</b>	<b>37,835,623</b>	<b>15,185,792</b>	<b>2,221,309</b>	<b>48,037,523</b>	<b>19,506,981</b>	<b>9,244,781</b>	<b>95,593,845</b>	<b>8,370,234</b>	<b>(11,258,446)</b>	<b>405,335,211</b>
<b>Segment and total liabilities</b>	<b>144,341,458</b>	<b>80,982,265</b>	<b>5,540,528</b>	<b>190</b>	<b>19,946,850</b>	<b>8,265,235</b>	<b>—</b>	<b>63,602,215</b>	<b>1,929,061</b>	<b>(17,426,666)</b>	<b>307,181,136</b>
<b>Other segment information:</b>											
Depreciation and amortisation	334,367	66,301	2,529	—	854,811	255,147	1,594,031	28,895	611,084	—	3,747,165
Impairment losses recognised in the statement of profit or loss	1,768,105	189,468	258	—	93,005	13,296	478,247	799,124	401,111	—	3,742,614
Impairment losses reversed in the statement of profit or loss	(204,104)	—	—	—	—	—	—	—	—	—	(204,104)
Research and development costs	—	—	—	—	622,707	—	137,049	—	—	—	759,756
Fair value gains on fair value adjustments of investment properties	(249,188)	(1,258,029)	(210,564)	—	—	—	—	(120,730)	—	—	(1,838,511)
Fair value (gains)/loss on investments at fair value through profit or loss	(257,339)	2,015,259	—	—	2,218	—	151,958	—	—	—	1,912,096
Investments in joint ventures	790,973	76,106	469,698	—	223,380	7,159	7,226,883	3,082,994	—	(68,068)	11,809,125
Investments in associates	1,392,746	2,282,623	209,063	1,307,126	17,135,168	3,142,618	2,017,898	3,656,698	429,096	(363,384)	31,209,652
Capital expenditure**	2,895,088	356,527	780,247	—	1,617,645	752,253	1,017,085	421,226	735,271	—	8,575,342

## 5. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2014

	Integrated Finance (Wealth)				Industrial Operations						Total RMB'000
	Insurance RMB'000	Investment RMB'000	Wealth management RMB'000	Internet finance RMB'000	Health RMB'000	Happiness RMB'000	Steel RMB'000	Property development and sales RMB'000	Resources RMB'000	Eliminations RMB'000	
<b>Segment revenue:</b>											
Sales to external customers	7,867,640*	670,003	362,195	—	11,938,243	—	27,272,049	12,111,918	1,516,401	—	61,738,449
Inter-segment sales	—	30,493	85,925	—	—	—	—	37,244	72,795	(226,457)	—
Other income and gains	2,355,453	4,075,228	37,305	—	2,885,512	224,346	434,262	1,003,206	53,576	(68,159)	11,000,729
<b>Total</b>	<b>10,223,093</b>	<b>4,775,724</b>	<b>485,425</b>	<b>—</b>	<b>14,823,755</b>	<b>224,346</b>	<b>27,706,311</b>	<b>13,152,368</b>	<b>1,642,772</b>	<b>(294,616)</b>	<b>72,739,178</b>
<b>Segment results</b>	<b>288,611</b>	<b>4,164,473</b>	<b>130,590</b>	<b>—</b>	<b>3,215,714</b>	<b>198,946</b>	<b>1,332,466</b>	<b>3,097,338</b>	<b>478,673</b>	<b>40,918</b>	<b>12,947,729</b>
Interest and dividend income	1,870,474	476,101	213,632	—	120,828	—	280,796	81,309	5,044	(259,535)	2,788,649
Impairment losses recognised in the statement of profit or loss, net	(242,660)	—	(18,369)	—	(335,969)	—	(162,806)	—	(162,904)	—	(922,708)
Unallocated expenses	—	—	—	—	—	—	—	—	—	—	(1,022,103)
Finance costs	(41,449)	(1,973,843)	(14,836)	—	(432,496)	(20,752)	(1,001,505)	(494,265)	(50,553)	145,134	(3,884,565)
Share of profits and losses of											
– Joint ventures	(57,790)	(10,850)	4,737	—	(20,731)	—	7,684	1,204,129	—	—	1,127,179
– Associates	128,215	118,872	—	(2,650)	929,148	295,279	89,660	112,586	—	—	1,671,110
Profit/(loss) before tax	1,945,401	2,774,753	315,754	(2,650)	3,476,494	473,473	546,295	4,001,097	270,260	(73,483)	12,705,291
Tax	(551,954)	(605,794)	(50,814)	—	(538,434)	—	(104,546)	(1,304,393)	29,293	7,411	(3,119,231)
Profit/(loss) for the year	1,393,447	2,168,959	264,940	(2,650)	2,938,060	473,473	441,749	2,696,704	299,553	(66,072)	9,586,060
<b>Segment and total assets</b>	<b>106,902,819</b>	<b>37,472,155</b>	<b>9,635,506</b>	<b>1,076,205</b>	<b>43,286,153</b>	<b>7,042,831</b>	<b>43,533,306</b>	<b>78,901,628</b>	<b>9,354,796</b>	<b>(12,372,616)</b>	<b>324,832,783</b>
<b>Segment and total liabilities</b>	<b>94,430,174</b>	<b>60,817,865</b>	<b>4,653,392</b>	<b>—</b>	<b>18,824,599</b>	<b>1,686,515</b>	<b>31,811,156</b>	<b>55,844,568</b>	<b>2,262,524</b>	<b>(21,182,502)</b>	<b>249,148,291</b>
<b>Other segment information:</b>											
Depreciation and amortisation	77,622	35,536	1,472	—	613,960	10,119	1,411,396	29,554	129,780	—	2,309,439
Impairment losses recognised in the statement of profit or loss	242,660	—	18,369	—	335,969	—	162,806	—	162,904	—	922,708
Research and development costs	—	—	—	—	511,841	—	155,434	—	—	—	667,275
Fair value gains on fair value adjustments of investment properties	(33,886)	(28,134)	—	—	—	—	—	(854,642)	—	—	(916,662)
Fair value (gains)/loss on investments at fair value through profit or loss	(161,193)	(2,552,954)	—	—	10,702	(219,232)	(1,645)	—	—	—	(2,924,322)
Investments in joint ventures	113,848	36,092	160,234	—	122,880	—	115,982	7,138,092	—	(97,978)	7,589,150
Investments in associates	1,852,816	3,213,996	52,642	216,205	11,739,451	3,352,433	2,535,547	3,583,279	430,035	—	26,976,404
Capital expenditure**	374,290	279,412	561	—	1,457,607	162,974	2,878,652	16,191	378,228	—	5,547,915

\* The sales to external customers of the insurance segment are further analysed in note 6.

\*\* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, exploration and evaluation assets, mining rights, intangible assets, investment properties and oil and gas assets.

## 5. OPERATING SEGMENT INFORMATION *(Continued)*

### Geographical information

#### (a) Revenue from external customers

	2015 RMB'000	2014 RMB'000
Mainland China	51,833,431	51,606,349
Portugal	10,796,266	6,069,378
Other countries and regions	16,167,192	4,062,722
	<b>78,796,889</b>	61,738,449

The revenue information above is based on the locations of the customers.

#### (b) Non-current assets

	2015 RMB'000	2014 RMB'000
Mainland China	99,767,075	90,417,228
Hong Kong	2,433,251	3,197,364
Portugal	14,622,408	13,419,564
Other countries and regions	29,264,500	12,667,211
	<b>146,087,234</b>	119,701,367

The non-current asset information above is based on the locations of the assets and excludes financial instruments, deferred tax assets and rights arising under insurance contracts.

### 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 2015 and 2014.

## 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 the net earned premiums from insurance business, the value of services rendered and rental receivables from investment properties during the year.

An analysis of revenue, other income and gains is as follows:

	2015 RMB'000	2014 RMB'000
<b>Revenue</b>		
Insurance revenue:		
Gross premiums written	17,846,826	8,832,514
Less: Premiums ceded to reinsurers and retrocessionaires	(2,612,559)	(710,430)
Net premiums written	15,234,267	8,122,084
Change in unearned premium provisions, net of reinsurance	(566,859)	(254,444)
Net earned premiums	14,667,408	7,867,640
Sale of goods:		
Pharmaceuticals and medical products	11,016,596	10,558,871
Properties	16,854,217	12,075,864
Iron and steel products	22,067,060	27,376,542
Ore products	873,403	1,602,138
Oil and gas	814,074	—
Others	196,496	—
	51,821,846	51,613,415
Rendering of services:		
Tourism	7,441,623	—
Healthcare	4,309,700	1,425,073
Property agency	353,768	382,249
Property management	320,916	174,044
Leasing from investment properties	611,477	837,862
Asset management	403,401	360,199
Others	154,204	101,952
	13,595,089	3,281,379
Subtotal	80,084,343	62,762,434
Less: Government surcharges	(1,287,454)	(1,023,985)
	78,796,889	61,738,449

**6. REVENUE, OTHER INCOME AND GAINS** (Continued)

	2015 RMB'000	2014 RMB'000
<b>Other income</b>		
Interest income	912,697	606,402
Dividends and interests from available-for-sale investments	2,683,723	1,858,347
Dividends and interests from investments at fair value through profit or loss	467,971	323,900
Rental income	357,117	43,753
Sale of scrap materials	84,369	2,603
Government grants	314,163	269,181
Consultancy and other service income	237,471	37,366
Exchange gains, net	—	412,034
Insurance commissions	432,569	1,053,461
Others	168,668	377,233
	<b>5,658,748</b>	<b>4,984,280</b>
<b>Gains</b>		
Gain on disposal of subsidiaries (note 54(b))	7,180,957	—
Gain on bargain purchase (note 54(a))	847,409	61,148
Gain on disposal of associates	361,587	59,081
Gain on disposal of partial interests in associates	2,534,538	243,302
Gain on deemed disposal of partial investments in associates	—	728,288
Gain on disposal of available-for-sale investments	6,671,444	3,597,875
Gain on disposal of investments at fair value through profit or loss*	434,394	209,183
Gain on disposal of non-current assets held for sale	130,600	51,253
Gain on disposal of items of property, plant and equipment	1,714	13,984
Gain on fair value adjustment of investment properties (note 14)	1,838,511	916,662
Gain on fair value adjustment of investments at fair value through profit or loss	—	2,924,322
Gain on reversal of impairment of insurance and reinsurance debtors (note 30)	204,104	—
	<b>20,205,258</b>	<b>8,805,098</b>
Other income and gains	<b>25,864,006</b>	<b>13,789,378</b>
Total revenue, other income and gains	<b>104,660,895</b>	<b>75,527,827</b>

\* During the year ended 31 December 2015, gain on disposal of investments at fair value through profit or loss did not include the gain on fair value adjustment of above investments recognised in consolidated profit and loss statement in prior years amounted to RMB1,027,752,000 (2014: RMB719,952,000).



## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 RMB'000	2014 RMB'000
Interest on bank and other borrowings (including convertible bonds)	5,662,882	4,861,443
Incremental interest on other long term payables (note 50)	10,219	12,681
	5,673,101	4,874,124
Less: Interest capitalised, in respect of bank and other borrowings (notes 13 and 24)	(1,313,812)	(1,424,737)
Interest expenses, net	4,359,289	3,449,387
Interest on discounted bills	122,074	167,152
Interest on finance leases	11,378	50,821
Bank charges and other financial costs	231,290	217,205
Total finance costs	4,724,031	3,884,565

## 8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2015 RMB'000	2014 RMB'000
Cost of sales	61,135,274	47,122,683
Staff costs (including directors' and senior management's remuneration as set out in note 9):		
Wages and salaries	8,780,491	4,944,963
Accommodation benefits:		
Defined contribution fund	205,740	189,401
Retirement costs:		
Defined contribution fund	671,761	453,649
Equity-settled share-based payments (note 55)	98,185	38,360
Total staff costs	9,756,177	5,626,373

**8. PROFIT BEFORE TAX** *(Continued)*The Group's profit before tax is arrived at after charging/(crediting): *(continued)*

	2015 RMB'000	2014 RMB'000
Research and development costs	759,756	667,275
Auditors' remuneration	10,700	9,800
Depreciation of items of property, plant and equipment (note 13)	2,746,177	2,088,031
Amortisation of prepaid land lease payments (note 15)	76,107	46,296
Amortisation of mining rights (note 17)	26,945	43,298
Amortisation of intangible assets (note 19)	414,535	131,814
Amortisation of oil and gas assets (note 18)	483,401	—
Provision for impairment of receivables	142,892	241,811
Reversal of impairment of insurance and reinsurance debtors	(204,104)	—
Provision for inventories	381,595	92,292
Provision for impairment of goodwill (note 20)	—	202,500
Provision for impairment of items of property, plant and equipment (note 13)	125,975	5,853
Provision for impairment of investments in associates	49,153	38,134
Provision for impairment of available-for-sale investments	1,823,695	99,783
Provision for impairment of intangible assets (note 19)	—	83,995
Provision for impairment of mining rights (note 17)	101,523	—
Provision for impairment of oil and gas assets (note 18)	338,224	158,340
Provision for impairment of properties under development (note 24)	377,631	—
Provision for impairment of completed properties for sale	401,926	—
Operating lease rentals	1,076,657	211,109
Exchange loss/(gain), net	80,980	(412,034)
Loss on fair value adjustment of investments at fair value through profit or loss	1,912,096	—
Loss on the settlement of derivative financial instruments	121,678	53,438
Loss on disposal of subsidiaries	—	15,873
Loss on disposal of joint ventures	73,946	—

\* At 31 December 2015, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in the future years (2014: Nil).

## 9. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

### (a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	28,028	29,101
Performance related bonus*	33,601	18,818
Equity-settled share award scheme expense	7,536	—
Pension scheme contributions	378	343
	69,543	48,262

\* The executive directors of the Company are entitled to performance related bonus which is determined based on internal appraisal of various performance indicators.

During the year, certain directors were granted share award, in respect of their services to the Group, under the share award scheme of the Company, further details of which are set out in note 55 to the financial statements. The fair value of such award, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

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.

### (i) Independent non-executive directors

The remuneration of independent non-executive directors during the year were as follows:

	2015 RMB'000	2014 RMB'000
Zhang Shengman	499	436
Andrew Y. Yan (resigned on 26 September 2014)	—	320
Zhang Huaqiao	499	436
David T. Zhang	499	436
Yang Chao	443	—
	1,940	1,628

There were no other remuneration payable to the independent non-executive directors during the year (2014: Nil).

## 9. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

### (a) Directors' remuneration (Continued)

#### (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	Equity- settled share award scheme expense RMB'000	Total remune- ration RMB'000
<b>Year ended 31 December 2015</b>						
<b>Executive directors:</b>						
Guo Guangchang	—	4,627	5,584	55	—	10,266
Liang Xinjun*	—	4,427	5,170	55	—	9,652
Wang Qunbin	—	4,427	5,332	55	—	9,814
Ding Guoqi	—	3,627	4,099	55	1,743	9,524
Qin Xuetang	—	3,527	3,808	55	1,631	9,021
Wu Ping (resigned as executive director on 10 July 2015)	—	1,713	2,807	27	1,519	6,066
Chen Qiyu (appointed as executive director on 10 July 2015)	—	1,651	4,991	21	1,406	8,069
Xu Xiaoliang (appointed as executive director on 10 July 2015)	—	1,304	1,810	28	1,069	4,211
<b>Non-executive director:</b>	—	25,303	33,601	351	7,368	66,623
Fan Wei (resigned as non-executive director on 10 July 2015)	—	953	—	27	—	980
	—	26,256	33,601	378	7,368	67,603

## 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	Equity- settled share award scheme expense RMB'000	Total remune- ration RMB'000
Year ended 31 December 2014						
<b>Executive directors:</b>						
Guo Guangchang	—	4,225	3,699	49	—	7,973
Liang Xinjun	—	4,225	3,569	49	—	7,843
Wang Qunbin	—	4,225	3,569	49	—	7,843
Ding Guoqi	—	3,595	2,747	49	—	6,391
Qin Xuetao	—	3,595	2,617	49	—	6,261
Wu Ping	—	3,595	2,617	49	—	6,261
	—	23,460	18,818	294	—	42,572
<b>Non-executive director:</b>						
Fan Wei	—	4,013	—	49	—	4,062
	—	27,473	18,818	343	—	46,634

\* Chief executive officer of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

## 9. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

### (b) Five highest paid employees

The five highest paid employees during the year included four directors and one senior management (2014: five directors), details of whose remuneration are set out in note 9(a) above. Details of the remuneration for the year of the remaining one (2014: nil) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	2,587	—
Performance related bonuses	9,884	—
Equity-settled share award scheme expense	791	—
Pension scheme contributions	55	—
	13,317	—

During the year, share award was granted to a non-director highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 55 to the financial statements. The fair value of such award, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director highest paid employee's remuneration disclosures.

There were no emoluments paid by the Group to, or receivable from the Group by, the five highest paid individuals as an inducement to join the Group, or upon joining the Group, or as compensation for loss of office during the year.

### (c) Senior management's remuneration

The number of senior management whose remuneration fell within the following bands is as follows:

	Number of employees 2015
Nil to RMB1,000,000	5
RMB1,000,001 to RMB2,000,000	—
RMB2,000,001 to RMB4,000,000	2
RMB4,000,001 to RMB6,000,000	1
RMB6,000,001 to RMB8,000,000	7
RMB8,000,001 to RMB10,000,000	2
RMB10,000,001 to RMB12,000,000	1
RMB12,000,001 to RMB14,000,000	1
	19

## 10. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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 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% (2014: 16%).

The provision for income tax of Fidelidade - Companhia de Seguros, S.A., Multicare - Seguros de Saúde, S.A. and Fidelidade Assistência - Companhia de Seguros, S.A., subsidiaries incorporated in Portugal acquired by the Group in 2014, is based on a rate of 29.5% (2014: 31.5%).

The provision for income tax of Ironshore Inc. ("Ironshore") and its subsidiaries incorporated in the United States acquired by the Group in 2015, is based on a rate of 35%.

The provision for income tax of Meadowbrook Insurance Group, Inc. ("MIG") and its subsidiaries incorporated in the United States acquired by the Group in 2015, is based on a rate of 35%.

The provision for income tax of Holding Gaillon II and its subsidiaries incorporated in France acquired by the Group in 2015, is based on a rate of 38%.

