1992-2012
20th Anniversary of Fosun

China Expertise Global Capacity

FOSUN 复星

Fosun International Limited

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

Stock Code:00656

Annual Report 2011

Profit attributable to owners of the parent

3,403.6 RMB million

Becoming a premium investment group with a focus on China's growth momentum

Explanation of cover design

Fosun strives to become a premium investment group with a focus on China's growth momentum. After years of development, Fosun has also established its unique competitive advantages of having "China Expertise + Global Capacity". While dedicated to its vision of becoming a world-class investment group, Fosun also actively devotes itself to "Two-Ecologies + Two-Revivals", ie: continuously improving the commercial and natural environments of China, and supporting the rejuvenation of Chinese economy and culture. This is in line with the core Taichi culture which Fosun advocates — balance, harmony, change and alternation of Yin (the moon) and Yang (the sun). This is also the origin of the inspiration for using Taichi symbol as the design of this annual report. It symbolises Fosun's overcoming uncertainties and seizing opportunities amid a volatile global economy and achievement of remarkable progress in global development. Furthermore, the Taichi symbol conveys a strong belief of Fosun: in the globalised world of today, Fosun as an integral part sharing a common destiny of the times, must shoulder more social responsibility and pursue a harmonised and balanced development between economic benefit and social responsibility.

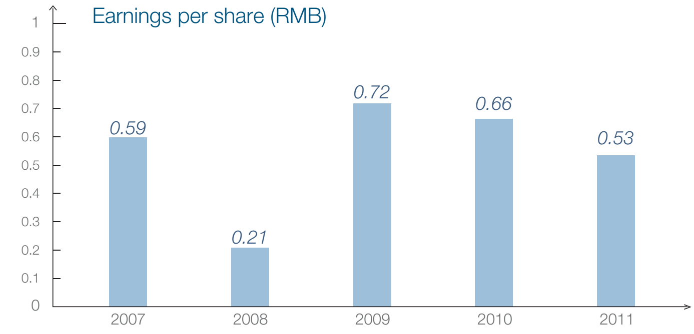
CONTENTS

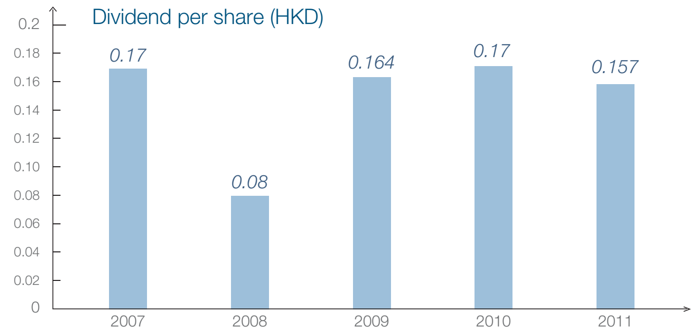
FINANCIAL SUMMARY

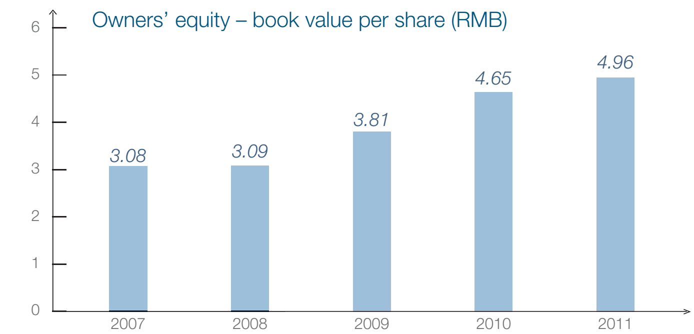
In RMB million	For the year ended 31 December 2011	2010
Revenue	56,816.2	44,643.7
Insurance	–	–
Pharmaceuticals and healthcare	6,432.6	4,459.3
Property	9,742.7	8,846.7
Steel	38,224.0	29,652.2
Mining	3,898.7	3,180.2
Retail, services, finance and other investments	–	–
Asset management	56.2	–
Eliminations	(1,538.0)	(1,494.7)
Profit attributable to owners of the parent	3,403.6	4,227.1
Insurance	–	–
Pharmaceuticals and healthcare	560.3	302.5
Property	1,619.3	1,271.8
Steel	34.3	410.0
Mining	1,119.8	932.1
Retail, services, finance and other investments	254.7	1,539.8
Asset management	6.5	(3.0)
Unallocated expenses	(316.2)	(174.8)
Eliminations	124.9	(51.3)
Earnings per share (in RMB)	0.53	0.66
Dividend per share (in HKD)	0.157	0.17

BUSINESS OVERVIEW

The Group is a large company which places importance on China's growth momentum. The Group is mainly engaged in insurance, pharmaceuticals and healthcare, property, steel and mining business. By means of investing, the Group also shares the rapid growth of industries benefiting from China's growth momentum, such as retail, services and financial industries. Meanwhile, the Group also expands rapidly third-party asset management business.