The provision for Mainland China current income tax was based on a statutory rate of 25% (2014: 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 2015 and 2014 are as follows:

	2015 RMB'000	2014 RMB'000
Current – Portugal, Hong Kong and others	1,818,039	465,440
Current – Mainland China		
– Income tax in Mainland China for the year	2,776,949	1,182,341
– LAT in Mainland China for the year	771,557	631,757
Deferred	(137,423)	839,693
Tax expenses for the year	5,229,122	3,119,231

**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:

	Portugal, Hong Kong and others RMB'000	Mainland China RMB'000	Total RMB'000
<b>2015</b>			
Profit before tax excluding share of profits and losses of associates and joint ventures	2,728,981	10,312,539	13,041,520
Tax at the applicable tax rate	845,601	2,578,135	3,423,736
Different tax rates for specific entities	82,536	(246,237)	(163,701)
Tax effect of:			
Income not subject to tax	(490,648)	(273,405)	(764,053)
Tax impact on the outside basis difference recognised in current year	466,707	233,825	700,532
Expenses not deductible for tax	512,836	88,371	601,207
Tax losses and temporary differences not recognised	300,584	723,662	1,024,246
Tax losses utilised	(30,559)	(230,593)	(261,152)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries (note 27)	—	178,779	178,779
Over provision in prior years	(12,867)	(10,524)	(23,391)
Tax incentives on eligible expenditures	(13,117)	(21,310)	(34,427)
Subtotal	1,661,073	3,020,703	4,681,776
Provision for LAT for the year	—	299,483	299,483
Deferred tax effect of provision for LAT (note 27)	—	(74,871)	(74,871)
Prepaid LAT for the year	—	472,074	472,074
Tax effect of prepaid LAT	—	(118,019)	(118,019)
Decrease in deferred LAT in deferred tax liability (note 27)	—	(31,321)	(31,321)
Tax expenses	1,661,073	3,568,049	5,229,122



## 10. TAX (Continued)

	Portugal, Hong Kong and others RMB'000	Mainland China RMB'000	Total RMB'000
<b>2014</b>			
Profit before tax excluding share of profits and losses of associates and joint ventures	3,863,491	6,043,511	9,907,002
Tax at the applicable tax rate	926,207	1,510,878	2,437,085
Lower tax rates for specific entities	(16,808)	(130,481)	(147,289)
Tax effect of:			
Income not subject to tax	(290,418)	(56,159)	(346,577)
Expenses not deductible for tax	181,375	50,907	232,282
Tax losses not recognised	99,074	460,144	559,218
Tax losses utilised	(5,858)	(4,454)	(10,312)
Temporary differences utilised	—	(103,303)	(103,303)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries (note 27)	—	112,749	112,749
Over provision in prior years	(9,179)	(24,445)	(33,624)
Tax incentives on eligible expenditures	(779)	(32,292)	(33,071)
Subtotal	883,614	1,783,544	2,667,158
Provision for LAT for the year	—	114,460	114,460
Deferred tax effect of provision for LAT (note 27)	—	(28,615)	(28,615)
Prepaid LAT for the year	—	517,297	517,297
Tax effect of prepaid LAT	—	(129,324)	(129,324)
Deferred LAT in deferred tax liability (note 27)	—	(21,815)	(21,815)
Decrease in deferred tax effect of deferred LAT in deferred tax liability	—	70	70
Tax expenses	883,614	2,235,617	3,119,231

## 10. TAX (Continued)

According to the tax notices issued by the relevant local tax authorities, the Group commenced to pay land appreciation tax ("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 RMB472,074,000 (2014: RMB517,297,000).

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 RMB521,780,000 (2014: RMB209,643,000) 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 RMB222,297,000 (2014: RMB95,183,000) 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 accrual of LAT provision for the year is RMB299,483,000 (2014: net reversal of RMB114,460,000).

## 11. DIVIDENDS

	2015 RMB'000	2014 RMB'000
Proposed final – HKD0.17 (2014: HKD0.17) per ordinary share	1,226,242	928,359

The proposed final dividend of HKD0.17 per ordinary share for the year ended 31 December 2014 was declared and approved by the shareholders at the annual general meeting of the Company on 28 May 2015.

On 30 March 2016, the board of directors of the Company resolved to propose a final dividend for the year ended 31 December 2015 of HKD0.17 per ordinary share, subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

## 12. 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 year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 7,580,400,646 (2014: 6,727,614,266) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the cash dividends distributed to the share award scheme and 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.

## 12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	8,038,282	6,853,944
Less: cash dividends distributed to share award scheme	(613)	—
Adjusted profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	8,037,669	6,853,944
Interest on convertible bonds	89,457	207,618
Cash dividends distributed to share award scheme	613	—
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	8,127,739	7,061,562
	Number of shares	
	2015	2014
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	7,580,400,646	6,727,614,266
Effect of dilution – weighted average number of ordinary shares:		
– Share award scheme	3,070,986	—
– Convertible bonds	171,925,754	387,500,000
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	7,755,397,386	7,115,114,266
Basic earnings per share (RMB)	1.06	1.02
Diluted earnings per share (RMB)	1.05	0.99

### 13. PROPERTY, PLANT AND EQUIPMENT

	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
<b>Cost:</b>								
At 1 January 2014	11,572,046	19,183,186	650,037	454,912	36,095	653,360	10,878,638	43,428,274
Additions	544,275	171,205	178,497	56,687	33,786	3,157	4,041,011	5,028,618
Transferred from construction in progress	3,198,167	7,281,654	153,102	69,330	—	637	(10,702,890)	—
Acquisition of subsidiaries	2,858,718	132,074	388,467	981	—	—	15,466	3,395,706
Disposal of subsidiaries	(122,866)	(25,218)	(5,504)	(2,859)	(4,307)	—	—	(160,754)
Disposals	(54,019)	(74,234)	(52,738)	(21,691)	(4,393)	—	(73,822)	(280,897)
Included in assets of a disposal group classified as held for sale	(11,670)	(10,713)	(32,678)	(6,915)	(10,479)	—	(994)	(73,449)
Exchange realignment	(125,406)	—	(13,829)	—	—	—	—	(139,235)
At 31 December 2014 and 1 January 2015	17,859,245	26,657,954	1,265,354	550,445	50,702	657,154	4,157,409	51,198,263
Additions	295,436	239,976	197,938	12,247	25,166	35,015	2,326,480	3,132,258
Transferred from construction in progress	988,619	1,583,760	9,890	8,940	—	21,329	(2,612,538)	—
Transfer to investment properties (note 14)	(90,095)	—	(14)	—	—	—	—	(90,109)
Acquisition of subsidiaries (note 54(a))	4,301,460	331,894	418,981	2,219	48,842	—	187,869	5,291,265
Disposal of subsidiaries	(11,285,766)	(24,151,720)	(395,101)	(287,622)	—	(713,498)	(931,594)	(37,765,301)
Disposals	(130,992)	(241,471)	(308,974)	(14,087)	(31,237)	—	(28,999)	(755,760)
Exchange realignment	(141,374)	9,801	(14,921)	—	675	—	(103,391)	(249,210)
At 31 December 2015	11,796,533	4,430,194	1,173,153	272,142	94,148	—	2,995,236	(20,761,406)

### 13. PROPERTY, PLANT AND EQUIPMENT (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
<b>Accumulated depreciation:</b>								
At 1 January 2014	3,206,826	8,908,604	358,991	280,006	21,472	188,294	—	12,964,193
Charge for the year	454,462	1,425,286	145,563	33,789	6,303	22,628	—	2,088,031
Disposal of subsidiaries	(13,004)	(14,180)	(2,508)	(1,573)	(2,213)	—	—	(33,478)
Disposals	(15,535)	(32,898)	(8,366)	(16,593)	(4,301)	—	—	(77,693)
Exchange realignment	—	—	595	—	—	—	—	595
Included in assets of a disposal group classified as held for sale	(2,734)	(7,293)	(13,176)	(3,442)	—	—	—	(26,645)
At 31 December 2014 and 1 January 2015	3,630,015	10,279,519	481,099	292,187	21,261	210,922	—	14,915,003
Charge for the year (note 8)	755,469	1,596,417	312,880	47,894	11,973	21,544	—	2,746,177
Transfer to investment properties (note 14)	(4,284)	—	—	—	—	—	—	(4,284)
Disposal of subsidiaries	(2,976,701)	(10,054,316)	(299,977)	(165,266)	—	(232,466)	—	(13,728,726)
Disposals	(103,249)	(147,067)	(256,812)	(12,032)	(4,679)	—	—	(523,839)
Exchange realignment	(82,101)	(15,349)	(37,229)	—	178	—	—	(134,501)
At 31 December 2015	1,219,149	1,659,204	199,961	162,783	28,733	—	—	3,269,830
<b>Impairment loss:</b>								
At 1 January 2014	67,287	180,115	289	568	—	—	75	248,334
Charge for the year	2,967	2,614	272	—	—	—	—	5,853
Disposal of subsidiaries	—	(5,867)	—	—	—	—	—	(5,867)
Disposals	(1,508)	(1,441)	—	(7)	—	—	—	(2,956)
At 31 December 2014 and 1 January 2015	68,746	175,421	561	561	—	—	75	245,364
Charge for the year (note 8)	45,475	9,065	53	156	1,175	—	70,051	125,975
Transfer to investment properties (note 14)	(6,082)	—	—	—	—	—	—	(6,082)
Disposals	(11,201)	(39,083)	—	(214)	—	—	—	(50,498)
Exchange realignment	977	(364)	—	—	—	—	(231)	382
At 31 December 2015	97,915	145,039	614	503	1,175	—	69,895	315,141
<b>Net book value:</b>								
At 31 December 2015	10,479,469	2,625,951	972,578	108,856	64,240	—	2,925,341	17,176,435
At 31 December 2014	14,160,484	16,203,014	783,694	257,697	29,441	446,232	4,157,334	36,037,896

**13. PROPERTY, PLANT AND EQUIPMENT** *(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 37):

	2015 RMB'000	2014 RMB'000
Buildings	368,023	166,764
Plant and machinery	—	786,843
Mining infrastructure	—	491,490
	<b>368,023</b>	<b>1,445,097</b>

- (2) Capitalised interest expenses included in construction in progress of the Group are as follows (note 7):

	2015 RMB'000	2014 RMB'000
Interest expenses capitalised	82,665	142,027

- (3) As at 31 December 2015, the Group was in the process of applying for property certificates of plant and office buildings with a net book value of approximately RMB512,293,000 (2014: RMB2,773,743,000).
- (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 2015 was RMB41,265,000 (2014: RMB114,113,000).

**14. INVESTMENT PROPERTIES**

	2015 RMB'000	2014 RMB'000
Cost:		
Carrying amount at 1 January	16,883,890	9,896,252
Additions	4,034,045	245,991
Acquisition of subsidiaries (note 54(a))	17,684,506	5,830,453
Transfer from properties under development	—	974,734
Transfer from properties held for sale	—	355,782
Transfer from property, plant and equipment (note 13)	79,743	—
Gain on fair value adjustments (note 6)	1,838,511	916,662
Disposal of subsidiaries	—	(776,000)
Disposal	(35,920)	—
Exchange realignment	413,914	(559,984)
Carrying amount at 31 December	<b>40,898,689</b>	<b>16,883,890</b>

## 14. INVESTMENT PROPERTIES (Continued)

The Group's investment properties consist of commercial properties, which are located in Beijing, Shanghai, Hangzhou, Chengdu, Tianjin and Chongqing of Mainland China, New York City of the United States of America, Tokyo of Japan and other cities in Europe and Australia. 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 investment properties were valued on 31 December 2015 by several independent professionally qualified valuers. Selection criteria of the valuer include market knowledge, reputation, independence and whether professional standards are maintained. The management of the Company has 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.

The Group's investment properties, Triton Square, Shibuya World East Building and FLEG Harajuku, in Tokyo, Japan were acquired by an indirectly owned subsidiary of the Company, at considerations of JPY10,288,000,000 (equivalent to RMB554,266,000) in December 2015, JPY2,721,490,000 (equivalent to RMB140,217,000) in April 2015 and JPY545,918,000 (equivalent to RMB28,127,000) in April 2015, respectively, from independent third parties. The directors of the Company are of the opinion that the fair value of the Triton Square, Shibuya World East Building and FLEG Harajuku equalled to the purchase considerations as Triton Square, Shibuya World East Building and FLEG Harajuku were acquired from independent third parties in an open market and there was no significant change in the commercial property market in Tokyo, Japan between the acquisition date and 31 December 2015.

The Group's investment properties, Broggi Palace, Piazza Cordusio in Milan, Italy and 73 Miller Street properties in Sydney, Australia, were acquired by an indirectly owned subsidiary of the Company, at considerations of EUR321,564,000 (equivalent to RMB2,156,987,000) in July 2015 and EUR74,579,000 (equivalent to RMB497,054,000) in March 2015, respectively, from independent third parties. The directors of the Company are of the opinion that the fair value equalled to the purchase consideration as Broggi Palace and 73 Miller Street properties were acquired from independent third parties in an open market and there was no significant change in the commercial property market in Milan, Italy and in Sydney, Australia between the acquisition date and 31 December 2015.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 56 to the financial statements.

At 31 December 2015, the Group's certain investment properties with a net carrying amount of approximately RMB19,227,824,000 (2014: RMB5,433,000,000) were pledged to secure bank loans, as set out in note 37 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 2015 using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Recurring fair value measurement for:				
Commercial properties	—	—	40,898,689	40,898,689

	Fair value measurement as at 31 December 2014 using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Recurring fair value measurement for:				
Commercial properties	—	—	16,883,890	16,883,890

## 14. INVESTMENT PROPERTIES *(Continued)*

### Fair value hierarchy *(Continued)*

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 (2014:Nil).

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	2015 Range/ weighted average	2014 Range/ weighted average
28 Liberty	Direct comparison approach and discounted cash flow approach	Terminal capitalisation rate (Year 10) Discount rate Market rent: – modified gross (Year 1) (Square foot/year) General vacancy/credit loss rate	5.0% 7.5%  USD39.67 to USD 65.92 6.0% (stabilised-Year 4)	5.3% 7.8%  USD45 to USD70 6.0% (stabilized-Year 6)
Tokyo Front Terrace	Direct comparison approach and discounted cash flow approach	Terminal capitalisation rate Discount rate Market rent (per tsubo) Occupancy rate	4.4% 4.0% JPY18,000 96.0%	— — — —
Shanghai Zendai Bund International Finance Services Centre Real Estate Company Limited ("BFC")	Direct comparison approach and discounted cash flow approach	Discount rate Market rent: – office (Rmb/sq.m./day) Retail-1F (Rmb/sq.m./day) CPS (Rmb/unit/month) Level adjustments	6.4%  11.78 21.72 1,500 30% to 100%	— — — — —
Fosun International Center in Beijing	Direct comparison approach and direct capitalisation approach	Term yield Market rent: – per sq.m. and per month – per slot of parking space/month Level adjustments Market yield Reversionary period	5.5% to 6.5%  RMB240 to RMB300  RMB1,100 40% to 50% 6.0% to 7.0% From 1 January 2016 to 30 August 2054	5.5% to 6.5%  RMB238 to RMB277  RMB1,100 30% to 60% 6.0% to 7.0% From 1 January 2015 to 30 August 2054



## 14. INVESTMENT PROPERTIES (Continued)

### Fair value hierarchy (Continued)

	Valuation techniques	Significant unobservable inputs	2015 Range/ weighted average	2014 Range/ weighted average
Chengdu Forte International	Direct comparison approach and direct capitalisation approach	Term yield Market rent: - per s.q.m. and per month Level adjustments Market yield Reversionary period	5.5%  RMB50 to RMB238 40% to 70% 6.0% From 1 January 2016 to 2 July 2048	5.5%  RMB53 to RMB231 30% to 60% 6.0% From 1 January 2015 to 2 July 2048
Other commercial properties	Direct comparison approach and direct capitalisation approach	Term yield Market rent: - per s.q.m. and per month - per slot of parking space/month Level adjustments Market yield Reversionary period	4.0% to 7.0%  RMB48 to RMB400  RMB300 to RMB400 20% to 70% 3.0% to 7.5% From 1 January 2016 to 13 May 2073	3.0% to 6.5%  RMB45 to RMB225  RMB301 to RMB395 30% to 70% 3.5% to 7.5% From 1 January 2015 to 13 May 2073

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 have been 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 direct capitalisation approach (term and reversion method, in particular) is a method by capitalising 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. Capitalisation rate is derived from the relationship between the market rent and the market capital value of other similar properties in the locality.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

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.

## 15. PREPAID LAND LEASE PAYMENTS

	2015 RMB'000	2014 RMB'000
<b>Cost:</b>		
At 1 January	3,174,186	2,200,794
Additions	412,939	83,454
Acquisition of subsidiaries (note 54(a))	11,594	51,258
Transfer from properties under development	—	839,262
Included in assets of a disposal group classified as held for sale	—	(582)
Disposal of subsidiaries	(1,143,359)	—
Disposals	(119,124)	—
At 31 December	2,336,236	3,174,186
<b>Accumulated amortisation:</b>		
At 1 January	252,793	206,819
Amortisation for the year (note 8)	76,107	46,296
Included in assets of a disposal group classified as held for sale	—	(322)
Disposal of subsidiaries	(125,682)	—
Disposals	(10,870)	—
At 31 December	192,348	252,793
<b>Net book value:</b>		
At 31 December	2,143,888	2,921,393
At 1 January	2,921,393	1,993,975
Net book value pledged as security for bank loans (note 37)	1,022,849	587,199

As at 31 December 2015, the Group has no leasehold land in the process of applying for the land use certificates (2014: RMB49,066,000).

## 16. EXPLORATION AND EVALUATION ASSETS

	2015 RMB'000	2014 RMB'000
At 1 January	156,846	5,189
Additions	135,325	22,272
Acquisition of subsidiaries	—	129,385
Transfer to oil and gas assets (note 18)	(15,885)	—
Exploration assets expensed and written off	(86,411)	—
Exchange realignment	7,625	—
At 31 December	197,500	156,846

## 17. MINING RIGHTS

	2015 RMB'000	2014 RMB'000
<b>Cost:</b>		
At 1 January	1,541,829	1,508,285
Additions	—	33,544
Disposal of subsidiaries (note 54(b))	(165,117)	—
At 31 December	1,376,712	1,541,829
<b>Accumulated amortisation:</b>		
At 1 January	570,385	527,087
Amortisation for the year (note 8)	26,945	43,298
Disposal of subsidiaries (note 54(b))	(73,210)	—
At 31 December	524,120	570,385
<b>Impairment loss:</b>		
At 1 January	186,562	186,562
Charge for the year (note 8)	101,523	—
At 31 December	288,085	186,562
<b>Net book value:</b>		
At 31 December	564,507	784,882
At 1 January	784,882	794,636

## 18. OIL AND GAS ASSETS

	2015 RMB'000	2014 RMB'000
<b>Cost:</b>		
At 1 January	1,670,546	—
Additions	342,417	—
Acquisition of subsidiaries	—	1,670,546
Transferred from exploration and evaluation assets (note 16)	15,885	—
Disposal of subsidiaries (note 54(b))	(169,976)	—
Exchange realignment	102,253	—
At 31 December	1,961,125	1,670,546
<b>Accumulated amortisation:</b>		
At 1 January	—	—
Amortisation for the year (note 8)	483,401	—
Disposal of subsidiaries (note 54(b))	(11,187)	—
Exchange realignment	8,368	—
At 31 December	480,582	—
<b>Impairment loss:</b>		
At 1 January	158,340	—
Charge for the year (note 8)	338,224	158,340
Exchange realignment	13,743	—
At 31 December	510,307	158,340
<b>Net book value:</b>		
At 31 December	970,236	1,512,206
At 1 January	1,512,206	—

## 19. INTANGIBLE ASSETS

	Medicine licences RMB'000	Trademarks RMB'000	Business network and customer relationship RMB'000	Patent and technical know-how RMB'000	Others RMB'000	Total RMB'000
<b>Cost:</b>						
At 1 January 2014	321,000	266,894	520,598	817,503	98,081	2,024,076
Additions	—	1,188	—	82,025	50,823	134,036
Acquisition of subsidiaries	174,000	39,000	36,000	126,518	189,951	565,469
Included in assets of a disposal group classified as held for sale	—	(75,000)	—	—	(870)	(75,870)
Exchange realignment	—	(795)	—	—	(22,614)	(23,409)
Disposals	—	—	—	(15,947)	(19,558)	(35,505)
At 31 December 2014 and 1 January 2015	495,000	231,287	556,598	1,010,099	295,813	2,588,797
Additions	88,283	2,178	—	288,828	139,069	518,358
Acquisition of subsidiaries (note 54(a))	—	2,465,102	1,898,386	—	2,490,761	6,854,249
Disposal of subsidiaries	—	—	—	—	(42)	(42)
Exchange realignment	—	90,954	47,678	90	42,400	181,122
Disposals	—	(718)	—	(161,094)	(14,727)	(176,539)
At 31 December 2015	583,283	2,788,803	2,502,662	1,137,923	2,953,274	9,965,945
<b>Accumulated amortisation:</b>						
At 1 January 2014	—	564	36,578	101,608	13,176	151,926
Provided during the year	—	—	18,267	58,090	55,457	131,814
Exchange realignment	—	—	—	—	262	262
Disposals	—	—	—	(338)	(6,649)	(6,987)
At 31 December 2014 and 1 January 2015	—	564	54,845	159,360	62,246	277,015
Reclassification	—	—	26,730	(26,730)	—	—
Provided during the year (note 8)	1,962	12,915	64,155	66,821	268,682	414,535
Disposal of subsidiaries	—	—	—	—	(36)	(36)
Exchange realignment	—	105	653	51	(60)	749
Disposals	—	(421)	—	—	(936)	(1,357)
At 31 December 2015	1,962	13,163	146,383	199,502	329,896	690,906
<b>Impairment loss:</b>						
At 1 January 2014	—	—	—	622	472	1,094
Charge for the year	64,000	—	—	19,520	475	83,995
At 31 December 2014, 1 January 2015 and 31 December 2015	64,000	—	—	20,142	947	85,089
<b>Net book value:</b>						
At 31 December 2015	517,321	2,775,640	2,356,279	918,279	2,622,431	9,189,950
At 31 December 2014	431,000	230,723	501,753	830,597	232,620	2,226,693

## 20. GOODWILL

	2015 RMB'000	2014 RMB'000
<b>Cost:</b>		
At 1 January	7,287,339	3,293,136
Acquisition of subsidiaries (note 54(a))	3,890,794	4,255,243
Disposal of subsidiaries	(6,259)	—
Included in assets of a disposal group classified as held for sale	—	(13,893)
Adjustment during the measurement period	—	(67,581)
Others	(13,186)	(179,566)
At 31 December	11,158,688	7,287,339
<b>Accumulated impairment:</b>		
At 1 January	(445,308)	(242,808)
Charge for the year (note 8)	—	(202,500)
At 31 December	(445,308)	(445,308)
<b>Net book value:</b>		
At 31 December	10,713,380	6,842,031

### Impairment testing of goodwill

Goodwill acquired through business combinations is primarily allocated to the following reportable cash-generating units ("CGUs") for impairment testing:

- Happiness
- Health
- Property development and sales
- Investment
- Insurance
- Resources

The carrying amounts of goodwill are as follows:

	Happiness RMB'000	Health RMB'000	Property development and sales RMB'000	Investment RMB'000	Insurance RMB'000	Resources RMB'000	Total RMB'000
2015	1,918,053	3,471,856	70,526	33,909	5,049,599	169,437	10,713,380
2014	—	3,255,042	70,526	33,801	3,322,999	159,663	6,842,031

## 20. GOODWILL (Continued)

### Impairment testing of goodwill (Continued)

The recoverable amount of each CGU is determined based on a 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 7.2% to 15% (2014: 9.5% to 17%). Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 2% to 3%.

Assumptions were used in the value-in-use calculation of the CGUs for 31 December 2015 and 2014. 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 JOINT VENTURES

	2015 RMB'000	2014 RMB'000
Share of net assets	11,550,962	4,430,550
Loans to joint ventures	258,163	3,158,600
	11,809,125	7,589,150

Loans to joint ventures of RMB258,613,000 are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these loans are considered as part of the Group's net investments in joint ventures.

The Group's amounts due from joint ventures and amounts due to joint ventures are disclosed in note 35 to the financial statements.

As at 31 December 2014, the Group held a 50% equity interest in Shanghai Haizhimen Property Investment and Management Co., Ltd. ("Haizhimen"). The major assets of Haizhimen is the 100% interests in BFC. Haizhimen was considered a material joint venture of the Group as at 31 December 2014. In September 2015, the Group acquired the 100% equity interests in BFC from Haizhimen and BFC was accounted for as a subsidiary of the Group. As at 31 December 2015, there was no material joint venture within the Group.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2015 RMB'000	2014 RMB'000
Share of the joint ventures' profit for the year	1,066,950	66,739
Share of the joint ventures' total comprehensive income	1,066,950	66,739
Aggregate carrying amount of the Group's investments in the joint ventures	11,809,125	3,136,461

## 22. INVESTMENTS IN ASSOCIATES

	2015 RMB'000	2014 RMB'000
Share of net assets	28,050,676	24,640,468
Goodwill on acquisition	3,358,107	2,511,914
	31,408,783	27,152,382
Provision for impairment	(199,131)	(175,978)
	31,209,652	26,976,404
Net book value pledged as security for bank loans (note 37)	52,292	—

Particulars of the Group's material associates of the Group are set out in note 4 to the financial statements.

The Group's amounts due from associates and amounts due to associates are disclosed in note 35 to the financial statements.

Sinopharm Industrial Investment Co., Ltd. ("Sinopharm"), which is considered a material associate of the Group, is accounted for using the equity method.

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:

	2015 RMB'000	2014 RMB'000
Current assets	116,694,552	110,497,256
Non-current assets	21,625,639	18,405,163
Current liabilities	(94,773,697)	(86,112,925)
Non-current liabilities	(2,414,391)	(5,874,166)
Net assets	41,132,103	36,915,328
Net assets attributable to the Group	17,552,385	16,033,447



## 22. INVESTMENTS IN ASSOCIATES (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: (continued)

	2015 RMB'000	2014 RMB'000
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	8,600,668	7,856,389
Goodwill on acquisition (less accumulative impairment)	—	—
Carrying amount of the investment	8,600,668	7,856,389
Revenues	227,069,433	200,313,355
Profit for the year	5,701,556	4,554,592
Other comprehensive income	34,565	10,980
Total comprehensive income for the year	5,736,121	4,565,572
Dividend received	245,000	147,000

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2015 RMB'000	2014 RMB'000
Share of the associates' profit for the year	1,027,448	815,172
Share of the associates' other comprehensive (loss)/income	(170,710)	158,109
Share of the associates' total comprehensive income	856,738	973,281
Aggregate carrying amount of the Group's investments in the associates	22,608,984	19,120,015

## 23. AVAILABLE-FOR-SALE INVESTMENTS

	2015 RMB'000	2014 RMB'000
Listed equity investments, at fair value	22,406,786	13,230,302
Listed debt investments, at fair value	79,396,944	51,473,616
Listed investments, at fair value	101,803,730	64,703,918
Unlisted equity investments, at cost	12,124,351	9,494,888
Unlisted debt investments, at cost	235,950	—
Unlisted equity investments, at fair value	2,575,278	2,484,296
Unlisted debt investments, at fair value	1,393,365	554,711
Unlisted investments	16,328,944	12,533,895
Total	118,132,674	77,237,813
Portion classified as current assets	(20,998,463)	(16,388,314)
Non-current portion	97,134,211	60,849,499

## 23. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB3,005,509,000 (2014: RMB2,235,085,000), of which RMB4,868,248,000 (2014: RMB1,883,168,000) was recycled from other comprehensive income to the consolidated statement of profit or loss for the year on the date of disposal.

There was a significant decline in the market value of certain listed equity investments during the year. The directors consider that such a decline indicates that the listed equity investments have been impaired and an impairment loss of RMB1,117,060,000 (2014: RMB40,427,000), which included a reclassification from other comprehensive income of RMB112,968,000 (2014: Nil), has been recognised in the consolidated statement of profit or loss for the year. The impairment loss on the listed debt investments as at 31 December 2015 amounted to RMB554,892,000 (2014: Nil), which included a reclassification from other comprehensive loss of RMB13,555,000, has been recognised in the statement of profit or loss for the year. The impairment losses on the unlisted equity investments and unlisted debt investments as at 31 December 2015 amounted to RMB117,225,000 (2014: RMB59,335,000) and RMB34,518,000 (2014: RMB21,000) respectively, which have been recognised in the consolidated statement of profit or loss for the year.

At 31 December 2015, the Group's available-for-sale investment with a carrying amount of RMB909,356,000 (2014: RMB802,922,000) was pledged to secure bank loans, as set out in note 37 to the financial statements.

Certain unlisted equity and debt 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.

## 24. PROPERTIES UNDER DEVELOPMENT

	2015 RMB'000	2014 RMB'000
Land cost	28,193,253	28,412,805
Construction costs	6,322,869	6,410,667
Capitalised finance costs	1,743,948	2,278,322
	36,260,070	37,101,794
Less: Provision for impairment of properties under development (note 8)	(377,631)	—
Portion classified as current assets	(18,846,968)	(23,429,966)
	17,035,471	13,671,828

The properties pledged to banks to secure bank loans and other borrowings are as follows:

	2015 RMB'000	2014 RMB'000
Net book value pledged (note 37)	20,976,098	12,847,293
Additions to properties under development include:		
Interest expense capitalised in respect of bank and other borrowings (note 7)	1,231,147	1,282,710

The Group's properties under development are all situated in Mainland China and Hong Kong.

## 25. LOANS RECEIVABLE

	Notes	2015 RMB'000	2014 RMB'000
Loans receivable		2,288,855	2,140,063
Portion classified as current	(1)	(1,735,066)	(843,086)
Non-current portion	(2)	553,789	1,296,977

(1) As at 31 December 2015, the current portion of loans receivable comprises:

- an entrusted bank loan of RMB917,909,000 provided to a third party, which is guaranteed, bears interest at a fixed interest rate of 5.00% per annum and is repayable on demand;
- an entrusted bank loan of RMB324,680,000 provided to a third party, which is unsecured, bears interest at a fixed interest rate of 3.32% per annum and is repayable in January 2016;
- an entrusted bank loan of RMB264,700,000 provided to Yantai Xingyi Properties Co., Ltd., a joint venture, which is unsecured, bears interest at a fixed interest rate of 9.48% per annum and is repayable in September 2016;
- an entrusted bank loan of RMB116,884,000 provided to a third party, which is unsecured, bears interest at a fixed interest rate of 4.50% per annum and is repayable in December 2016;
- an entrusted bank loan of RMB68,293,000 provided to a third party, which is unsecured, bears interest at a fixed interest rate of 12.00% per annum and is repayable in June 2016;
- an entrusted bank loan of RMB32,600,000 provided to a third party, which is unsecured, bears interest at a fixed interest rate of 15.00% per annum and is repayable in May 2016; and
- an entrusted bank loan of RMB10,000,000 provided to a third party, which is unsecured, bears interest at a fixed interest rate of 6.00% per annum and is repayable in January 2016.

(2) As at 31 December 2015, the non-current portion of loans receivable comprises:

- a shareholders' loan of RMB202,281,000 provided to an associate, SAS Val Thorens Le Cairn, which is unsecured, bears interest at a fixed interest rate of 6.00% per annum and has no fixed terms of repayment;
- an entrusted bank loan of RMB118,146,000 provided to a third party, which is unsecured, bears interest at a fixed interest rate of 12.00% per annum and is repayable in 2018;
- an entrusted bank loan of RMB103,300,000 provided to Yantai Xingyi Properties Co., Ltd., a joint venture, which is unsecured, bears interest at a fixed interest rate of 9.48% per annum and is repayable in 2018;
- an entrusted bank loan of RMB60,000,000 provided to a third party, which is unsecured, bears interest at a fixed interest rate of 1.00% per annum and has no fixed terms of repayment;
- an entrusted bank loan of RMB40,000,000 provided to a third party, which is unsecured, interest-free and has no fixed terms of repayment; and
- a shareholders' loan of RMB30,062,000 provided to a third party, which is unsecured, bears interest at a fixed interest rate of 6.00% per annum and is repayable in 2025.

**26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	2015 RMB'000	2014 RMB'000
Prepayments consist of:		
Prepayments for purchase of raw materials of steel	—	92,972
Prepayments for purchase of pharmaceutical materials	161,642	135,932
Prepayments for purchase of construction materials	605,697	63,046
Prepayments for purchase of equipment and others	241,551	579,031
Prepaid expenses	1,056,314	—
Deposits	1,184,172	1,165,633
Other receivables consist of:		
Funding provided to third parties	2,973,488	2,447,996
Tax recoverable	748,418	866,831
Deferred cost of acquisition of insurance customers	—	173,135
Others	3,950,235	2,901,000
Prepayments for the proposed acquisitions of equity interests	660,772	1,676,626
Prepayments for the acquisition of the land	2,611,380	1,379,994
	14,193,669	11,482,196
Portion classified as current assets	10,338,976	7,619,585
Non-current portion	3,854,693	3,862,611

## 27. 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	Fair value adjustments arising from available- for-sale investment 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 2014	1,504,016	367,852	—	7,657	383,410	382,377	2,645,312
Acquisition of subsidiaries	30,699	892,373	110,129	—	24,427	632,336	1,689,964
Disposal of subsidiaries	—	(23)	—	—	(28,297)	(5,207)	(33,527)
Deferred tax charged to reserve during the year	—	—	(84,715)	—	—	—	(84,715)
Deferred tax credited to the consolidated statement of profit or loss during the year	28,303	231,374	—	274	28,615	114,814	403,380
Exchange realignment	(809)	(167,685)	(13,569)	—	—	(66,281)	(248,344)
Gross deferred tax assets at 31 December 2014 and 1 January 2015	1,562,209	1,323,891	11,845	7,931	408,155	1,058,039	4,372,070
Acquisition of subsidiaries (note 54(a))	276,402	766,799	—	—	—	298,530	1,341,731
Disposal of subsidiaries (note 54(b))	(1,526,544)	(159,881)	—	—	—	(244,195)	(1,930,620)
Deferred tax credited to reserve during the year	—	—	489,077	—	—	—	489,077
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	531,833	364,376	—	(5,053)	74,871	104,257	1,070,284
Exchange realignment	29,075	5,156	(573)	—	—	(18,812)	14,846
Gross deferred tax assets at 31 December 2015	872,975	2,300,341	500,349	2,878	483,026	1,197,819	5,357,388

**27. 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 2014	999,985	183,584	341,567	429,696	1,028,137	153,212	317,869	314,265	3,768,315
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year	(80,208)	465,653	(177,538)	310,418	129,539	(21,815)	112,749	326,737	1,065,535
Deferred tax charged to reserve during the year	—	—	82,231	—	—	—	—	—	82,231
Acquisition of subsidiaries	323,439	—	1,190,760	122,768	—	97,709	—	344,917	2,079,593
Exchange realignment	—	(1,608)	(155,140)	(92,758)	—	—	—	(25,462)	(274,968)
Included in assets of a disposal group classified as held for sale	(18,852)	—	—	—	—	—	—	—	(18,852)
Disposal of subsidiaries	(99,840)	—	—	(11,250)	—	(3,079)	—	(9,995)	(124,164)
Gross deferred tax liabilities at 31 December 2014 and 1 January 2015	<b>1,124,524</b>	<b>647,629</b>	<b>1,281,880</b>	<b>758,874</b>	<b>1,157,676</b>	<b>226,027</b>	<b>430,618</b>	<b>950,462</b>	<b>6,577,690</b>
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year	(224,224)	(515,754)	—	572,778	—	(31,321)	178,779	952,603	932,861
Deferred tax credited to reserve during the year	—	—	(265,454)	—	—	—	—	—	(265,454)
Acquisition of subsidiaries (note 54(a))	2,350,192	—	—	9,066	—	23,839	—	426,968	2,810,065
Exchange realignment	32,562	15,123	(41,342)	16,710	—	—	—	16,517	39,570
Disposal of subsidiaries	(18,809)	8,770	—	—	—	—	—	(929,455)	(939,494)
Gross deferred tax liabilities at 31 December 2015	<b>3,264,245</b>	<b>155,768</b>	<b>975,084</b>	<b>1,357,428</b>	<b>1,157,676</b>	<b>218,545</b>	<b>609,397</b>	<b>1,417,095</b>	<b>9,155,238</b>

## 27. DEFERRED TAX (Continued)

### Deferred tax liabilities (Continued)

For presentation purposes, certain deferred tax assets and liabilities amounted to RMB354,827,000 have been offset in the statement of financial position. After offsetting, the following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2015 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	5,002,561
Net deferred tax liabilities recognised in the consolidated statement of financial position	8,800,411

As at 31 December 2015, the deferred tax assets were recognised for certain entities within the Group which suffered accumulated losses as at the end of 2015. 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 2015.

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:

	2015 RMB'000	2014 RMB'000
Tax losses	11,002,530	8,852,682
Deductible temporary differences	302,532	126,203
	11,305,062	8,978,885

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.

## 28. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	1,040,552	2,228,307
Work in progress	338,520	1,383,902
Finished goods	1,159,553	2,300,210
Spare parts and consumables	245,065	576,388
	2,783,690	6,488,807
Less: Provision for inventories	(111,993)	(148,202)
	2,671,697	6,340,605
Portion classified as non-current assets	(323,708)	(87,722)
	2,347,989	6,252,883

## 29. POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF UNIT-LINKED CONTRACTS

	2015 RMB'000	2014 RMB'000
Financial assets designated as at fair value through profit or loss:		
Debt instruments	3,310,257	4,531,247
Equity instruments	31,833	33,973
Investment funds	133,234	127,877
Term deposits	424,379	419,894
Sight deposits	182,791	206,980
Others	(16,578)	(14,065)
	4,065,916	5,305,906
Portion classified as current assets	(471,535)	(1,535,931)
Non-current portion	3,594,381	3,769,975

The above assets are held for policyholders of unit-linked products.