INSURANCE

The Group's main investment in the insurance sector is Yong'an Insurance, which is a property and casualty insurance company headquartered in Xi'an with nationwide presence. In addition, the Group is establishing Pramerica Fosun Life Insurance in Shanghai, which is jointly-owned by Fosun and Prudential Financial, Inc. ("Prudential") of the United States. It will principally provide life insurance, health insurance, accident insurance and all other kinds of personal insurance and annuity products approved by China Insurance Regulatory Commission and related services to individual and group customers in China.

PHARMACEUTICALS AND HEALTHCARE

The Group's main subsidiary in the pharmaceuticals and healthcare sector is Fosun Pharma (a company listed on the Shanghai Stock Exchange, 600196.SH). With its strategic business covering a wide extent of the pharmaceuticals and healthcare industry chain, Fosun Pharma mainly operates in different business segments of the pharmaceuticals and healthcare industry, including research, development and manufacturing, distribution (by its associate, Sinopharm, a listed company on the Hong Kong Stock Exchange, 01099. HK), retailing etc. Fosun Pharma also engages in the development of China's premium and specialty healthcare service industry by ways of controlling shareholding and investment.

PROPERTY

The Group's main subsidiaries in the property sector include Forte and Resource Property. Forte is a nationwide large property developer engaging in residential development in cities including Shanghai, Nanjing, Chongqing, Hangzhou, Xi'an, Changchun, etc. It also holds interest in Zendai (a company listed on the Hong Kong Stock Exchange, 00755.HK), to participate in its development and results and to strengthen mutual strategic cooperation. Resource Property is a Shanghai-centered integrated service provider of property circulation industry with nationwide presence. The core businesses of Resource Property include sales agency and real estate consulting services. The Group also develops Bund International Finance Center project through its main associate, Haizhimen.

STEEL

The Group's main subsidiary in the steel sector is Nanjing Iron & Steel (a company listed on the Shanghai Stock Exchange, 600282.SH). Located in East China, Nanjing Iron & Steel is an integrated steel company with a complete process of coking, sintering, iron

smelting, steel smelting and steel rolling. Its main products include mid-to-high-end medium and heavy plates, specialty bars and wire rods, as well as strips. The Group's main associate in steel sector is Jianlong Group, a large private steel group with its main production facilities located in North China and Northeast China. Its main products consist of hot rolling and cold rolling medium wide strips, hot rolling narrow strips, hot rolling coil, bars and wire rods and sectional material.

MINING

The Group's main subsidiary in the mining sector is Hainan Mining. Hainan Mining owns China's single largest open-pit iron-rich ore. Its core businesses include mining and sale of iron ore. Also by means of investment in new mining project in existing mines and other enterprises in the mining sector, it aims to accelerate the growth in its operational scale and strengthen its industrial position. Via Nanjing Iron & Steel, the Group holds stake of Jin'an Mining. In addition, the Group also holds interests in companies such as Huaxia Mining, a large mining group in Northern China; Shanjiaowulin, a coking coal mine with over 800 million tonnes of premium coking coal reserve; and Zhaojin Mining (a company listed on the Hong Kong Stock Exchange, 01818.HK), a China-based gold manufacturer.

RETAIL, SERVICES, FINANCE AND OTHER INVESTMENTS

The Group's investments in sectors such as retail, services and finance industries mainly include investments in Yuyuan (a company listed on the Shanghai Stock Exchange, 600655.SH), a well-known Shanghai company with main operations in the sales of gold and jewellery, Focus Media (a company listed on NASDAQ, FMCN.NASDAQ), China's largest outdoor electronic media advertisement operator; Club Med (a company listed on the Euronext Paris, CU.EPA), a global leisure and resort group; Folli Follie (a company listed on Greek Stock Exchange, FFGRP.AT), a global renowned fashion retail group as well as Minsheng Bank (a company listed on the Hong Kong Stock Exchange, 01988.HK and the Shanghai Stock Exchange, 600016.SH, respectively), a national large scale joint-stock commercial bank with shares mainly from non-public enterprises.