## 30. INSURANCE AND REINSURANCE DEBTORS

	2015 RMB'000	2014 RMB'000
Amounts due from insurance customers and suppliers	8,570,354	2,533,734
Less: Provision for impairment	(295,381)	(401,716)
	8,274,973	2,132,018
Portion classified as current assets	(8,146,186)	(2,063,919)
Non-current portion	128,787	68,099

The following is an ageing analysis of the amounts due from insurance customers:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	6,482,245	1,077,831
Past due but not impaired	1,782,709	1,054,187
Past due and impaired	305,400	401,716
	8,570,354	2,533,734



### 30. INSURANCE AND REINSURANCE DEBTORS *(Continued)*

Amounts due from insurance customers that were past due but not impaired relate to a number of independent policyholders and reinsurers that have a good track record with the Group. Based on past experience, management believes that no impairment provision is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The amount of impaired debts is RMB295,381,000 (31 December 2014: RMB401,716,000). Various actions have been taken to recover the debts, but these debts have not been recovered and hence impairment is provided.

Movements in the allowance for impaired debts:

	2015 RMB'000	2014 RMB'000
At 1 January	401,716	—
Acquisition of subsidiaries	56,709	398,931
Amount written off as uncollectible	(26,129)	—
(Reversal of)/provision for impairment losses	(204,104)	55,569
Exchange realignment	67,189	(52,784)
At 31 December	295,381	401,716

### 31. REINSURERS' SHARE OF INSURANCE CONTRACT PROVISIONS

The reinsurers' share of insurance contract provisions represents the reinsurers' share of life insurance contract liabilities, unearned premium provisions and provision for outstanding claims arising from the life insurance, property and casualty insurance and reinsurance businesses.

	2015 RMB'000	2014 RMB'000
Life insurance contract liabilities	88,259	80,033
Unearned premium provisions	2,819,412	228,784
Provision for outstanding claims	10,164,925	797,452
	13,072,596	1,106,269
Portion classified as current assets	(3,452,133)	(624,909)
Non-current portion	9,620,463	481,360

## 32. CASH AND BANK AND TERM DEPOSITS

	Notes	2015 RMB'000	2014 RMB'000
Cash on hand		83,641	63,675
Cash at banks, unrestricted		38,336,319	25,603,465
Cash and cash equivalents		38,419,960	25,667,140
Pledged bank balances	(1)	2,515,049	4,317,944
Time deposits with original maturity of more than three months	(2)	5,116,283	9,516,527
Restricted pre-sale proceeds	(3)	874,423	507,413
Required reserve deposits	(4)	141,215	329,598
		47,066,930	40,338,622
Portion classified as current assets		(46,601,795)	(40,190,807)
Non-current portion – term deposits		465,135	147,815

Notes:

It mainly comprises the following:

	2015 RMB'000	2014 RMB'000
(1) Pledged bank balances to secure notes payable	554,639	3,438,172
Pledged bank balances to secure bank loans (note 37)	577,432	46,721
Bank balances as various deposits	1,310,355	335,503
(2) Term deposits with original maturity of more than three months pledged to secure bank loans (note 37)	—	3,486

(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 the construction of related properties. The deposits can only be used for purchases of construction materials and payments of construction fees for the relevant property projects when approval from the PRC State-Owned Land and Resource Bureau is obtained.

(4) Required reserve deposits amounting to RMB141,215,000 (2014: RMB329,598,000) 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 ("PBOC"). The reserve deposits with the PBOC 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 from properties 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.

### 33. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 RMB'000	2014 RMB'000
Listed investment, at fair value		
Equity investment	6,961,737	12,885,559
Debt investment	2,786,496	1,599,894
	9,748,233	14,485,453
Unlisted investments, at fair value	967,934	381,741
	10,716,167	14,867,194

At 31 December 2015, the Group's investments at fair value through profit or loss with a carrying amount of RMB2,105,531,000 (2014: RMB2,922,103,000) were pledged to secure bank loans, as set out in note 37 to the financial statements.

### 34. TRADE AND NOTES RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	3,739,276	3,610,965
Notes receivable	629,274	2,760,038
	4,368,550	6,371,003

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2015 RMB'000	2014 RMB'000
Outstanding balances with ages:		
Within 90 days	2,725,729	2,794,853
91 to 180 days	676,826	517,066
181 to 365 days	382,548	288,425
1 to 2 years	86,792	87,219
2 to 3 years	17,078	10,537
Over 3 years	31,856	23,498
	3,920,829	3,721,598
Less: Provision for impairment of trade receivables	(181,553)	(110,633)
	3,739,276	3,610,965

### 34. TRADE AND NOTES RECEIVABLES (Continued)

The movements in the provision for impairment of trade receivables are as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	110,633	76,135
Amount written off as uncollectible	(37,279)	(12,155)
Disposal of subsidiaries	(40,869)	—
Provision for impairment losses	149,068	46,653
At 31 December	181,553	110,633

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	975,860	777,151
Within 90 days past due	1,028,834	515,141
91 to 180 days past due	378,663	123,867
Over 180 days past due	287,174	83,036
	2,670,531	1,499,195

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 2015, the Group's trade and notes receivables with a carrying amount of approximately RMB219,768,000 (2014: RMB1,155,019,000) were pledged to secure bank loans, as set out in note 37 to the financial statements.

Trade and notes receivables of the Group mainly arose from the resources segment, health segment, and property development and sales segment. Credit terms granted to the major customers of these segments are as follows:

	Credit terms
Resources segment	0 to 360 days
Health segment	90 to 180 days
Property development and sales segment	30 to 360 days

### 35. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES

	Notes	2015 RMB'000	2014 RMB'000
Due from related companies:			
Associates	(i)	2,433,581	2,273,745
Joint ventures	(ii)	1,270,811	2,972,551
Other related companies	(iii)	3,249	3,061
		<b>3,707,641</b>	5,249,357

Notes:

- (i) As at 31 December 2015, the balances due from associates included the amount of RMB2,208,795,000 (2014: RMB2,052,131,000), which were non-trade in nature, 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 2015, the balances due from joint ventures included the amount of RMB1,270,811,000 (2014: RMB2,972,102,000), which were non-trade in nature, unsecured, interest-free and repayable on demand. The remaining balances due from joint ventures amounting to nil (2014: RMB449,000) are trade in nature, interest-free and repayable on demand.
- (iii) As at 31 December 2015, the balances due from other related companies were non-trade in nature, unsecured, interest-free and repayable on demand.

	Notes	2015 RMB'000	2014 RMB'000
Due to the holding company	(iv)	979,101	673,617
Due to related companies:			
Associates	(v)	2,419,051	2,088,139
Non-controlling shareholders of subsidiaries	(vi)	218,141	208,200
Joint ventures	(vii)	307,500	822,054
		<b>2,944,692</b>	3,118,393

Notes:

- (iv) The balances due to the holding company were dividends payable to the holding company.
- (v) As at 31 December 2015, the balances due to associates included the amount of RMB2,378,106,000 (2014: RMB2,017,007,000), which were non-trade in nature, unsecured, interest-free and repayable on demand. The remaining balances due to associates are trade in nature, interest-free and repayable on demand.
- (vi) As at 31 December 2015, the balances due to non-controlling shareholders of subsidiaries comprised of:
  - an amount of RMB176,403,000, all among the current portion being the payables for purchase of low grade ore products from Hainan Iron and Steel Co., Ltd., which is interest-free.
  - The remaining balances of RMB41,738,000 are non-trade in nature, interest-free and repayable on demand.
- (vii) As at 31 December 2015, the balances due to joint ventures included the amount of RMB294,990,000 (2014: RMB822,054,000), which were non-trade in nature, unsecured, interest-free and repayable on demand. The remaining balances due to joint ventures are trade in nature, interest-free and repayable on demand.

### 36. NON-CURRENT ASSET/ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	Notes	2015 RMB'000	2014 RMB'000
Carrying amount of available-for-sale investments before classification as held for sale	(i)	44,298	239,229
Carrying amount of property, plant and equipment before classification as held for sale	(ii)	58,947	—
Carrying amount of the assets of a disposal group	(iii)	—	990,341
Carrying amount after impairment		103,245	1,229,570
Liabilities directly associated with the assets classified as held for sale	(iii)	—	589,118

Notes:

- (i) As at 31 December 2015, the non-current assets held for sale represented the Group's available-for-sale investments in Shenzhen Inveno Technology Co., Ltd. ("INVENO"), Beijing Quant Group Information Technology Co., Ltd. ("Quant Group") and Shanghai T-rex Information Technology Co., Ltd. ("T-REX") amounting to RMB16,500,000, RMB7,798,000, and RMB20,000,000 respectively.
- On 27 July 2015, the Group through its subsidiary, Yadong Beichen Investment Management Co., Ltd. ("Yadong Beichen"), entered into a share transfer agreement with the original shareholder of Yadong Xingchen Investment Management Co., Ltd. ("Yadong Xingchen"), a third party, for the share transfer of the Group's equity interest of 7.82% in INVENO, equity interest of 10% in Quant Group and equity interest of 20% in T-REX for cash considerations of RMB43,988,000, RMB7,798,000 and RMB20,000,000, respectively. The share transfer is expected to be completed in 2016.
- (ii) The rest of the non-current assets held for sale represents the property, plant and equipment of a village of Club Méditerranée S.A. ("Club Med"), an indirect subsidiary of the Company, the disposal of which is considered highly probable during the year of 2016.
- (iii) On 10 December 2014, the Group through its subsidiary, Fosun Pharma entered into certain equity transfer agreements with Sinopharm Holding GuoDa Drug Store Co., Ltd. ("Guoda Drug Store"), pursuant to which, Fosun Pharma agreed to sell and Guoda Drug Store agreed to purchase 53.13% equity interest in Beijing Golden Elephant Pharmacy Medicine Chain Company Limited ("Golden Elephant Pharmacy"), 97% equity interest in Shanghai Fosun Pharmaceutical Company Limited ("Fosun Pharmaceutical") and 99.76% equity interest in Shanghai For Me Yixing Pharmacy Chain-Store Company Limited ("For Me Pharmacy") for aggregate considerations of approximately RMB414,356,000. Golden Elephant Pharmacy, Fosun Pharmaceutical and For Me Pharmacy mainly engaged in pharmaceutical distribution and retail business. Fosun Pharma has decided to dispose of these interests for the purpose of optimising the resource allocation of Fosun Pharma and moving forward the transition of business model of retail business of Fosun Pharma. As at 31 December 2014, all the assets and liabilities of Golden Elephant Pharmacy, Fosun Pharmaceutical and For Me Pharmacy were classified as assets of a disposal group held for sale and liabilities directly associated with the assets classified as held for sale in aggregate in the consolidated statement of financial position. And the disposal of these equity interests in Fosun Pharmaceutical, For Me Pharmacy and Golden Elephant Pharmacy was completed in January 2015.

### 36. NON-CURRENT ASSET/ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *(Continued)*

The assets and liabilities of Fosun Pharmaceutical, For Me Pharmacy and Golden Elephant Pharmacy classified as held for sale as at 31 December 2014 are as follows:

	2014 RMB'000
<b>Assets</b>	
Inventories	252,915
Cash and bank	223,213
Trade and notes receivables	179,233
Prepayments, deposits and other receivables	176,347
Intangible assets	75,870
Property, plant and equipment	46,804
Due from related companies	19,604
Goodwill	13,893
Available-for-sale investments	1,230
Investments in associates	972
Prepaid land lease payment	260
<b>Assets of a disposal group classified as held for sale</b>	<b>990,341</b>
<b>Liabilities</b>	
Trade and notes payables	432,217
Accrued liabilities and other payables	123,698
Deferred tax liabilities	18,852
Due to related companies	13,676
Tax payable	675
<b>Liabilities directly associated with the assets classified as held for sale</b>	<b>589,118</b>

### 37. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	2015 RMB'000	2014 RMB'000
Bank loans:	(1)		
Guaranteed		1,493,528	1,774,510
Secured		31,312,177	20,240,487
Unsecured		44,689,840	35,719,497
		77,495,545	57,734,494
Corporate bonds and enterprise bonds	(2)	6,598,361	9,040,838
Private placement note	(3)	7,560,499	4,077,554
Senior notes	(4)	5,873,726	4,012,143
Medium-term notes	(5)	5,981,017	4,577,850
Short-term commercial papers	(6)	2,053,979	2,996,451
Other borrowings, secured	(7)	3,624,268	3,944,760
Other borrowings, unsecured	(7)	5,460,584	6,771,606
Total		114,647,979	93,155,696
Repayable:			
Within one year		48,788,443	46,389,197
In the second year		20,016,093	19,488,086
In the third to fifth years, inclusive		37,324,484	22,761,251
Over five years		8,518,959	4,517,162
		114,647,979	93,155,696
Portion classified as current liabilities		(48,788,443)	(46,389,197)
Non-current portion		65,859,536	46,766,499



## 37. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes:

- (1) Certain of the Group's bank loans are secured by the pledge of certain of the Group's buildings amounting to RMB363,023,000 (2014: RMB166,764,000), investment properties amounting to RMB19,227,824,000 (2014: RMB5,433,000,000), prepaid land lease payments amounting to RMB1,022,849,000 (2014: RMB587,199,000), properties under development amounting to RMB20,976,098,000 (2014: RMB12,847,293,000), completed properties for sale amounting to RMB5,031,742,000 (2014: RMB4,852,833,000), trade and notes receivables amounting to RMB219,768,000 (2014: RMB1,155,019,000), equity investment at fair value through profit or loss amounting to RMB2,105,531,000 (2014: RMB2,922,103,000), investments in associates amounting to RMB52,292,000 (2014: Nil), investments in available-for-sale entities amounting to RMB909,356,000 (2014: RMB802,922,000) and investments in subsidiaries.

No plant and machinery (2014: RMB786,843,000), mining infrastructure (2014: RMB491,490,000), term deposits with original maturity of more than three months (2014: RMB3,486,000) and investments in a joint venture (2014: RMB533,294,000) were pledged to secure the interest-bearing bank and other borrowings.

Bank balances amounting to RMB577,432,000 (2014: RMB46,721,000) were pledged to secure the interest-bearing bank and other borrowings.

The Group's interest-bearing bank and other borrowings amounting to RMB1,493,528,000 (2014: RMB1,774,510,000) were guaranteed by Fosun Holding Limited which is the ultimate holding company of the Group.

The bank loans bear interest at rates ranging from 0.57% to 7.48% (2014: 0.52% to 8.50%) per annum.

- (2) Corporate bonds and enterprise bonds

On 24 December 2010, Shanghai Fosun High Technology (Group) Co., Ltd. ("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 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.

On 20 November 2015, Shanghai Forte Land Co., Ltd. ("Forte") issued five-year domestic corporate bonds with a par value of RMB4,000,000,000 and an effective interest rate of 4.39% per annum. The interest is paid annually in arrears and the maturity date is 20 November 2020.

On 17 December 2015, Eynsford Tokutei Mokuteki Kaisha, an indirect subsidiary of Fosun Property Holdings Limited, issued five-year corporate bonds with a par value of JPY1,000,000,000 and an interest rate of 3 month Tokyo Interbank Offered Rate plus 5.30% per annum. The interest will be paid quarterly in arrears since April 2016. The principal amount of the corporate bonds will be repaid by instalments and the final maturity date is 17 December 2020.

- (3) Private placement note

On 19 June 2013, Fosun Group issued three-year private placement notes with a 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.

On 3 April 2015, Fosun Group issued three-year private placement notes with a par value of RMB1,000,000,000 and the effective interest rate is 5.82% per annum. The interest will be paid annually in arrears and the maturity date is 3 April 2018.

On 31 July 2015, Fosun Group issued one-year private placement notes with a par value of RMB2,500,000,000 and the effective interest rate is 5.07% per annum. The interest is payable at the maturity date which is 31 July 2016.

On 11 August 2015, Fosun Group issued one-year private placement notes with a par value of RMB1,000,000,000 and the effective interest rate is 4.96% per annum. The interest is payable at the maturity date which is 11 August 2016.

On 26 October 2015, Fosun Group issued one-year private placement notes with a par value of RMB1,000,000,000 and the effective interest rate is 3.99% per annum. The interest is payable at the maturity date which is 26 October 2016.

### 37. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes: *(Continued)*

(4) Senior notes

On 30 January 2013, Sparkle Assets Limited, a direct subsidiary of Fosun Industrial Holdings Limited, issued seven-year senior notes with a 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.

On 10 May 2010, Ironshore, a subsidiary of Fosun Capital Holdings Limited, issued ten-year senior notes with a par value of USD250,000,000 and an effective interest rate of 8.76% per annum. The interest will be paid semi-annually in arrears.

In 2015, eight-year senior notes with a par value of EUR240,000,000 and an effective interest rate of 3.31% per annum issued by Xingtao Assets Limited, a direct subsidiary of Fosun Industrial Holdings Limited, were purchased by third party investors. The interest will be paid annually in arrears and the maturity date is 9 October 2022.

(5) Medium-term notes

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.

On 24 October 2014, Fosun Group issued three-year medium-term notes with a par value of RMB2,000,000,000 and an effective interest rate of 5.26% per annum. The interest is paid annually in arrears and the maturity date is 24 October 2017.

On 5 March 2015, Fosun Group issued three-year medium-term notes with a par value of RMB2,000,000,000 and an effective interest rate of 5.21% per annum. The interest is paid annually in arrears and the maturity date is 5 March 2018.

On 10 September 2015, Fosun Pharma issued three-year medium-term notes with a par value of RMB400,000,000 and an effective interest rate of 4.05% per annum. The interest is paid annually in arrears and the maturity date is 10 September 2018.

(6) Short-term commercial papers

On 11 May 2015, Fosun Group issued short-term commercial paper with a par value of RMB2,000,000,000 and an effective interest rate of 4.51% per annum. The interest is payable at the maturity date which is 11 May 2016.

(7) Other borrowings

The other borrowings represent borrowings from third parties, which bear interest at rates ranging from 0.65% to 8.7% (2014: 2.55% to 11.0%) per annum.

### 38. CONVERTIBLE BONDS

The issuer, an indirect wholly-owned subsidiary of the Company, issued convertible bonds in a principal amount of HKD3,875,000,000 (equivalent to RMB3,068,225,000) on 22 November 2013 guaranteed by the Company and certain of its subsidiaries (the "Convertible Bonds"). The Convertible Bonds are convertible into fully-paid ordinary shares of a par value of HKD0.10 each of the Company. The Convertible Bonds bear interest at the rate of 1.5% per annum payable semi-annually in arrears on 22 May and 22 November in each year. The Convertible Bonds will mature on 22 November 2018 ("Maturity 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.

During the year, certain convertible bonds with a principal amount of HKD3,506,000,000 were converted to 350,600,000 ordinary shares of the Company at the conversion price of HKD10 per share.

The convertible bonds issued during the year have been split into the liability and equity components as follows:

	2015 RMB'000	2014 RMB'000
Liabilities component at the beginning of year	2,485,546	2,319,675
Interest expense	89,457	207,618
Interest paid	(18,348)	(46,055)
Conversion into equity	(2,307,207)	—
Exchange realignment	19,535	4,308
Liability component at 31 December	268,983	2,485,546

The effective interest rate of the liability component is 8.93% per annum.