ASSET MANAGEMENT

The Group engages in asset management business through raising and managing funds from third parties and collects management fee revenue and shares investment gains. Currently, the Group's managed funds mainly include Fosun Capital, Fosun Chuanghong, Star Capital, Pramerica-Fosun China Opportunity Fund, Carlyle-Fosun and several real estate funds of Forte etc.

Combining China's growth momentum with global resources

Alliance for development

The alliance of Fosun and Carlyle
Profoundly extending Fosun's ability in appraising assets globally

In February 2010, Fosun and Carlyle, a leading global investment group, signed a strategic cooperation agreement. The cooperation with Carlyle profoundly extends Fosun's ability in appraising assets across the world. The equity investment fund established jointly by Fosun and Carlyle is one of the first funds qualified for QFLP (Qualified Foreign Limited Partners) in China.

A Win-win Cooperation

Fosun joining hands with Club Med
Actively implementing the win-win investment model of "combining China's growth momentum with global resources"

In June 2010, Fosun successfully invested in Club Med, which is a premium leisure and resort hotel chain operator with global services and products enjoying a huge market in China. Fosun actively supports Club Med's development strategy in China, and leverages on its nationwide network, media resources and local relationship to assist Club Med rapidly expand its customer base in China.

Powerful Embarkation

Fosun and Prudential of the United States in partnership
Extending cooperation to life insurance from the initial asset management business

In January 2011, Fosun entered into a strategic cooperation agreement with the world's top-notch financial institution Prudential of the United States, and announced the establishment of an equity investment fund totalling USD600 million. In April, Fosun organised a corporate event namely "China's momentum, Fosun's night" in New York for promoting Fosun's globalised brand. During the event, a Chinese Taichi show was performed, demonstrating Fosun's dedication to advocating Taichi culture abroad while signifying Fosun's embarkation on its global expansion move.

In September 2011, Fosun and Prudential of the United States announced further cooperation to establish a life insurance joint venture in China, the preparation to establish such joint venture was approved by the China Insurance Regulatory Commission. The company will be the first life insurance joint venture in China between a non-state-owned enterprise and a foreign enterprise.

Reaching out to Athens

Join hands with Folli Follie, another act of China's Buffett in Europe

In May 2011, following the acquisition of interests in Club Med of France, Fosun made another move under its investment model of "combining China's growth momentum with global resources" to join hands with Follie Follie, a well-known Greek fashion group. The investment attracted heavy weight media around the world, including Financial Times of the UK, which referred Fosun as China's Buffett in its detailed coverage.

Strategic cooperation

Fosun and Fortress jointly develop senior citizens market in China

In October 2011, the Group signed a strategic cooperation agreement in Shanghai, China with Fortress Investment Group of U.S. ("Fortress"), and announced the introduction of international advanced experience in investment management for healthcare and senior citizens in China and the joint development of such market.

CHAIRMAN'S STATEMENT

Dear shareholders,

As at the end of the Reporting Period, equity attributable to owners of the parent of the Group reached RMB31,830.2 million, representing an increase of 6.6% over the same period last year, among which RMB18,542.3 million was the book value of shares of listed companies owned by the Group, worth RMB23,951.2 million by attributable market capitalisation on 31 December 2011. The Board proposed to declare and distribute a final dividend of HKD0.157 per ordinary share for the year ended 31 December 2011.

Mr. Guo Guangchang

Fosun International Limited
Chairman

I am writing this statement to deliver two messages to shareholders. First, I want to have a review of our businesses during the past year of 2011, and, second, to share my expectations for the year ahead. In 2011, the global economy encountered a new wave of challenges. The traditional economic powerhouse United States, hit by the downgrading of its sovereign debt rating, experienced a volatile path on the way to recovery. European debt crisis was intensifying. Influenced by the weakness of these two traditional economies, China was constrained by the exports slow-down, investment slow-down, as well as macro control, where enterprises encountered a number of challenges in their operations. In face of the challenging global macroeconomic situation, Fosun overcame difficulties, proactively responded to the challenges and dedicated to management and operations optimisation. We strengthened the business model driven by three growth engines, namely industrial operations, investment and asset management, which propels Fosun steadily towards its vision of becoming "a premium investment group with a focus on China's growth momentum".