### 39. LOANS FROM RELATED COMPANIES

	2015 RMB'000	2014 RMB'000
Loans from – a joint venture	193,000	193,000
Repayable: Within one year	193,000	193,000

The loans from related parties comprise entrusted loans of RMB100,000,000 and RMB93,000,000 provided by Wuxi Forte Real Estate Development Co., Ltd., a joint venture, which are unsecured, bear interest at a rate of 3.25% per annum and are repayable on 10 November 2016 and 7 November 2016, respectively.

#### 40. TRADE AND NOTES PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	10,293,759	11,700,971
Notes payable	142,474	7,889,598
	10,436,233	19,590,569

An aged analysis of the trade payables as at the end of the reporting period is as follows:

	2015 RMB'000	2014 RMB'000
Outstanding balances with ages:		
Within 90 days	3,690,592	6,528,179
91 to 180 days	1,821,188	1,010,306
181 to 365 days	2,247,450	1,751,277
1 to 2 years	606,355	728,176
2 to 3 years	703,743	669,800
Over 3 years	1,224,431	1,013,233
	10,293,759	11,700,971

Trade and notes payables of the Group mainly arose from the resources segment, health segment and property development and sales segment. The trade and notes payables are non-interest-bearing and the credit terms granted by the Group's suppliers are as follows:

	Credit terms
Resources segment	0 to 90 days
Health segment	0 to 360 days
Property development and sales segment	180 to 360 days

#### 41. ACCRUED LIABILITIES AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Advances from customers	8,968,936	9,065,400
Payables related to:		
Purchases of property, plant and equipment	71,185	2,194,750
Deposits received	748,980	713,234
Payroll	1,838,582	827,542
Business tax	411,647	257,069
Accrued interest expenses	826,125	1,002,118
Value-added tax	84,020	137,188
Accrued utilities	182,206	202,736
Acquisition of subsidiaries	54,722	464,006
Acquisition of additional interests in subsidiaries	13,000	130,000
Current portion of other long term payables (note 50)	63,980	90,554
Funding from third parties for business development	5,558,165	3,939,779
Other accrued expense	2,170,832	1,077,867
Others	3,227,664	3,187,241
	24,220,044	23,289,484

#### 42. FINANCE LEASE PAYABLES

Total future minimum lease payments under finance leases and their present values are as follows:

	2015 RMB'000	2014 RMB'000
Repayable:		
Within one year	51,012	112,282
In the second year	37,450	39,643
In the third to fifth years, inclusive	93,429	115,302
Total minimum finance lease payments	181,891	267,227
Less: Future finance charges	(15,396)	—
	166,495	267,227
Portion classified as current finance lease payables	(46,161)	(119,110)
Non-current portion	120,334	148,117

### 43. DEPOSITS FROM CUSTOMERS

	2015 RMB'000	2014 RMB'000
Demand deposits and current accounts	1,300,688	1,696,120

As at 31 December 2015 and 2014, deposits from customers represented deposits placed in Finance Company, a subsidiary of the Group. The deposits from customers carry interest at rates ranging from 0.35% to 2.34% (2014: 0.385% to 3.08%) per annum and will be repaid upon demand of the customers.

Deposits from customers due to related parties are disclosed in note 59 to the financial statements.

### 44. UNEARNED PREMIUM PROVISIONS

	Notes	31 December 2015 Reinsurers'			31 December 2014 Reinsurers'		
		Gross RMB'000	share RMB'000	Net RMB'000	Gross RMB'000	share RMB'000	Net RMB'000
Life insurance	(i)	16,619	(869)	15,750	11,301	(907)	10,394
Non-life insurance	(ii)	12,865,360	(2,818,543)	10,046,817	2,848,926	(227,877)	2,621,049
		12,881,979	(2,819,412)	10,062,567	2,860,227	(228,784)	2,631,443

Notes:

(i) Analysis of movements in the unearned premium provisions for the life insurance business:

	31 December 2015 Reinsurers'			31 December 2014 Reinsurers'		
	Gross RMB'000	share RMB'000	Net RMB'000	Gross RMB'000	share RMB'000	Net RMB'000
At 1 January	11,301	(907)	10,394	—	—	—
Acquisition of subsidiaries	—	—	—	47,722	—	47,722
Premiums written during the year	2,530,029	(683,216)	1,846,813	1,563,826	(46,741)	1,517,085
Premiums earned during the year	(2,524,370)	683,211	(1,841,159)	(1,596,502)	45,771	(1,550,731)
Exchange realignment	(341)	43	(298)	(3,745)	63	(3,682)
At 31 December	16,619	(869)	15,750	11,301	(907)	10,394

(ii) Analysis of movements in the unearned premium provisions for the non-life insurance business:

	31 December 2015 Reinsurers'			31 December 2014 Reinsurers'		
	Gross RMB'000	share RMB'000	Net RMB'000	Gross RMB'000	share RMB'000	Net RMB'000
At 1 January	2,848,926	(227,877)	2,621,049	207,427	—	207,427
Acquisition of subsidiaries (note 54(a))	9,810,566	(2,481,230)	7,329,336	2,662,313	(419,505)	2,242,808
Premiums written during the year	15,316,797	(1,929,343)	13,387,454	7,268,688	(663,689)	6,604,999
Premiums earned during the year	(15,040,297)	1,849,276	(13,191,021)	(7,095,542)	812,355	(6,283,187)
Exchange realignment	(70,632)	(29,369)	(100,001)	(193,960)	42,962	(150,998)
At 31 December	12,865,360	(2,818,543)	10,046,817	2,848,926	(227,877)	2,621,049

## 45. PROVISION FOR OUTSTANDING CLAIMS

	Notes	31 December 2015 Reinsurers'			31 December 2014 Reinsurers'		
		Gross RMB'000	share RMB'000	Net RMB'000	Gross RMB'000	share RMB'000	Net RMB'000
Life insurance	(i)	1,364,432	(79,182)	1,285,250	923,124	(65,592)	857,532
Non-life insurance	(ii)	45,644,916	(9,932,876)	35,712,040	13,234,269	(731,860)	12,502,409
		47,009,348	(10,012,058)	36,997,290	14,157,393	(797,452)	13,359,941
Portion classified as current liabilities		(14,461,347)			(6,534,777)		
Non-current portion		32,548,001			7,622,616		

Notes:

- (i) Analysis of movements in the provision for outstanding claims for the life insurance business:

	31 December 2015 Reinsurers'			31 December 2014 Reinsurers'		
	Gross RMB'000	share RMB'000	Net RMB'000	Gross RMB'000	share RMB'000	Net RMB'000
At 1 January	923,124	(65,592)	857,532	—	—	—
Acquisition of subsidiaries	—	—	—	929,849	(99,561)	830,288
Claims paid during the year	(1,966,823)	45,679	(1,921,144)	(1,738,324)	37,695	(1,700,629)
Claims incurred during the year	2,433,740	(61,922)	2,371,818	1,853,705	(14,476)	1,839,229
Exchange realignment	(25,609)	2,653	(22,956)	(122,106)	10,750	(111,356)
At 31 December	1,364,432	(79,182)	1,285,250	923,124	(65,592)	857,532

- (ii) Analysis of movements in the provision for outstanding claims for the non-life insurance business:

	31 December 2015 Reinsurers'			31 December 2014 Reinsurers'		
	Gross RMB'000	share RMB'000	Net RMB'000	Gross RMB'000	share RMB'000	Net RMB'000
At 1 January	13,234,269	(731,860)	12,502,409	318,667	—	318,667
Acquisition of subsidiaries (note 54(a))	31,570,756	(8,458,092)	23,112,664	14,773,355	(1,078,738)	13,694,617
Claims paid during the year	(10,769,140)	2,899,746	(7,869,394)	(4,226,622)	376,100	(3,850,522)
Claims incurred during the year	11,252,016	(3,389,286)	7,862,730	4,298,419	(147,179)	4,151,240
Exchange realignment	357,015	(253,384)	103,631	(1,929,550)	117,957	(1,811,593)
At 31 December	45,644,916	(9,932,876)	35,712,040	13,234,269	(731,860)	12,502,409

#### 46. FINANCIAL LIABILITIES FOR UNIT-LINKED CONTRACTS AND INVESTMENT CONTRACT LIABILITIES

	Notes	2015 RMB'000	2014 RMB'000
Financial liabilities for unit-linked contracts	(i)	4,065,916	5,305,884
Investment contract liabilities	(ii)	53,232,403	52,044,306
Commissions on the issue of financial products		(87,193)	(71,674)
		57,211,126	57,278,516
Portion classified as current liabilities		(5,192,088)	(10,034,697)
Non-current portion		52,019,038	47,243,819

Notes:

(i) Unit-linked contracts

	2015 RMB'000	2014 RMB'000
At 1 January	5,305,884	—
Acquisition of subsidiaries	—	8,653,797
Issues	25,552	20,734
Redemptions	(1,037,437)	(2,577,413)
Profit or loss	55,299	116,272
Other	(335)	(753)
Exchange realignment	(283,047)	(906,753)
At 31 December	4,065,916	5,305,884

(ii) Other investment contract liabilities

	2015 RMB'000	2014 RMB'000
At 1 January	52,044,306	—
Acquisition of subsidiaries	—	52,317,559
Issues	17,219,813	15,464,341
Redemptions	(14,908,197)	(9,898,477)
Profit or loss	1,294,774	1,001,277
Other	(2,538)	(4,649)
Exchange realignment	(2,415,755)	(6,835,745)
At 31 December	53,232,403	52,044,306



## 47. OTHER LIFE INSURANCE CONTRACT LIABILITIES

### 31 December 2015

	Life RMB'000	Non-life RMB'000	Total RMB'000
Mathematical provision for life insurance	12,026,825	—	12,026,825
Provision for profit sharing	487,892	13	487,905
Provision for interest rate commitments	39,921	—	39,921
Provision for portfolio stabilisation	179,311	—	179,311
	12,733,949	13	12,733,962
Portion classified as current liabilities			(1,359,147)
Non-current portion			11,374,815

### 31 December 2014

	Life RMB'000	Non-life RMB'000	Total RMB'000
Mathematical provision for life insurance	12,738,942	—	12,738,942
Provision for profit sharing	813,621	443	814,064
Provision for interest rate commitments	55,580	—	55,580
Provision for portfolio stabilisation	182,678	—	182,678
	13,790,821	443	13,791,264
Portion classified as current liabilities			(1,561,511)
Non-current portion			12,229,753

## 47. OTHER LIFE INSURANCE CONTRACT LIABILITIES (Continued)

### 31 December 2015

Analysis of movements of other life insurance contract liabilities business:

	Mathematical provision for life insurance RMB'000	Provision for profit sharing RMB'000	Provision for interest rate commitments RMB'000	Provision for portfolio stabilisation RMB'000	Total RMB'000
At 1 January	12,738,942	813,621	55,580	182,678	13,790,821
Liabilities originated in period and interest attributed	(170,307)	286,702	(12,621)	5,316	109,090
Amount attributable to insured from shareholders' equity	—	(472,029)	—	—	(472,029)
Change in deferred acquisition costs	71	—	—	—	71
Other movements	2,888	—	—	—	2,888
Income distributed	73,628	(91,424)	—	—	(17,796)
Exchange realignment	(618,397)	(48,978)	(3,038)	(8,683)	(679,096)
At 31 December	12,026,825	487,892	39,921	179,311	12,733,949

### 31 December 2014

Analysis of movements of other life insurance contract liabilities business:

	Mathematical provision for life insurance RMB'000	Provision for profit sharing RMB'000	Provision for interest rate commitments RMB'000	Provision for portfolio stabilisation RMB'000	Total RMB'000
At 1 January	—	—	—	—	—
Acquisition of subsidiaries	14,800,847	1,021,868	68,045	203,174	16,093,934
Liabilities originated in period and interest attributed	(296,843)	229,973	(4,367)	4,855	(66,382)
Amount attributable to insured from shareholders' equity	—	(292,530)	—	—	(292,530)
Change in deferred acquisition costs	(249)	—	—	—	(249)
Other movements	5,402	—	—	—	5,402
Income distributed	5,918	(29,859)	—	—	(23,941)
Exchange realignment	(1,776,133)	(115,831)	(8,098)	(25,351)	(1,925,413)
At 31 December	12,738,942	813,621	55,580	182,678	13,790,821

#### 48. INSURANCE AND REINSURANCE CREDITORS

	2015 RMB'000	2014 RMB'000
Amounts due to insurance customers and suppliers	2,116,415	765,224
Amounts due to insurance intermediaries	641,087	279,508
Deposits retained from reinsurers/retrocessionaires	899,881	282,957
Prepaid premiums received	149,694	125,578
Other	50,631	—
	<b>3,857,708</b>	<b>1,453,267</b>
Portion classified as current liabilities	<b>(3,740,375)</b>	<b>(1,453,267)</b>
Non-current portion	<b>117,333</b>	<b>—</b>

The following is an ageing analysis of the amounts due to insurance customers:

	2015 RMB'000	2014 RMB'000
Amounts due to insurance customers and suppliers:		
Within 90 days	3,047,760	995,095
91-180 days	272,363	81,030
181-365 days	133,211	161,751
1-2 years	119,934	55,751
2-3 years	32,619	70,097
Over 3 years	251,821	89,543
	<b>3,857,708</b>	<b>1,453,267</b>

#### 49. DEFERRED INCOME

Deferred income represents government grants received related to assets.

	2015 RMB'000	2014 RMB'000
Special purpose fund for technology improvement	224,862	311,683
Government grants for property development and fixed assets construction	794,246	—
	<b>1,019,108</b>	<b>311,683</b>

## 50. OTHER LONG TERM PAYABLES

	Notes	2015 RMB'000	2014 RMB'000
Payables for rehabilitation	(i)	128,035	200,378
Payables for employee benefits	(ii)	553,252	353,241
Payables for restructuring provisions		310,732	388,839
Payables for the acquisition of subsidiaries		—	27,720
Payables for acquisition of additional interests in subsidiaries		303,708	291,642
Loans from non-controlling shareholders of subsidiaries		2,060,768	1,928,294
Others		729,890	754,677
		<b>4,086,385</b>	<b>3,944,791</b>

Notes:

- (i) The movements of payables for rehabilitation are set out below:

	2015 RMB'000	2014 RMB'000
At 1 January	200,378	32,919
Additions	23,784	3,913
Acquisition of subsidiaries	—	223,234
Disposal of subsidiaries	(72,273)	—
Payment made	(1,549)	(8,899)
Classified as current portion (note 41)	(31,434)	(50,789)
Exchange realignment	9,129	—
At 31 December	<b>128,035</b>	<b>200,378</b>

Payables for rehabilitation are in relation to the costs of the Group's obligations for land reclamation.

- (ii) The movements of payables for employee benefits are set out below:

	2015 RMB'000	2014 RMB'000
At 1 January	353,241	159,439
Additions	31,824	35,875
Acquisition of subsidiaries	237,661	232,609
Interest increment (note 7)	10,219	12,681
Payments made	(55,885)	(26,695)
Classified as current portion (note 41)	(32,546)	(39,765)
Exchange realignment	8,738	(20,903)
At 31 December	<b>553,252</b>	<b>353,241</b>

Payables for employee benefits are based on estimates of future payments made by management and are discounted at rates in the range of 1% to 7.83% (2014: 6.4% to 10.5%).

## 51. SHARE CAPITAL

### Shares

	2015 RMB'000	2014 RMB'000
Issued and fully paid:		
8,609,881,144 (2014: 6,922,478,871) ordinary shares	36,046,143	16,281,011

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Issued capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Total RMB'000
At 1 January 2014	6,421,594,500	621,497	11,785,713	1,465	12,408,675
Rights issue of new shares	500,884,371	3,886,511	—	—	3,886,511
Share issue expenses	—	(14,175)	—	—	(14,175)
Transition to no-par value regime on 3 March 2014 (Note (a))	—	11,787,178	(11,785,713)	(1,465)	—
At 31 December 2014 and 1 January 2015	6,922,478,871	16,281,011	—	—	16,281,011
Share award scheme (Note (b))	4,620,000	—	—	—	—
Placing of shares (Note (c))	465,000,000	7,288,395	—	—	7,288,395
Rights issue of new shares (Note (d))	867,182,273	9,537,094	—	—	9,537,094
Share issue expenses	—	(20,061)	—	—	(20,061)
Conversion of convertible bonds to ordinary shares (note 38)	350,600,000	2,959,704	—	—	2,959,704
At 31 December 2015	8,609,881,144	36,046,143	—	—	36,046,143

#### Notes:

- In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium and capital redemption reserve account has become part of the Company's share capital.
- During the year, according to the share award scheme announced by the Company on 26 March 2015, the Company issued and allotted 4,620,000 new shares at nil consideration which were awarded to selected participants and will be vested based on certain vesting conditions.
- During the year, the Company completed the placing of 465,000,000 shares at the placing price of HKD20.00 per share.
- During the year, the Company issued 867,182,273 rights shares at the subscription price of HKD13.42 per share.

## 52. RESERVES

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.

### (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 this 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.

In accordance with the Company Law of Portugal, a percentage of not less than 10% or 5% of each year's net profit, depending on whether a company is an insurance or other company, must be transferred to the legal reserve, until it totals the amount of share capital or up to 20% of the capital, respectively. The legal reserve may not be distributed, but only be used to increase share capital or offset accumulated losses.

### (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.

### 53. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2015	2014
Percentage of equity interest held by non-controlling interests:		
Fosun Pharma	60.22%	60.17%
Hainan Mining	46.00%	46.00%
Portuguese Insurance Group	15.01%	20.00%

Hainan Mining Co., Ltd. and its subsidiaries are collectively referred to as "Hainan Mining". Fidelidade - Companhia de Seguros, S.A., Multicare - Seguros de Saúde, S.A. and Fidelidade Assistência - Companhia de Seguros, S.A. are collectively referred to as "Portuguese Insurance Group".

	2015 RMB'000	2014 RMB'000
Profit for the year allocated to non-controlling interests:		
Fosun Pharma	1,480,238	1,598,768
Hainan Mining	1,612	169,620
Portuguese Insurance Group	302,164	216,477
Dividends paid to non-controlling interests:		
Fosun Pharma	389,345	375,562
Hainan Mining	128,800	380,000
Accumulated balances of non-controlling interests at the reporting dates:		
Fosun Pharma	11,370,517	10,463,552
Hainan Mining	2,048,383	2,175,571
Portuguese Insurance Group	1,650,857	2,637,169

## 53. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

(Continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Portuguese Insurance Group RMB'000	Fosun Pharma RMB'000	Hainan Mining RMB'000
<b>2015</b>			
Revenue	8,980,914	12,502,163	813,519
Total expenses	(7,020,441)	(9,631,502)	(810,014)
Profit for the year	1,960,473	2,870,661	3,505
Total comprehensive (loss) /income for the year	(53,870)	2,677,414	(1,117)
Current assets	34,001,618	8,325,378	2,371,954
Non-current assets	73,747,974	29,819,462	3,407,853
Current liabilities	(18,252,989)	(10,939,200)	(1,254,914)
Non-current liabilities	(75,030,414)	(6,592,878)	(206,764)
Net cash flows from/(used in) operating activities	135,892	1,621,028	(110,347)
Net cash flows from/(used in) investing activities	7,981,238	(1,869,910)	(593,653)
Net cash flows from/(used in) financing activities	3,964,580	550,715	(61,136)
	Portuguese Insurance Group RMB'000	Fosun Pharma RMB'000	Hainan Mining RMB'000
<b>2014</b>			
Revenue	6,690,283	11,938,243	1,589,196
Total expenses	(5,586,079)	(9,568,404)	(1,165,146)
Profit for the year	1,104,204	2,369,839	424,050
Total comprehensive income/(loss)for the year	(478,676)	2,302,150	424,050
Current assets	33,786,893	8,664,025	3,398,580
Non-current assets	72,216,954	26,615,365	2,712,860
Current liabilities	(24,428,412)	(9,537,320)	(1,303,514)
Non-current liabilities	(70,658,895)	(6,695,955)	(208,680)
Net cash flows from operating activities	4,550,754	1,200,214	482,114
Net cash flows used in investing activities	(4,321,425)	(2,478,337)	(433,704)
Net cash flows from financing activities	76,858	1,863,070	949,411



## 54. 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:

In February 2015, Gaillon Invest II, an indirectly owned subsidiary of the Company, acquired 100% of the equity interests in Club Med, at a total consideration of EUR916,664,000 (equivalent to RMB6,240,832,000). The acquisition was undertaken to further develop the global happiness business of the Group.

In March 2015, Forte through its wholly-owned subsidiary, Shanghai Forte Investment Management Co., Ltd. ("Forte Investment"), acquired the remaining 50% equity interests in Shanghai Mushen Property Development Co., Ltd., Shanghai Hugang Property Development Co., Ltd., Shanghai Gangrui Property Development Co., Ltd., Shanghai Tengxing Property Development Co., Ltd., Shanghai Shunfu Investment Development Co., Ltd. and Shanghai Fusheng Investment Development Co., Ltd. (collectively referred to as the "Gangling Project") at a consideration of RMB283,000,000. Before the acquisition, Forte Investment held 50% equity interest in Gangling Project, which were accounted for as investments in joint ventures. The major assets of Gangling Project are properties under development and completed properties for sale located in Shanghai, the PRC.

In July 2015, Miracle Nova II (US), LLC, an indirect wholly-owned subsidiary of the Company completed the acquisition of 100% equity interests in MIG at a consideration of USD438,987,000 (equivalent to RMB2,685,371,000). The acquisition was undertaken to further develop the global insurance business of the Group.

In July 2015, Plata Cross (UK) Limited, an indirect owned subsidiary of the Company completed the acquisition of 100% equity interests in Silver Cross Nurseries Limited at a consideration of GBP54,568,000 (equivalent to RMB526,160,000). The acquisition was undertaken to further develop the health business of the Group.

In July 2015, Forte through its indirect wholly-owned subsidiary Shanghai Yizhong Investment Co., Ltd ("Shanghai Yizhong") acquired the remaining 50% equity interests in Wuhan Fujiang Real Estate Co., Ltd. ("Wuhan Fujiang") at a consideration of RMB300,000,000. Before the acquisition, Shanghai Yizhong held 50% equity interest in Wuhan Fujiang which was accounted for as investment in a joint venture. The major assets of Wuhan Fujiang are properties under development in Wuhan, the PRC.

In September 2015, the Company through its indirect wholly-owned subsidiary Zhejiang Fosun Commerce Development Limited acquired 100% equity interests in BFC at a consideration of RMB8,493,000,000. The major assets of BFC are investment properties in Shanghai, the PRC.

In November 2015, the Company through its indirect wholly-owned subsidiary Mettlesome Investment (Cayman) III Limited, acquired the remaining 80% equity interests in Ironshore at a consideration of USD2,029,826,000 (equivalent to RMB12,983,173,000). Before the acquisition, the Company through its indirect wholly-owned subsidiary Mettlesome Investments Limited held 20% equity interest in Ironshore, which was accounted for as investment in an associate. The acquisition was undertaken to further develop the global insurance 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.

## 54. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

### (a) 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 subsidiaries acquired during the year were as follows:

	2015 Fair value recognised on acquisition RMB'000
Property, plant and equipment (note 13)	5,291,265
Investment properties (note 14)	17,684,506
Prepaid land lease payments (note 15)	11,594
Investments in associates	392,992
Available-for-sale investments	38,988,314
Intangible assets (note 19)	6,854,249
Deferred tax assets (note 27)	1,341,731
Cash and cash equivalents	5,522,039
Investments at fair value through profit or loss	679,366
Trade and notes receivables	966,808
Prepayments, deposits and other receivables	3,951,293
Inventories	273,109
Completed properties for sale	755,870
Properties under development	3,576,370
Policyholder account assets in respect of unit-linked contracts	56,549
Insurance and reinsurance debtors	4,384,920
Reinsurers' share of insurance contract provisions	11,018,004
Subtotal carried forward	101,748,979

## 54. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

### (a) 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 subsidiaries acquired during the year were as follows: *(Continued)*

	2015 Fair value recognised on acquisition RMB'000
Subtotal brought forward	101,748,979
Interest-bearing bank and other borrowings	(10,757,834)
Trade and notes payables	(1,626,767)
Accrued liabilities and other payables	(8,778,725)
Tax payable	1,012
Due to related companies	(648,435)
Unearned premium provisions (note 44)	(9,810,566)
Insurance and reinsurance creditors	(1,871,043)
Deferred income	(151,101)
Deferred tax liabilities (note 27)	(2,810,065)
Provision for outstanding claims (note 45)	(31,570,756)
Total identifiable net assets at provisional fair value*	33,724,699
Non-controlling interests	(318,627)
Total net assets acquired	33,406,072
Gain on bargain purchase of subsidiaries (note 6)	(847,409)
Goodwill on acquisition (note 20)	3,890,794
	36,449,457
Satisfied by:	
Cash consideration paid	30,081,546
Investments at fair value through profit or loss	1,384,563
Investment in an associate	3,050,987
Investment in joint ventures	1,917,545
Cash consideration unpaid	14,816
	36,449,457

\* The assessments of the fair values of the identifiable assets and liabilities of Club Med, MIG and Ironshore are still undergoing and the information of the fair values of the identifiable assets and liabilities is provisional. The finalised information will be disclosed in the consolidated financial statements of the Group for the year ended 31 December 2016.

## 54. 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 prepayments, deposits and other receivables as at the dates of acquisition amounted to RMB966,808,000 and RMB3,951,293,000, respectively. The gross contractual amounts of trade receivables and prepayments, deposits and other receivables were RMB966,808,000 and RMB3,951,293,000, respectively.

The Group incurred transaction costs of RMB221,543,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses or administrative 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 RMB10,541,993,000 to the Group's revenue and net loss of RMB627,606,000 to the consolidated profit for the year ended 31 December 2015.

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 2015 would have been RMB91,526,531,000 and RMB11,432,652,000, respectively.

#### (ii) An analysis of the cash flows in respect of the acquisition of subsidiaries as set out in (i) above are as follows:

	RMB'000
Consideration settled by cash	(30,081,546)
Cash and cash equivalents acquired	5,522,039
	(24,559,507)
Payment of unpaid cash consideration as at 31 December 2014	(425,328)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(24,984,835)
Transaction costs of the acquisition included in cash flows from operating activities	(221,543)
	(25,206,378)

### (b) Disposal of subsidiaries

In January 2015, the Group completed the disposal transactions of Golden Elephant Pharmacy, Fosun Pharmaceutical and For Me Pharmacy. As at 31 December 2014, the carrying amounts of the assets and liabilities of Golden Elephant Pharmacy, Fosun Pharmaceutical and For Me Pharmacy were classified as held for sale in the consolidated statement of financial position as set out in note 36.

The major disposal during the year is set out as follows:

In August 2015, Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd., a subsidiary of Fosun Pharma, entered into an equity interest transfer agreement with Chen Zhimin, Li Honghong and Wang Wenyu (陳致懋, 李紅紅 and 王文鈺) to dispose 60.68% equity interests in Handan Pharmaceutical Co., Ltd. at a consideration of RMB161,300,000.

## 54. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

### (b) Disposal of subsidiaries (Continued)

On 31 December 2015, Shanghai Fosun Industrial Technology Development Co., Ltd. ("Fosun Industrial Development"), an indirectly wholly-owned subsidiary of the Company, entered into an agreement with Nanjing Iron & Steel (Group) Co., Ltd., one of the shareholders of Nanjing Nangang, pursuant to which, Fosun Industrial Development delegated 10% voting rights in Nanjing Nangang to Nanjing Iron & Steel (Group) Co., Ltd. Upon the date of the delegation, the voting rights of the Company in Nanjing Nangang decreased from 60% to 50% and the Group lost control over Nanjing Nangang, and Nanjing Nangang was accounted for as investment in a joint venture by the Group. The assessments of the fair values of the identifiable assets and liabilities of the joint venture, Nanjing Nangang, are still undergoing. The information of the fair values of the identifiable assets and liabilities is provisional and will be finalised during the year ending 31 December 2016. In addition, during the year of 2015, the Group disposed 1,340,142,123 shares of Nanjing Iron & Steel Shareholding Co., Ltd, a subsidiary of Nanjing Nangang listed on the Shanghai Stock Exchange, at a consideration of RMB7,205,011,000 in cash.

The total net assets disposed of in respect of the disposal of the subsidiaries during the year were as follows:

	2015 RMB'000	2014 RMB'000
Net assets disposed of:		
Property, plant and equipment	24,083,379	121,409
Prepaid land lease payments	1,017,937	—
Mining rights (note 17)	91,907	—
Oil and gas assets (note 18)	158,789	—
Intangible assets	75,876	—
Goodwill	20,152	—
Investments in joint ventures	106,183	—
Investments in associates	222,210	—
Available-for-sale investments	1,200,299	—
Deferred tax assets (note 27)	1,930,620	33,527
Properties under development	90,382	2,629,511
Investment properties (note 14)	—	776,000
Cash and bank	5,265,924	1,792,329
Investments at fair value through profit or loss	1,736,154	—
Trade and notes receivables	4,138,958	8,202
Prepayments, deposits and other receivables	4,220,147	196,885
Due from related parties	212,361	113,985
Inventories	2,918,257	14,756
Completed properties for sale	—	17,585
Interest-bearing bank and other borrowings	(15,892,571)	(2,201,883)
Trade and notes payables	(10,880,809)	(171,738)
Due to related companies	(55)	(230)
Accrued liabilities and other payables	(5,702,617)	(1,613,311)
Tax payable	(203,574)	(169,889)
Finance lease payables	(117)	—
Deferred income	(5,610)	(293,000)
Other long term payables	(224,541)	(2,490)
Deferred tax liabilities	(958,346)	(124,164)
Non-controlling interests	(5,620,224)	(311,038)
	8,001,071	816,446
Fair value of the retained interests in subsidiaries disposed of	(7,342,710)	(711,974)
Net gain/(loss) on disposal of subsidiaries (notes 6 and 8)	7,180,957	(15,873)
	7,839,318	88,599

## 54. 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:

	2015 RMB'000	2014 RMB'000
Satisfied by:		
Cash	7,826,596	74,600
Other receivables	12,722	13,999
	7,839,318	88,599
Cash consideration	7,826,596	74,600
Cash and cash equivalents disposed of	(1,588,138)	(1,792,329)
Advance receipt of cash consideration in previous years	(124,310)	—
Net inflow/(outflow) of cash and cash equivalents included in cash flows from investing activities	6,114,148	(1,717,729)

## 55. SHARE-BASED PAYMENTS

### (a) Share award scheme of the Company

The Company adopts a share award scheme ("Share Award Scheme") for the purpose to align the interests of the eligible persons with those of the Group through ownership of shares, dividends and other distributions paid on shares and the increase in value of the shares; and to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group.

On 26 March 2015, the Board of Directors of the Company has resolved to award an aggregate of 4,620,000 award shares ("Award Shares") to 71 Selected Participants under the share award scheme ("Share Award Scheme"), of which (i) 2,430,000 Award Shares will be awarded to 52 selected participants by way of issue and allotment of new shares pursuant to the general mandate (the "General Mandate"); and (ii) 2,190,000 connected Award Shares will be awarded to 19 connected selected participants by way of issue and allotment of new shares pursuant to a specific mandate (the "Specific Mandate") obtained in the annual general meeting held on 28 May 2015.

Award Shares shall be locked up immediately upon granting. All of the Award Shares granted to participants shall be subject to various lock-up periods ranging from one year to three years, respectively, immediately from the date of grant. Award Shares held by participants shall be unlocked in three tranches in the proportion of 33%, 33% and 34% of the total number of the Award Shares granted upon the expiry of each lock-up period.

The aggregate fair value of the Share Award Scheme granted amounted to approximately HKD60,274,000. The Group has recognised an amount of HKD27,121,000 (equivalent to RMB21,831,000) as expenses for the year ended 31 December 2015.

### (b) Restricted A share Incentive Scheme by Fosun Pharma

Fosun Pharma adopts a share incentive scheme (the "Restricted A Share Incentive Scheme") for the purpose of further refining the corporate governance structure of Fosun Pharma, facilitating the establishment of the restricted incentive mechanism, fully motivating the directors and key personnel of Fosun Pharma, as well as balancing the interests of the shareholders, Fosun Pharma and the management for the long-term development of Fosun Pharma.

#### Restricted A Share Incentive Scheme I

On 7 January 2014 (the "Date of Grant"), pursuant to the Restricted A Share Incentive Scheme I, 4,035,000 A shares of Fosun Pharma were granted to 28 eligible participants of the Restricted A Share Incentive Scheme (the "Share Incentive Participants") at a grant price of RMB6.08 per share. The Share Incentive Participants include executive directors and the members of senior management of Fosun Pharma and core technical and management personnel.

27 out of 28 of the share incentive participants have accepted and subscribed with their own funds under the Restricted A Share Incentive Scheme and a total of 3,935,000 restricted A Shares ("Restricted Shares") have been issued by Fosun Pharma to the relevant share incentive participants.

The Restricted A Share Incentive Scheme shall be valid for a term of four years, commencing from the Date of Grant of the Restricted Shares and ending on the date on which all the Restricted Shares on 7 January 2014.

Restricted Shares shall be locked up immediately upon granting. All of the Restricted Shares granted to Share Incentive Participants shall be subject to various lock-up periods ranging from one year, two years and three years, respectively, immediately from the Date of Grant. Restricted Shares held by Share Incentive Participants shall be unlocked (or repurchased and cancelled by Fosun Pharma) in three tranches in the proportion of 33%, 33% and 34% of the total number of the Restricted Shares granted upon the expiry of each lock-up period.

The aggregate fair value of the Restricted Shares granted amounted to approximately RMB59,012,000, of which RMB35,087,000 will be charged to profit or loss and the capital reserve as costs of share-based compensation in aggregate from the date of grant to the date on which the unlocking conditions are being fulfilled and the shares may be circulated according to the law, after netting of the total considerations received for the issue of the Restricted Shares amounting to RMB23,925,000. The Group has recognised an amount of RMB7,642,000 as expenses for the year ended 31 December 2015 (2014: RMB21,841,000).

## 55. SHARE-BASED PAYMENTS *(Continued)*

### (b) **Restricted A share Incentive Scheme by Fosun Pharma** *(Continued)*

#### **Restricted A Share Incentive Scheme II**

On 19 November 2015 (the "Date of Grant"), pursuant to the Restricted A Share Incentive Scheme II, 2,695,000 A shares of the Fosun Pharma were granted to 45 eligible participants of the Restricted A Share Incentive Scheme II at a grant price of RMB10.54 per share.

Restricted Shares issued pursuant the Restricted A Share Incentive Scheme II shall be locked up immediately upon granting. All of the Restricted Shares granted to Share Incentive Participants shall be subject to various Lock-up Periods ranging from one year, two years and three years, respectively, immediately from the Date of Grant. Restricted Shares held by Share Incentive Participants shall be unlocked (or repurchased and cancelled by Fosun Pharma) in three tranches in the proportion of 33%, 33% and 34% of the total number of the Restricted Shares granted upon the expiry of each lock-up period.

The aggregate fair value of the Restricted Shares granted amounted to approximately RMB68,102,000, of which RMB39,697,000 will be charged to profit or loss and the capital reserve as costs of share-based compensation in aggregate from the date of grant to the date on which the unlocking conditions are being fulfilled and the shares may be circulated according to the law, after netting of the total considerations received for the issue of the Restricted Shares amounting to RMB28,405,000. The Group has recognised an amount of RMB2,012,000 as expenses for the year ended 31 December 2015.

### (c) **CML share option**

Certain employees of Chindex International Inc. ("Chindex", listed in the NASDAQ market) provide services to Chindex Medical Limited ("CML"), an indirect subsidiary of Fosun Pharma. The service agreement between CML and Chindex provides that the full compensation cost of Chindex employees who provide service to CML will be charged to CML, which will include the cost of share-based compensation on a non-cash basis, if applicable to the employees. In addition, certain former Chindex employees that are now employees of CML participate in Chindex's equity compensation program and hold options for Chindex's common shares and Chindex's restricted shares, and the costs of those share options are expensed as they provide services to CML. As at 29 September 2014, along with the privatisation and delisting of Chindex, all the share options and restricted shares held by relevant Chindex employees and non-employees were cancelled and settled by cash. There are no share option expense incurred for CML share option in 2015.



## 56. 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:

	2015 RMB'000	2014 RMB'000
Within one year	403,008	440,823
In the second to fifth years, inclusive	975,727	1,579,231
Over five years	1,118,716	81,483
	<b>2,497,451</b>	<b>2,101,537</b>

### 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 had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	7,735,987	135,551
In the second to fifth years, inclusive	6,541,412	274,359
Over five years	4,507,313	549,531
	<b>18,784,712</b>	<b>959,441</b>

## 57. COMMITMENTS

In addition to the operating lease commitments detailed in note 56 above, the Group had the following capital commitments at the end of the reporting period:

	2015 RMB'000	2014 RMB'000
Contracted, but not provided for:		
Plant and machinery	1,881,272	1,701,623
Properties under development	13,679,434	16,374,753
Investments	4,446,210	14,285,765
	<b>20,006,916</b>	<b>32,362,141</b>

## 57. COMMITMENTS (Continued)

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	2015 RMB'000	2014 RMB'000
Contracted but not provided for:		
Buildings	80,185	—
Plant and machinery	422,243	—
Properties under development	206,628	777,756
	<b>709,056</b>	<b>777,756</b>

## 58. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the end of the reporting period:

	Notes	2015 RMB'000	2014 RMB'000
Guaranteed bank loans and corporate bonds of:			
Related parties (note 59)	(1)	5,319,000	223,000
Qualified buyers' mortgage loans	(2)	2,726,667	2,434,754
		<b>8,045,667</b>	<b>2,657,754</b>

(1) The directors consider that the possibility of the default in payments regarding to those bank loans and corporate bonds of related parties is remote taking the operation result and payment history of related parties into consideration and therefore no provision has been made in the financial statements for the contingent liabilities arising from the guarantee provided by the Group to the bank loans and corporate bonds of related parties.