2011 REVIEW

Industrial operations

In 2011, our industrial operations overall delivered a sound performance, realising a profit of RMB3,169.0 million attributable to owners of the parent, representing a year-on-year increase of 18.9%. In 2011, our pharmaceuticals and healthcare and mining businesses both achieved sound results, and the profit attributable to owners of the parent grew by 85.2% and 5.5% on year-on-year basis respectively. China's property market, under the impact of macro control in 2011, was overall sluggish. Forte, our main subsidiary in property business enjoyed a nice carry-over in 2011, thanks to the adoption of the fast turn-over strategy in the last two years when the property market was good, and posted a satisfactory full-year profit attributable to the owners of the parent of RMB1,617.6 million. At the same time, we extended our geographical presence to the second-tier cities in China, focusing on the development of property projects with high price/performance ratio, and performed well in new attributable contract sales of RMB9,417.0 million throughout the year. On top of this, in 2011, we seized the opportunities arising from the adjustment in property market to increase the investment in land by leveraging on the decline in land price and added a new land reserve of 2.7 million sq.m., representing a year-on-year increase of 25.0%. By the end of 2011, our Bund International Finance Center began construction with a smooth progress, and an expected project completion in 2015. As noted, due to the down-turn in the global economy, the austerity measures on the property market in China, the slow-down in the automotive market growth and the decreasing growth rate in fixed assets investment, the demand from major steel consumption industries in China weakened, which resulted in a drop in the growth rate of steel consumption, and revealed the conflicts related to over-capacity in the steel industry. The profitability of the core business in steel enterprises has been retreated to a very low level. According to the statistics of China Iron and Steel Association, the profit margin of the major large and medium-sized steel enterprises was 2.4%, far below the average of 6.5% for the industrial enterprises at a nationwide scale for the same period. Under the negative impacts, Nanjing Iron & Steel, our subsidiary, posted a weak performance on its overall sales in 2011, even though it achieved breakthrough in the expansion of product types, in particular high value-added steel products, such as the mass production of 9 Ni steel and it maintained high market share in special steel, like oil tanker plate. The net profit for Nanjing Iron & Steel in 2011 decreased significantly over last year, but still maintained certain profitability. According to the statistics of China Iron and Steel Association, the loss-making steel enterprises in 2011 increased to eight, representing 10.4% of the industry players.

Investment

In 2011, the investment profit of the Group was only RMB1,382.9 million, mainly due to the loss on fair value of stock holdings, among which, the Group shared the profit of RMB451.7 million from the strategic associates, representing an increase of 66.1% over the last year. During the Reporting Period, we successfully helped list seven investment projects domestically, increasing the equity value of shareholders by RMB2,275.6 million as at 31

December 2011. As mentioned above, due to market volatility, some of our secondary-market investments recorded loss on fair value in 2011, which negatively affected the performance of our investment profit. From our point of view as a determined value investor, neither gain nor loss on the fair value of the stock holdings affects our investment strategies, and we took the view of long-term investment, and have made appropriate investment decisions. For example, when Focus Media, one of our important strategic investments, was attacked by the report of Muddy Waters Research, we increased our position on a basis of rational analysis at an average price of USD17.18, and the share price of Focus Media now has climbed back to USD24.26 as of 29 February 2012. We would rather regard the irrational volatility of the market as an opportunity for value investment. In 2011, we made a series of investments in the shares of Chinese banks that were significantly undervalued in secondary markets.

In 2011, we increased our investment in consumption and consumption upgrade, financial services and manufacturing upgrade. During the Reporting Period, the Group made an aggregate investment of RMB5.6 billion (including capital increase in the existing projects) in 18 new strategic, private equity investment and other projects.

In 2011, the European debt crisis affected negatively on the global economy, however, it brought us opportunities to "combining China's growth momentum with global resources". There are certain branded enterprises, which have Europe as their major market, experienced the bottleneck in growing in their local markets, and have relatively lower valuations; on the other hand, the industries in which these enterprises operate have great potential in the PRC market. Adhering to the investment principle of "combining China's growth momentum with global resources", Fosun looked global wise to identify the leading enterprises in the industry, who suffered from a stagnant profit growth in the European and U.S. markets, but would have high growth potential in China, and with the plan to enter into China's market. We took the advantage of Fosun's solid industrial and channel base in China, helped them achieve fast growth in China, and ultimately enhance its values in the global market. Following the successful investment in Club Med in 2010, we have also successfully invested in Folli Follie in Greece in May 2011, which was also our first investment into the international fashion brand. In 2011, Club Med's global revenue increased by 5.2% with profitability turn-around. Club Med plans to open its second resort hotel in China during 2012, and will have five altogether in China by 2015. In the future, China will become its second largest market in the world just behind France. In 2011, Folli Follie significantly increased the number of stores in China, its global revenue and net profit increased by 5.1% and 4.7% for the first 3 quarters in 2011 respectively. We are delighted to see that our esteemed investment model achieved positive results, which fills us with confidence in the investments as Club Med and Folli Follie, and in the future, we will speed up into the practice of "combining China's growth momentum with global resources", mainly targeting at consumption upgrade, financial services and manufacturing upgrade.