(2) As at 31 December 2015, the Group provided guarantees of approximately RMB2,726,667,000 (31 December 2014: RMB2,434,754,000) in favour of their customers in respect of mortgage loans provided by banks to these 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 principal together with the accrued interest and penalties and therefore no provision has been made in the financial statements for the guarantees.

(3) Owing to the nature of the insurance business, the insurance segment of the Group is involved in legal proceedings in the ordinary course of its activity, including being the plaintiff or the defendant in litigation and arbitration proceedings. Most of such legal proceedings involve claims concerning insurance policies, which are already provisioned, and some additional losses arising therefrom will be indemnified either by reinsurers or by other recoveries, like salvages. Although the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the Group believes that any resulting liabilities will not have a material adverse effect on its financial position or operating results.

## 59. 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	2015 RMB'000	2014 RMB'000
<b>Sales of goods</b>			
Sinopharm Group Co., Ltd. (Notes 2 & 9)	Sales of pharmaceutical products	861,223	710,922
Shangai Banksteel Electronic Commerce Co., Ltd. (Notes 3 & 9)	Sales of steel products	564,902	38,225
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd. (Notes 7 & 9)	Sales of utility	65,508	78,928
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd. (Notes 7 & 9)	Sales of scrap material	61,759	112,265
Chindex International, Inc. (Notes 2 & 9)	Sales of pharmaceutical products	29,680	13,801
Healthy Harmony Holdings L.P. (Notes 2 & 9)	Sales of pharmaceutical products	18,204	—
Nanjing Shengchang Renewable Resources Co., Ltd. (Notes 7 & 9)	Sales of scrap material	1,997	—
Shanghai LONZA Fosun Pharmaceutical Science and Technology Development Ltd. (Notes 2 & 9)	Sales of pharmaceutical products	1,581	4,291
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (Notes 2 & 9)	Sales of pharmaceutical products	—	19,446
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd. (Notes 2 & 9)	Sales of pharmaceutical products	—	6,204
Shanghai Huifeng Forme Pharmacy Co., Ltd. (Notes 2 & 9)	Sales of pharmaceutical products	—	2,978
Shanghai Liyi Pharmacy Co., Ltd. (Notes 2 & 9)	Sales of pharmaceutical products	—	1,712
Shanghai Yaofang Co., Ltd. (Notes 2 & 9)	Sales of pharmaceutical products	—	1,136
<b>Total sales of goods</b>		<b>1,604,854</b>	<b>989,908</b>

## 59. RELATED PARTY TRANSACTIONS (Continued)

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: (continued)

Name of related parties	Nature of transactions	2015 RMB'000	2014 RMB'000
<b>Purchases of goods</b>			
Sinopharm Group Co., Ltd. (Notes 2 & 9)	Purchases of pharmaceutical products	97,273	147,494
Nanjing Shengchang Renewable Resources Co., Ltd. (Notes 7 & 9)	Purchases of iron ore	33,855	—
Suzhou Amerigen Pharmaceutical Co., Ltd. (Notes 2 & 9)	Purchases of pharmaceutical products	5,660	—
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd. (Notes 2 & 9)	Purchases of pharmaceutical products	—	7,090
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (Notes 2 & 9)	Purchases of pharmaceutical products	—	6,892
Shanghai Yaofang Co., Ltd. (Notes 2 & 9)	Purchases of pharmaceutical products	—	409
<b>Total purchases of goods</b>		<b>136,788</b>	<b>161,885</b>
<b>Service income</b>			
Shenyang Yuyuan Tourist Mart Property Co., Ltd. (Notes 2 & 10)	Consulting services provided to the related company	30,685	—
Zhejiang Dongyang China Woodcarving City Investment and Development Co., Ltd. (Notes 2 & 10)	Consulting services provided to the related company	11,937	—
Yantai Xingyi Properties Co., Ltd. (Notes 2 & 10)	Consulting services provided to the related company	9,795	34,588
Wuhu Xingyan Properties Co., Ltd. (Notes 2 & 10)	Consulting services provided to the related company	5,803	—
Shanghai Dijie Real Estate Limited (Notes 2 & 10)	Consulting services provided to the related company	4,409	—
Fuyang Furun Property Co., Ltd. (Notes 2 & 10)	Consulting services provided to the related company	2,322	4,632
Shanxi Jianqin Real Estate Development Co., Ltd. (Notes 2 & 10)	Consulting services provided to the related company	—	14,999
<b>Total service income</b>		<b>64,951</b>	<b>54,219</b>

## 59. RELATED PARTY TRANSACTIONS (Continued)

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: (continued)

Name of related parties	Nature of transactions	2015 RMB'000	2014 RMB'000
<b>Interest income</b>			
Haizhimen (Notes 6 & 12)	Interest income	82,882	195,957
Shanghai Jufeng Property Development Co., Ltd. (Notes 2 & 12)	Interest income	35,722	—
Anhui Jinhuangzhuang Mining Co., Ltd. (Notes 7 & 12)	Interest income	14,081	14,712
Yantai Xingyi Properties Co., Ltd. (Notes 2, 12 & 15)	Interest income	8,157	—
SAS Val Thorens Le Cairn (Notes 5, 12 & 15)	Interest income	7,939	—
Wuhu Xingyan Properties Co., Ltd. (Notes 2, 12 & 15)	Interest income	3,136	1,830
Nanjing Dahua Investment Development Co., Ltd. (Notes 2 & 12)	Interest income	2,130	—
Shanxi Jianqin Real Estate Development Co., Ltd. (Notes 2 & 12)	Interest income	—	77,000
Zhejiang Dongyang China Woodcarving City Investment and Development Co., Ltd. (Notes 2 & 12)	Interest income	—	8,826
Nanjing Iron & Steel (Group) Co., Ltd. (Notes 7, & 12)	Interest income	—	4,023
Fuyang Furun Property Co., Ltd. (Notes 2 & 12)	Interest income	—	2,250
<b>Total interest income</b>		<b>154,047</b>	<b>304,598</b>

## 59. RELATED PARTY TRANSACTIONS (Continued)

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: (continued)

Name of related parties	Nature of transactions	2015 RMB'000	2014 RMB'000
<b>Rental income</b>			
Nanjing Xinwu Shipping Co., Ltd. (Notes 7 & 10)	Operating lease in respect of office buildings leased to the related company	1,400	1,709
<b>Interest expense</b>			
Wuxi Forte Real Estate Development Co., Ltd. (Notes 2, 12 & 14)	Interest expense	6,383	9,683
<b>Interest paid for deposits from related parties</b>			
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 2, 8 & 16)	Interest paid for deposits	8,228	5,575
BFC (Notes 6 & 16)	Interest paid for deposits	4,713	1,839
<b>Total interest paid for deposits from related parties</b>		<b>12,941</b>	<b>7,414</b>
<b>Other expenses</b>			
Nanjing Xinwu Shipping Co., Ltd. (Notes 7 & 11)	Transportation fees	152,343	154,247
SPFT – Carthago (Notes 5 & 11)	Operating lease in respect of the operation of villages	34,663	—
Hainan Haigang Group Co., Ltd. (Notes 4 & 11)	Operating lease in respect of land leased from the related company	19,983	17,059
Shanghai Foreal Property Management Co., Ltd. (Notes 2 & 11)	Property management services provided by the related company	—	6,451
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (Notes 2 & 11)	Operating lease in respect of office buildings leased from the related company	—	3,993
<b>Total other expenses</b>		<b>206,989</b>	<b>181,750</b>

## 59. RELATED PARTY TRANSACTIONS (Continued)

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: (continued)

Name of related parties	Nature of transactions	2015 RMB'000	2014 RMB'000
<b>Loans from related companies</b>			
Wuxi Forte Real Estate Development Co., Ltd. (Notes 2, 12 & 14)	Loans provided by the related companies	193,000	193,000
<b>Deposits from related companies</b>			
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 2, 8 & 16)	Deposits from the related company	594,090	599,570
Nanjing Iron & Steel United Co., Ltd. (Notes 7 & 16)	Deposits from the related company	200,698	—
Shanghai Hongkou Gaungxin Microcredit Co., Ltd. (Notes 2 & 16)	Deposits from the related company	173,716	—
Shanghai Xingyao Real Estate Development Co., Ltd. (Notes 2 & 16)	Deposits from the related company	43,192	493,330
Hangzhou Likun Investment Development Co., Ltd. (Notes 2 & 16)	Deposits from the related company	13,026	—
Nanjing Iron & Steel Co., Ltd. (Notes 2, 7 & 16)	Deposits from the related company	11,754	—
Sichuan Huanglong Forte Real Estate Development Co., Ltd. (Notes 2 & 16)	Deposits from the related company	10,271	21,648
Shanghai Yinping Investment Management Co., Ltd. (Notes 2 & 16)	Deposits from the related company	708	7,877
Zhejiang Dongyang China Woodcarving City Co., Ltd. (Notes 2 & 16)	Deposits from the related company	27	42,022
Fuyang Furun Property Co., Ltd. (Notes 2 & 16)	Deposits from the related company	20	15,012
Zhejiang Dongyang China Woodcarving Cultural Exhibition City Co., Ltd. (Notes 2 & 16)	Deposits from the related company	4	150,673
Haizhimen (Notes 6 & 16)	Deposits from the related company	—	240,230
BFC (Notes 6 & 16)	Deposits from the related company	—	8,685
Others	Deposits from the related company	825	317
<b>Total deposits from related companies</b>		<b>1,048,331</b>	<b>1,579,364</b>

## 59. RELATED PARTY TRANSACTIONS (Continued)

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: (continued)

Name of related parties	Nature of transactions	2015 RMB'000	2014 RMB'000
<b>Guarantees of bank loans and corporate bonds</b>			
Fosun Holdings Limited (Notes 1, 8 & 13)	Bank loans guaranteed by the related company	1,493,528	1,774,510
Nanjing Iron & Steel Co., Ltd. (Notes 2, 7 & 13)	Guarantees granted for corporate bonds of the related company	4,000,000	—
Nanjing Iron & Steel United Co., Ltd. (Notes 2, 7 & 13)	Guarantees granted for corporate bonds of the related company	1,235,000	—
Nanjing Iron & Steel Co., Ltd. (Notes 2, 7 & 13)	Guarantees granted for bank loans of the related company	84,000	—
Hainan Haigang Group Co., Ltd. (Notes 4 & 13)	Bank loans guaranteed by the related company	—	380,000
Nanjing Iron & Steel (Group) Co., Ltd. (Notes 7, 8 & 13)	Bank loans guaranteed by the related company	—	140,000
Sichuan Forte Huanglong Property Development Co., Ltd. (Notes 2 & 13)	Guarantees granted for bank loans of the related company	—	150,000
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd. (Notes 7 & 13)	Guarantees granted for bank loans of the related company	—	68,000
Nanjing Xinwu Shipping Co., Ltd. (Notes 7 & 13)	Guarantees granted for bank loans of the related company	—	5,000
<b>Total loans and corporate bonds guaranteed</b>		<b>6,812,528</b>	<b>2,517,510</b>
<b>Loans to related companies</b>			
Yantai Xingyi Properties Co., Ltd. (Notes 2, 12 & 15)	Entrusted loan provided to the related company	368,000	—
SAS Val Thorens Le Cairn (Notes 5, 12 & 15)	Entrusted loan provided to the related company	202,281	—
Wuhu Xingyan Properties Co., Ltd. (Notes 2, 12 & 15)	Entrusted loan provided to the related company	—	23,330
<b>Total loans to related companies</b>		<b>570,281</b>	<b>23,330</b>



## 59. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

- (1) It is the holding company of the Group.
- (2) They are associates and joint ventures of the Group.
- (3) It is the entity, which the ultimate controlling shareholder of the Group has significant influence in.
- (4) They are non-controlling shareholders of the subsidiaries of the Group.
- (5) In February 2015, the Group acquired 100% of the equity interests in Club Med. After the acquisition, Club Med became subsidiary of the Group as set out in note 54(a). SAS Val Thorens Le Cairn and SPFT - Carthago, the associate of Club Med, became associates of the Group since February 2015.
- (6) Haizhimen was a joint venture of the Group as at 31 December 2014. In September 2015, the Group acquired 100% equity interests in BFC from Haizhimen as set out in note 54(a) to the financial statements.
- (7) On 31 December 2015, the Group delegated its partial voting rights on Nanjing Nangang to Nanjing Iron & Steel (Group) Co., Ltd. Upon the date of the delegation, Nanjing Nangang was accounted for as investment in a joint venture as set out in note 54(b) to the financial statements.
- (8) These transactions constitute connected transactions 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.
- (9) 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.
- (10) The directors consider that the income for consulting services and rental were determined based on prices available to third party customers.
- (11) 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.
- (12) The loans provided by/to the related companies are unsecured, repayable on demand. The directors consider that the applicable interest rates are determined in accordance with the prevailing market borrowing rates.
- (13) 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.
- (14) The entrusted bank loans in the amounts of RMB100,000,000 and RMB93,000,000 are provided by Wuxi Forte Real Estate Development Co., Ltd., in 2015. Both of entrusted loans bear interest at a rate of 3.25% per annum and the maturity date are 10 November 2016 and 7 November 2016, respectively. The balance of the loans from Wuxi Forte Real Estate Development Co., Ltd. was RMB193,000,000 as set out in note 39 to financial statements.
- (15) The balance of the entrusted loan provided to Yantai Xingyi Properties Co., Ltd. as at 31 December 2015 was RMB368,000,000 as set out in note 25 to the financial statements.  
  
The balance of the shareholders' loan provided to SAS Val Thorens Le Cairn as at 31 December 2015 was RMB202,281,000 as set out in note 25 to the financial statements.  
  
The entrusted loan provided to Wuhu Xingyan Properties Co., Ltd. amounting to RMB23,330,000 was collected on 28 September 2015.
- (16) Interest paid for deposits from related parties represent the interest 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 PBOC and the prevailing market deposit interest rate. The deposits will be repaid upon demand of the related parties.

## 59. RELATED PARTY TRANSACTIONS (Continued)

Notes: (Continued)

(17) Compensation of key management personnel of the Group:

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	61,629	47,919
Equity-settled share award scheme expense	7,536	—
Pension scheme contributions	378	343
Total compensation paid to key management personnel	69,543	48,262

## 60. 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:

### 2015

#### Financial assets

	Financial assets at fair value through profit or loss				
	Designed as such upon initial recognition RMB'000	Held for trading RMB'000	Loans and receivables RMB'000	Available- for-sale financial investments RMB'000	Total RMB'000
Available-for-sale investments	—	—	—	118,132,674	118,132,674
Loans receivable	—	—	2,288,855	—	2,288,855
Cash and bank	—	—	46,601,795	—	46,601,795
Term deposits	—	—	465,135	—	465,135
Investments at fair value through profit or loss	3,490,855	7,225,312	—	—	10,716,167
Trade and notes receivables	—	—	4,368,550	—	4,368,550
Financial assets included in prepayments, deposits and other receivables (note 26)	—	—	8,107,895	—	8,107,895
Due from related companies	—	—	3,707,641	—	3,707,641
Derivative financial instruments	15,921	—	—	—	15,921
Policyholder account assets in respect of unit-linked contracts	3,475,324	—	590,592	—	4,065,916
Insurance and reinsurance debtors	—	—	8,274,973	—	8,274,973
	6,982,100	7,225,312	74,405,436	118,132,674	206,745,522

## 60. 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)

### 2015 (Continued)

#### 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	—	114,647,979	114,647,979
Convertible bonds	—	268,983	268,983
Loans from related companies	—	193,000	193,000
Trade and notes payables	—	10,436,233	10,436,233
Financial liabilities included in accrued liabilities and other payables (note 41)	—	12,852,879	12,852,879
Due to related companies and the holding company	—	3,923,793	3,923,793
Deposit from customers	—	1,300,688	1,300,688
Financial liabilities included in other long term payables (note 50)	64,460*	3,340,638	3,405,098
Finance lease payables	—	166,495	166,495
Derivative financial instruments	204,015	—	204,015
Investment contract liabilities	—	53,145,210	53,145,210
Financial liabilities for unit-linked contracts	3,475,324	590,592	4,065,916
Insurance and reinsurance creditors	—	3,857,708	3,857,708
	3,743,799	204,724,198	208,467,997

\* The amount includes the share redemption option granted to non-controlling shareholders of a subsidiary amounting to RMB64,460,000 (2014: RMB60,299,000), of which fair value change is recognised in other reserve due to the nature of the equity transaction with a non-controlling shareholder of a subsidiary of the Group.

## 60. 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)*

### 2014

#### Financial assets

	Financial assets at fair value through profit or loss			Available-for-sale	
	Designed as such upon initial recognition	Held for trading	Loans and receivables	financial investments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale investments	—	—	—	77,237,813	77,237,813
Loans receivable	—	—	2,140,063	—	2,140,063
Cash and bank	—	—	40,190,807	—	40,190,807
Term deposits	—	—	147,815	—	147,815
Investments at fair value through profit or loss	1,759,301	13,107,893	—	—	14,867,194
Trade and notes receivables	—	—	6,371,003	—	6,371,003
Financial assets included in prepayments, deposits and other receivables (note 26)	—	—	6,514,629	—	6,514,629
Due from related companies	—	—	5,249,357	—	5,249,357
Policyholder account assets in respect of unit-linked contracts	4,693,097	—	612,809	—	5,305,906
Insurance and reinsurance debtors	—	—	2,132,018	—	2,132,018
	6,452,398	13,107,893	63,358,501	77,237,813	160,156,605

## 60. 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)

### 2014 (Continued)

#### 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	—	93,155,696	93,155,696
Convertible bonds	—	2,485,546	2,485,546
Loans from related companies	—	193,000	193,000
Trade and notes payables	—	19,590,569	19,590,569
Financial liabilities included in accrued liabilities and other payables (note 41)	—	12,921,047	12,921,047
Due to related companies and the holding company	—	3,792,010	3,792,010
Deposit from customers	—	1,696,120	1,696,120
Financial liabilities included in other long term payables (note 50)	88,019	3,303,153	3,391,172
Finance lease payables	—	267,227	267,227
Derivative financial instruments	65,670	—	65,670
Investment contract liabilities	—	51,972,632	51,972,632
Financial liabilities for unit-linked contracts	4,693,097	612,787	5,305,884
Insurance and reinsurance creditors	—	1,453,267	1,453,267
	4,846,786	191,443,054	196,289,840

## 61. TRANSFERS OF FINANCIAL ASSETS

At 31 December 2015, 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 these suppliers with an aggregate carrying amount of RMB1,076,839,000 (2014: RMB3,458,632,000). 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 RMB228,169,000 (2014: RMB1,000,164,000). The Endorsed Bills and the Discounted Bills had 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 are 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.

## 62. 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	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
<b>Financial assets</b>				
Available-for-sale investments	105,772,373	67,742,925	105,772,373	67,742,925
Loans receivable (non-current portion)	553,789	1,296,977	553,789	1,296,977
Investments at fair value through profit or loss	10,716,167	14,867,194	10,716,167	14,867,194
Policyholder account assets in respect of unit-linked contracts	3,475,324	4,693,097	3,475,324	4,693,097
Derivative financial instruments	15,921	—	15,921	—
	120,533,574	88,600,193	120,533,574	88,600,193
<b>Financial liabilities</b>				
Interest-bearing bank and other borrowings	114,647,979	93,155,696	113,651,825	93,020,297
Convertible bonds	268,983	2,485,546	371,742	3,503,939
Financial liabilities included in other long term payables	3,405,098	3,391,172	3,405,098	3,391,172
Financial liabilities for unit-linked contracts	3,475,324	4,693,097	3,475,324	4,693,097
Derivative financial instruments	204,015	65,670	204,015	65,670
	122,001,399	103,791,181	121,108,004	104,674,175

Management has assessed that the fair values of cash and bank, trade and notes receivables, trade and notes payables, insurance and reinsurance debtors and creditors, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, the current portion of amounts due from related companies and amounts 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.

## 62. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

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 financial liabilities included in other long term payables, non-current portion of loans receivable, interest-bearing bank and other borrowings and convertible bonds 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 the non-current portion of amounts due to related companies, financial liabilities included in other long term payables, loans from related companies, finance lease payables and non-current portion of interest-bearing bank and other borrowings as at 31 December 2015 was assessed to be insignificant. The fair value of the convertible bonds and other listed bonds is based on the quoted market price which represents the fair value for both the liability and equity components of the convertible bonds and the fair values of listed bonds and senior notes are based on quoted market prices.

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 31 December 2015, the fair values of commodity derivative contracts were measured using quoted market prices 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 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 2015, the fair value 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 is 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 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 was RMB12,360,301,000 (31 December 2014: RMB9,494,888,000). All of them are unlisted equity investments held by the Group in China, North America, European and other countries, which are intended to be disposed of by the Group after getting listed on the designated stock exchanges in the future.

During the year ended 31 December 2015, the available-for-sale investments whose fair value could not be reliably measured with a carrying amount of RMB1,406,190,000 were derecognised and the relevant gain on disposal amounted to RMB1,239,767,000 was recognized in the consolidated statement of profit or loss.

## 62. 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 31 December 2015:

### Unobservable inputs and sensitivity analysis for Level 3 assets

The financial assets measured at fair value held by Portuguese Insurance Group which were 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

Significant unobservable valuation input for the share redemption option granted to non-controlling shareholders of a subsidiary included in other long-term liabilities of RMB64,460,000 (31 December 2014: RMB60,299,000) is EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) of Alma Lasers in 2015 and cash and bank of Alma Lasers as at 31 December 2015.

### 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)



## 62. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

### Fair value hierarchy *(Continued)*

#### Assets measured at fair value:

As at 31 December 2015

	Quoted prices in active markets Level 1 RMB'000	Fair value measurement using Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Available-for-sale investments	45,650,160	47,125,823	12,996,390	105,772,373
Investments at fair value through profit or loss	7,150,646	2,879,455	686,066	10,716,167
Policyholder account assets in respect of unit-linked contracts	2,922,987	496,085	56,252	3,475,324
Derivative financial instruments	15,921	—	—	15,921
	55,739,714	50,501,363	13,738,708	119,979,785

As at 31 December 2014

	Quoted prices in active markets Level 1 RMB'000	Fair value measurement using Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Available-for-sale investments	11,086,712	50,338,046	6,318,167	67,742,925
Investments at fair value through profit or loss	13,074,122	1,766,229	26,843	14,867,194
Policyholder account assets in respect of unit-linked contracts	161,480	4,343,983	187,634	4,693,097
	24,322,314	56,448,258	6,532,644	87,303,216

During the year, no fair value of the available-for-sale investments in Level 2 was transferred out to Level 1 due to the end of the lock-up period for these equity investments in 2015 (2014: RMB199,248,000).

## 62. 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 within Level 3 during the year are as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	6,532,644	—
Total gains recognised in the consolidated statement of profit or loss included in other income	105,386	—
Total losses recognised in other comprehensive expenses	(16,002)	—
Addition	3,979,899	6,532,644
Disposals	(813,472)	—
Exchange realignment	(807,980)	—
Reclassification	4,758,233	—
	13,738,708	6,532,644

#### Assets for which fair values are disclosed:

##### As at 31 December 2015

	Quoted prices in active markets Level 1 RMB'000	Fair value measurement using Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Loans receivable (non-current portion)	—	553,789	—	553,789

##### As at 31 December 2014

	Quoted prices in active markets Level 1 RMB'000	Fair value measurement using Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Loans receivable (non-current portion)	—	1,296,977	—	1,296,977

## 62. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

### Fair value hierarchy *(Continued)*

#### Liabilities measured at fair value:

As at 31 December 2015

	Quoted prices in active markets Level 1 RMB'000	Fair value measurement using 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	—	—	64,460	64,460
Financial liabilities for unit-linked contracts	2,922,987	496,085	56,252	3,475,324
Derivative financial instruments	106,275	97,740	—	204,015
	3,029,262	593,825	120,712	3,743,799

As at 31 December 2014

	Quoted prices in active markets Level 1 RMB'000	Fair value measurement using 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	—	—	88,019	88,019
Financial liabilities for unit-linked contracts	161,480	4,343,983	187,634	4,693,097
Derivative financial instruments	—	65,670	—	65,670
	161,480	4,409,653	275,653	4,846,786

The movements in fair value measurements within Level 3 during the year are as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	275,653	99,804
Total losses recognised in the consolidated statement of profit or loss included in other expenses	(536)	—
Addition	11,367	203,569
Disposals	(118,472)	—
Exchange realignment	(19,580)	—
Reclassification	(27,720)	(27,720)
At 31 December	120,712	275,653

## 62. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

### Fair value hierarchy *(Continued)*

Liabilities for which fair values are disclosed:

As at 31 December 2015

	Quoted prices in active markets Level 1 RMB'000	Fair value measurement using Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	15,686,572	97,965,253	—	113,651,825
Convertible bonds	371,742	—	—	371,742
Financial liabilities included in other long term payables	—	3,340,638	—	3,340,638
	16,058,314	101,305,891	—	117,364,205

As at 31 December 2014

	Quoted prices in active markets Level 1 RMB'000	Fair value measurement using Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	9,079,979	83,940,318	—	93,020,297
Convertible bonds	3,503,939	—	—	3,503,939
Financial liabilities included in other long term payables	—	3,303,153	—	3,303,153
	12,583,918	87,243,471	—	99,827,389

## 63. 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, loans receivable and loans 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 deposits 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 2015, approximately 37% (2014: 49%) 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).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
<b>2015</b>	<b>75</b> <b>(75)</b>	<b>(474,608)</b> <b>474,608</b>
2014	75 (75)	(232,400) 232,400

### 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, Hong Kong dollar and Euro 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.

## 63. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Foreign currency risk (Continued)

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000
<b>2015</b>		
If RMB weakens against the United States dollar	5	(1,100,355)
If RMB strengthens against the United States dollar	(5)	1,100,355
If RMB weakens against the Hong Kong dollar	5	(164,065)
If RMB strengthens against the Hong Kong dollar	(5)	164,065
If RMB weakens against the Euro	5	(447,816)
If RMB strengthens against the Euro	(5)	447,816
<b>2014</b>		
If RMB weakens against the United States dollar	5	(1,046,523)
If RMB strengthens against the United States dollar	(5)	1,046,523
If RMB weakens against the Hong Kong dollar	5	(111,935)
If RMB strengthens against the Hong Kong dollar	(5)	111,935
If RMB weakens against the Euro	5	27,203
If RMB strengthens against the Euro	(5)	(27,203)

### 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 and term deposits, 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 58 to the financial statements.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and notes receivables and insurance and reinsurance debtors are disclosed in notes 34 and 30 to the financial statements.

## 63. 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 loans from related companies. 40% (2014: 46%) of the Group's debts would mature in less than one year as at 31 December 2015 based on the carrying value of borrowings reflected in the financial statements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2015

	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	—	48,788,443	62,931,679	9,031,010	120,751,132
Convertible bonds	—	—	322,577	—	322,577
Loans from related companies	—	193,000	—	—	193,000
Trade and notes payables	1,546,945	8,889,288	—	—	10,436,233
Due to related companies and the holding company	3,923,793	—	—	—	3,923,793
Financial liabilities included in accrued liabilities and other payables	9,369,393	3,483,486	—	—	12,852,879
Other long term payables	—	—	3,405,098	—	3,405,098
Finance lease payables	—	51,012	130,879	—	181,891
Derivative financial instruments	—	204,015	—	—	204,015
Financial liabilities for unit-linked contracts	94,614	156,963	3,705,317	109,022	4,065,916
Investment contract liabilities	1,342,642	3,597,869	31,006,133	17,198,566	53,145,210
Insurance and reinsurance creditors	1,782,814	1,957,561	117,333	—	3,857,708
	18,060,201	67,321,637	101,619,016	26,338,598	213,339,452

## 63. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2014

	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	—	46,389,197	53,365,049	1,577,440	101,331,686
Convertible bonds	—	—	3,247,527	—	3,247,527
Loans from related companies	—	193,000	—	—	193,000
Trade and notes payables	2,498,888	17,091,681	—	—	19,590,569
Due to related companies and the holding company	3,792,010	—	—	—	3,792,010
Financial liabilities included in accrued liabilities and other payables	3,406,408	9,514,639	—	—	12,921,047
Other long term payables	—	—	3,391,172	—	3,391,172
Finance lease payables	—	112,282	154,945	—	267,227
Derivative financial instruments	—	65,670	—	—	65,670
Financial liabilities for unit linked contracts	1,104,752	—	4,201,132	—	5,305,884
Investment contract liabilities	—	12,326,734	25,015,563	14,630,335	51,972,632
Insurance and reinsurance creditors	1,453,267	—	—	—	1,453,267
	12,255,325	85,693,203	89,375,388	16,207,775	203,531,691

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 59.

### Price risk

Price risk is the risk that the fair values of equity and debt securities decrease or increase as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to price risk arising from individual investments classified as equity investments at fair value through profit or loss (note 33) and available-for-sale investments measured at fair value (note 23) as at 31 December 2015. The Group's listed investments that are listed on stock exchanges in Hong Kong, Shenzhen, Shanghai, NASDAQ, Athens, Tokyo, Singapore, other countries in Europe, Oceania, Latin America, North America, South America, Africa and Asia are valued at quoted market prices at the end of the reporting period.



### 63. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Price risk (Continued)

The following table demonstrates the sensitivity to a reasonably possible 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 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, and no account is given for impact on other life insurance contract liabilities (profit sharing provision).

	Carrying amount of investments RMB'000	Increase/ (decrease) in equity or debt prices %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000*
<b>2015</b>				
<b>Investments listed in:</b>				
Hong Kong				
– Available-for-sale	8,731,231	5 (5)	— —	436,562 (436,562)
– Held-for-trading	5,983,108	5 (5)	299,155 (299,155)	— —
Shenzhen				
– Available-for-sale	1,259,652	5 (5)	— —	62,983 (62,983)
Shanghai				
– Available-for-sale	1,342,972	5 (5)	— —	67,149 (67,149)
United States				
– Available-for-sale	43,644,787	5 (5)	— —	2,182,239 (2,182,239)
– Held-for-trading	2,876,640	5 (5)	143,832 (143,832)	— —
Europe				
– Available-for-sale	43,256,005	5 (5)	— —	2,162,800 (2,162,800)
– Held-for-trading	828,351	5 (5)	41,418 (41,418)	— —

## 63. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Price risk (Continued)

	Carrying amount of investments RMB'000	Increase/ (decrease) in equity or debt prices %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000*
<b>2015</b>				
<b>Investments listed in:</b>				
Japan				
– Available-for-sale	185,639	5 (5)	— —	9,282 (9,282)
Singapore				
– Available-for-sale	1,392,211	5 (5)	— —	69,611 (69,611)
– Held-for-trading	60,134	5 (5)	3,007 (3,007)	— —
Africa				
– Available-for-sale	57,074	5 (5)	— —	2,854 (2,854)
Oceania				
– Available-for-sale	184,616	5 (5)	— —	9,231 (9,231)
Latin America				
– Available-for-sale	111,968	5 (5)	— —	5,598 (5,598)
North America				
– Available-for-sale	1,090,257	5 (5)	— —	54,513 (54,513)
South America				
– Available-for-sale	212,565	5 (5)	— —	10,628 (10,628)
Asia				
– Available-for-sale	334,753	5 (5)	— —	16,738 (16,738)

\* Excluding retained profits

### 63. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Price risk (Continued)

	Carrying amount of investments RMB'000	Increase/ (decrease) in equity or debt prices %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000*
2014				
Investments listed in:				
Hong Kong				
– Available-for-sale	3,917,216	5 (5)	— —	195,861 (195,861)
– Held-for-trading	7,552,645	5 (5)	377,632 (377,632)	— —
Shenzhen				
– Available-for-sale	1,683,078	5 (5)	— —	84,154 (84,154)
Shanghai				
– Available-for-sale	2,319,811	5 (5)	— —	115,991 (115,991)
– Held-for-trading	1,748,222	5 (5)	87,411 (87,411)	— —
United States				
– Available-for-sale	2,161,707	5 (5)	— —	108,085 (108,085)
– Held-for-trading	2,540,341	5 (5)	127,017 (127,017)	— —
Europe				
– Available-for-sale	53,865,049	5 (5)	— —	2,693,252 (2,693,252)
– Held-for-trading	2,551,495	5 (5)	127,575 (127,575)	— —
Japan				
– Available-for-sale	80,001	5 (5)	— —	4,000 (4,000)
– Held-for-trading	92,750	5 (5)	4,638 (4,638)	— —
Singapore				
– Available-for-sale	659,536	5 (5)	— —	32,977 (32,977)
Africa				
– Available-for-sale	17,520	5 (5)	— —	876 (876)

\* Excluding retained profits

## 63. 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 2015 and 31 December 2014.

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, the liability component of convertible bonds 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:

	2015 RMB'000	2014 RMB'000
Interest-bearing bank and other borrowings	114,647,979	93,155,696
Loans from related companies	193,000	193,000
Convertible bonds, the liability component	268,983	2,485,546
Less: Cash and cash equivalents	(38,419,960)	(25,890,353)
Net debt	76,690,002	69,943,889
Total equity	98,154,075	75,684,492
Total equity and net debt	174,844,077	145,628,381
Gearing ratio	44%	48%

## 64. EVENTS AFTER THE REPORTING PERIOD

- (1) On 19 November 2015, China Securities Regulatory Commission ("CSRC") approved Fosun Group to publicly issue corporate bonds to the qualified investors. Pursuant to the approval, a par value of the corporate bonds to be issued should not exceed RMB10 billion (inclusive). On 21 January 2016, Fosun Group issued the first tranche of five-year corporate bonds with a par value of RMB4 billion and a coupon rate of 3.78% per annum. According to the term of the corporate bonds, Fosun Group shall be entitled to adjust upwards the coupon rate and the investors shall be entitled to sell back the corporate bonds at the end of the third year.
- (2) On 30 December 2015, CSRC approved Fosun Pharma to publicly issue corporate bonds to the qualified investors. Pursuant to the approval, a par value of the corporate bonds to be issued should not exceed RMB5 billion (inclusive). On 4 March 2016, Fosun Pharma issued the first tranche of five-year corporate bonds with a par value of RMB3 billion and a coupon rate of 3.35% per annum. According to the term of the corporate bonds, Fosun Pharma shall be entitled to adjust upwards the coupon rate and the investors shall be entitled to sell back the corporate bonds at the end of the third year.
- (3) On 24 March 2016, the Ministry of Finance and the State Administration of Taxation issued a circular according to which the replacement of business tax with value-added tax ("VAT") will be extended to construction, real estate, finance and consumer services industries starting on 1 May 2016. The Group is currently assessing the impact of such VAT reform on the financial position or performance of the Group from the effective date.

## 65. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation and disclosures. 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.

## 66. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 RMB'000	2014 RMB'000
<b>NON-CURRENT ASSETS</b>		
Investments in subsidiaries	24,173,606	13,887,918
Investment in an associate	82,421	82,421
Available-for-sale investment	418,544	1,891
Total non-current assets	24,674,571	13,972,230
<b>CURRENT ASSETS</b>		
Cash and bank	3,937,013	805,480
Investments at fair value through profit or loss	4,590,232	6,062,759
Prepayments, deposits and other receivables	84,566	52,091
Due from subsidiaries	34,363,854	12,176,328
Due from related companies	3,249	3,061
Total current assets	42,978,914	19,099,719
<b>CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	7,675,203	4,815,367
Accrued liabilities and other payables	76,887	78,738
Due to the holding company	979,101	673,617
Due to subsidiaries	13,796,419	2,457,214
Total current liabilities	22,527,610	8,024,936
<b>NET CURRENT ASSETS</b>	20,451,304	11,074,783
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	45,125,875	25,047,013
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	8,452,079	5,798,571
Deferred tax liabilities	7,748	287,428
Total non-current liabilities	8,459,827	6,085,999
Net assets	36,666,048	18,961,014
<b>EQUITY</b>		
Share capital	36,046,143	16,281,011
Equity component of convertible bonds (note)	68,674	721,171
Other reserves (note)	551,231	1,958,832
Total equity	36,666,048	18,961,014

Guo Guangchang  
Director

Ding Guoqi  
Director

## 66. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Available- for-sale investment revaluation reserve RMB'000	Capital redemption reserve RMB'000	Convertible bonds RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2014	11,785,713	—	(2,785,245)	—	1,465	721,171	4,552,741	14,275,845
Transition to no-par value regime	(11,785,713)	—	—	—	(1,465)	—	—	(11,787,178)
Final dividend declared	—	—	—	—	—	—	(816,399)	(816,399)
Total comprehensive income for the year	—	—	31,265	—	—	—	976,470	1,007,735
At 31 December 2014 and 1 January 2015	—	—	(2,753,980)	—	—	721,171	4,712,812	2,680,003
Final dividend declared	—	—	—	—	—	—	(1,035,103)	(1,035,103)
Conversion of convertible bonds to ordinary shares	—	—	—	—	—	(652,497)	—	(652,497)
Equity-settled share-based payments	—	21,831	—	—	—	—	—	21,831
Total comprehensive income/(loss) for the year	—	—	1,825,042	(208,449)	—	—	(2,010,922)	(394,329)
At 31 December 2015	—	21,831	(928,938)	(208,449)	—	68,674	1,666,787	619,905

## 67. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2016.

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