Asset management

In 2011, we made significant efforts to push forward our asset management business. We believe that Fosun's core capability lies in our investment capability. In recent years, Fosun's investment capability has been improving. However, with the growing investment scale year by year, the endogenous capital, which we generated mainly through dividends and profit from direct investments in the way before, can no longer meet the need of our investments. We hope that, by developing asset management, we can more efficiently play the Group's edge in investment capabilities. While making the full use of the current development opportunities to make good investments, we allow our limited partners (the "LPs") and our shareholders to share the growth of China's economy, through Fosun's investment platform. Our investment capabilities were widely recognised by LPs from domestic and overseas. In 2011, we received support from Prudential of the United States, who, by way of making capital contribution of USD500 million, has become Fosun's first international LP. As at the end of 2011, the scale under management of our asset management business amounted to RMB13.26 billion, of which the self capital contribution of asset management segment of the Group reached RMB2.73 billion. The funds under management included two USD-

We hope that, by developing asset management, we can more efficiently play the Group's edge in investment capabilities and make the full use of the current development opportunities to make good investments.

denominated and a number of RMB-denominated funds. During the Reporting Period, our asset management business collected management fee of RMB56.2 million, and shared investment gain of RMB28.2 million. Moreover, we were ranked No. 8 among top 30 private equity investment institutions of China for 2011 by Zero2IPO in our first participation.

We regard insurance business as a good means to connect Fosun's investment capability to quality long-term capital. In this way, the insurance business will be the business that we will make efforts to build up in the future.

The developing insurance business

In 2011, on the back of the existing industrial businesses, we started to make efforts to develop our insurance business. We think that the profit of insurance company derives mainly from the revenue of undertaking and investments. Through years of industrial operations and investment practices, Fosun has been equipped with qualities for optimising operation and industrial leading investment capabilities. We regard insurance business as a good means to connect Fosun's investment capability to quality long-term capital. In this way, the insurance business will be the business that we will make efforts to build up in the future. As at the end of the Reporting Period, our insurance business includes the strategic investment in Yong'an Insurance and Pramerica Fosun Life Insurance which is in preparation for the setting up, the latter of which has been approved for set up preparation in 2011, as the first joint venture insurance company in China established by a domestic private enterprise with a foreign investor, by China Insurance Regulatory Commission.

Reviewing Fosun's course of development in history, we have been taking investment as the primary driver of growth, and upon investment operations, we have systematically developed a series of core competences, which include the ability to identify opportunity and risk, accessibility to capital markets, management optimisation, as well as the ability to cooperate with prominent entrepreneurs. As shareholders of Fosun, you all see that value of Fosun's headquarters is more than the sum of its assets. Fosun is an innovative investment platform, full of entrepreneur resources and with an established system to support the growth of our assets.

A VALUE CREATING HEADQUARTERS OF FOSUN

I think the value of the Group's headquarters is our unique competitiveness, and is a very good platform and ties of cooperation. The Group created values for the portfolio companies through our systematical management system and resource synergism. The Group helps companies establish goals for development and its growing paths, allocates resources, and guides them to explore chances of globalisation standing on our own global vision. The Group advises the companies on team building, helps them to establish remuneration incentive mechanisms and push forward the implementation of succession plan. The Group helps companies improve their risk management and internal control systems, optimise their process flow and the operating ability in innovation, branding and cost management. We share our investment experience with the companies, so as to extend our investment decisions making capability, and the ability to decide on other key issues, into our companies.

We hold the concept of the "Fosun Family", and make efforts to create synergies across our invested industries, media and distribution resources. Confronting the increasing challenges on investment decision making, in 2011, we established the advisory board for investment decision, with steersmen from renowned domestic and foreign enterprises as members, and we gathered prominent entrepreneurs from domestic and overseas consumption, manufacturing and financing industries, who provide us with professional advice and recommendations on our investment decisions, which makes it less likely for us to take wrong paths.

CORPORATE SOCIAL RESPONSIBILITY RAISING FOSUN BRAND IMAGE

This year marks the 20th anniversary of the speech by Deng Xiaoping during his tour in southern China, and is also the 20th anniversary of Fosun. During these 20 years, while pursing commercial values, Fosun also actively devoted itself to the improvements on the commercial and natural environments of China, provided impetus to the rejuvenation of China's economy and Chinese culture, and made the world feel more about the vitality of

China's enterprises and the charisma of Chinese culture. In 2011, we made donation to the rescue forces in Japan's nuclear crisis due to the earthquake, organised the Shining Star project, a large-scale branding activity in the United States, sponsored cultural activities in cooperation with the Musée du Louvre Museum in France, supported the preservation and promotion of Chinese non-material cultural heritage, including Wuju opera and Dongyang wooden sculptures, and provided assistance to Chinese founding entrepreneurs in cooperation with Youth Business China and Alibaba Small Loans Co., Ltd.. In our 20 years of development, Fosun has had a thanks-giving mind, adhered to the core corporate values of "self-improvement, teamwork, performance and contribution to society" and shared our growth and development with employees and society. In 2011, Fosun's major controlling companies and those with investments provided 89,000 jobs, up 16,600 jobs as compared with 2010 with employees' remuneration of over RMB5.0 billion. Our actions were also recognised by the society. In July, the Company ranked No. 81 among Fortune's top 500 enterprises of China. In November, Fosun received the "Entrepreneurs for the World Award" at the World Entrepreneurship Forum in Singapore. In December, Fosun was awarded "2011 China Overall Ranking of Chinese Non-state Owned Enterprise of Corporate Social Responsibility" by the Southern Weekly. In 2011, we truly reveal ourselves on the worldwide stage to share China's growth opportunities with the world, earmarking a momentous step for Fosun's internationalisation of brand building.

FUTURE PROSPECTS

We will continue to actively practise the investment strategy of – combining China's growth momentum with global resources, seek the projects that meet our investment target characteristics and value principles, to explore new opportunities.

We see that China is migrating into the world's major consumer and capital giant. The consumption of PRC residents grow rapidly with total consumption ranking the third in the world in 2010 and about to surpass Japan to become the global second largest. In 2010, the percentage of consumption to gross domestic product was only 35% in China with a huge room for increment as compared with 71% for the United States. The transformation of China's economy not only opened up markets for the growth of companies engaged in the consumption business in China, but also opened up markets for the investments in China's consumer industry. On the other hand, in 2011, there were 356 companies launching initial public offerings ("IPO") in the PRC with total financing amounting to approximately USD61.53 billion, accounting for 41.9% of the global listing and 52.1% of the IPO financing in the world. The prosperous capital market of China will also further attract both the domestic and international capital to seek investment opportunities in China. We believe that the growth of China's consumer market will present huge investment opportunities that are driven by capital, and also make it possible for the sustained operation of our investment strategy of "combining China's growth momentum with global resources".

For our industrial operations, looking at the key industries where we operate, there are both opportunities and challenges. For the pharmaceuticals and healthcare segment, Fosun Pharma will continue to strengthen building up its core competitiveness in research and development, marketing, manufacturing and other areas, accelerate the merger and acquisition as well as integration of premium domestic and overseas enterprises engaging in pharmaceutical manufacturing and research and development, continue to explore the opportunities to enter into the healthcare services, further consolidate and enhance its leading position as a pharmaceuticals and healthcare company in China and eventually develop into a globally competitive pharmaceuticals and healthcare company. For the property segment, against the backdrop of the austerity measures in 2011, uncertainties still exist in China's property industry in 2012. We remain optimistic about the long-term development of China's property market. We will continue to improve the business line and geographical structure of Fosun's property business through platforms including Forte, Haizhimen, Resource Property, Star Capital and others, based on our own advantage, we explore a unique business model of combining the three lines of property, finance and industries, and engage in the development of residence housing and urban complex, as well as the property distribution services. We take the opportunity of macro control on property industry, to seek to expand our land reserve at a reasonable cost, so as to ensure the long-term sustainable growth of Fosun's property business. For the steel segment, Nanjing Iron & Steel has achieved prolific results in the development and sales of high-tech 9 Ni steel products. In the future, it will stick to the principle of technological innovation, develop high value-added new products, and establish the advantage out of products with a leading edge research and development. For the mining segment, Hainan Mining will press ahead with the construction of the mining of its underground projects, improve the comprehensive use of small mines, have the newly-built processing plant commenced production and maintain long-term stable growth by continued exploring the projects of iron ore acquisitions and mergers in the future. Going through the business individually, our overall industrial operations still have a relatively higher proportion of cyclical businesses. However, as we group them in an effective way, our industrial portfolio has maintained a stable growth in the past 20 years. For example, over the last seven years, the compound annual growth rate of the contribution from this industrial portfolio to our net profits amounted to 27.0%, demonstrating good resilience against cyclicality. Going forward, we strive to maintain a sustainable growth of our industrial portfolio, and at the same time, we will actively explore opportunities to continue to optimise the asset allocation of our industries portfolio, largely increasing the proportion of non-cyclical assets.

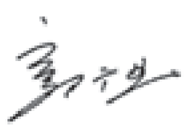
For our investment, we think that it is a good time for investment now. In 2012, we will continue to practice the investment strategy of "combining China's growth momentum with global resources", seek the projects that meet the investment target characteristics and our values principles, to explore new opportunities. In the meantime, we will continue to drive the business development of the Club Med and Folli Follie in China, to gradually realise the value of our investment.

For our asset management, we will continue to attract quality LPs, and improve services for and management capabilities of LPs, while expanding the scale of our assets under management; our USD-denominated funds will mainly target at overseas long-term capital, including sovereign funds, pension funds and so on. Our RMB-denominated funds, apart from targeting high net worth populations in China, will make efforts to recruit institutional investors and large corporations to become our LPs. At the same time, we will also continue to strengthen the capabilities of our investment teams, enrich fund products, and seize the investment opportunities arising from the consumption upgrade, financial services, resources and energy as well as upgrading in the manufacturing industry associated with the transformation of China's economy. In addition, for investees, we will manage them systematically through our headquarters platform and improve their profitability. We will actively press ahead with their IPO, grasp appropriate timing of investment and divestment and increase the efficiency on the use of capital.

In 2012, we will speed up the preparatory work for Pramerica Fosun Life Insurance with an aim to commence operation by the year end. Through nurture, we hope the insurance will become one of our principal businesses in the future. On top of this, we still have to centralise our supreme resources and continue to seek opportunities to increase our investment in the finance sector, including banking, to obtain a higher investment return in tandem with the development trend of China's financial services industry.

We are confident of China's economic outlook and await the economic recovery in the United States and the recuperation in Europe. On the basis of our global perspective, we will duly capture the opportunity to improve the allocation and distribution of global assets in response to the economic development in China and of the world, and to lay a solid foundation for the long-term sustainable development of Fosun. Meanwhile, we must stick to our strategy, stick to our value principles, and create values to the most extent, maximise and realise them through our platform.

I would like to hereby express my sincere gratitude to the members of the Board, all employees of the Group, the entrepreneurial team of the companies we invested in and business partners.



Guo Guangchang
27 March 2012

BUSINESS MODEL

FOSUN 复星

Insurance	Industrial Operation	Investment (including strategic investment)	Asset Management
Pramerica Fosun Life Insurance (under establishment)	Fosun Pharma	Yuyuan	Fosun Capital
Yong'an Insurance	Forte	Focus Media	Fosun Chuanghong
	Nanjing Iron & Steel	Minsheng Bank	Carlyle-Fosun
	Hainan Mining	Club Med	Pramerica-Fosun China Opportunity Fund
		Folli Follie	Star Capital
			Real estate funds of Forte

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

As at the end of the Reporting Period, equity attributable to owners of the parent of the Group reached RMB31,830.2 million, representing an increase of 6.6% from the end of 2010. Among that equity equivalent to RMB18,542.3 million were investment in listed companies by the Group, and such investment amounted to RMB23,951.2 million measured by attributable market capitalisation. As at the end of the Reporting Period, profit attributable to owners of the parent of the Group for 2011 amounted to RMB3,403.6 million, representing a decrease of 19.5% over the same period of 2010, primarily due to the loss in fair value of certain investments under the influence of depressed global stock markets.

ASSET ALLOCATION OF THE GROUP

During the Reporting Period, in the backdrop of a relatively harsh external macroeconomic environment, the Group stuck to value investment philosophy, continued to optimise its asset allocation, and stepped up efforts in investment and divestment to build an investment portfolio that will continuously benefit from China's growth momentum. During the Reporting Period, the Group presented insurance segment separately, and increased investments in consumption upgrade, resources and energy, financial services and manufacturing upgrade.

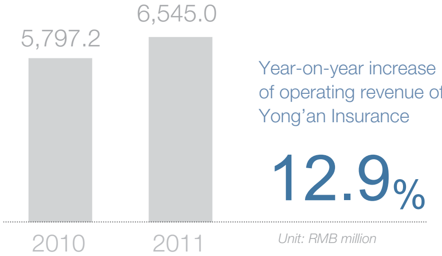
Asset Allocation

Unit: RMB million

Segment	Total assets in 2011 (as at 31 December 2011)	Total assets in 2010 (as at 31 December 2010)	Change over the same period last year
Insurance	608.1	608.1	—
Pharmaceuticals and healthcare	22,103.1	16,664.4	+32.6%
Property	49,442.8	38,227.3	+29.3%
Steel	35,742.4	37,269.3	-4.1%
Mining	10,691.7	8,501.4	+25.8%
Retail, services, finance and other investments	24,245.8	18,862.2	+28.5%
Asset management	12,296.5	646.0	+1,803.5%
Eliminations	(17,592.8)	(2,403.9)	
Total	137,537.6	118,374.8	+16.2%

Business review and analysis by segment

INSURANCE



Year-on-year increase of operating revenue of Yong'an Insurance

12.9%

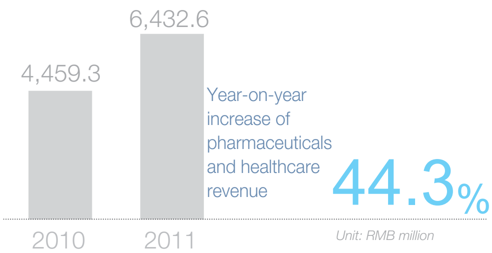
Unit: RMB million

In 2011, on top of its existing business, the Group actively developed insurance business. The Group thinks that the profit of insurance company derives mainly from the revenue of undertaking and investments. Through years of industrial operations and investment practices, Fosun has been equipped with qualities for optimising operation and industrial leading investment capabilities. The Group considers that insurance business is an excellent channel for its linking long-term quality capital with investment capacity. As such, insurance will be a key business the group strives to develop in the future.

The Group's insurance segment mainly includes Yong'an Insurance and Pramerica Fosun Life Insurance (under establishment). During the Reporting Period, Yong'an Insurance maintained the good growth rate of the previous year. As at the end of the Reporting Period, Yong'an Insurance's operating revenue and total assets were RMB6,545 million and RMB10,032 million, representing an increase of 12.9% and 19.0% respectively over 2010; net profit was RMB284 million, representing a decrease of 2.1% compared with the same period of 2010; total underwriting profit was RMB44 million; representing an increase of 1,417.2% compared with the same period of 2010. In August 2011, the establishment of a life insurance joint venture with the Prudential of the United States was approved by the China Insurance Regulatory Commission. Pramerica Fosun Life Insurance is the first joint venture insurance company in China established by a domestic private enterprise with a foreign investor. It will start with a planned initial registered capital of RMB500 million and headquartered in Shanghai. Its principal business will include the provision of life insurance, health insurance, accident insurance and all other kinds of personal insurance and annuity products approved by China Insurance Regulatory Commission and related services to individual and group customers in China.

Business review and analysis by segment

PHARMACEUTICALS AND HEALTHCARE



The Group's pharmaceuticals and healthcare segment mainly includes its subsidiary, Fosun Pharma. During the Reporting Period, Fosun Pharma continuously enhanced competitiveness of its core businesses and profitability through organic growth and external expansion, achieved important breakthrough in international cooperation, and entered into the premium and specialised healthcare services industry through strategic planning. For drug manufacturing business, various drugs from Fosun Pharma for the treatment of diseases in respect of metabolism, digestive tract, cardiovascular system, central nervous system and anti-infection maintained leading positions in their respective domestic markets.

During the Reporting Period, net profit from its core subsidiaries, such as Chongqing Yaoyou Pharmaceuticals Co., Ltd. and Jiangsu Wanbang Biopharmaceutical Company Limited achieved rapid growth and Fosun Phama completed the acquisition of controlling stake in Dalian Aleph Biomedical Co., Ltd. and Jinzhou Ahon Pharmaceutical Co., Ltd., which further improved and upgraded its drug portfolio. Moreover, Fosun Pharma established a joint venture with Lonza Group of Switzerland for the collaborated development of drugs in urgent need from China's market, with high technological barriers to enter, which will further enhance the competitiveness of Fosun Pharma's drug manufacturing business. In the field of premium and specialised healthcare services sector of huge potential, Fosun Pharma based on its continued close cooperation with Chindex International Inc. actively explored its unique business model for healthcare services with its own characteristics, and invested in Anhui Jimin Cancer Hospital and Yueyang Guangji Hospital. During the Reporting Period, Sinopharm, the main associate of Fosun Pharma has maintained its leading position in China's pharmaceutical distribution market, with sales revenue exceeding RMB100 billion for the first time and maintained No. 1 position in terms of market share for eight consecutive years.

Meanwhile, during the Reporting Period, Fosun Pharma had announced and actively pursued its plan of issuing overseas listed foreign shares (H shares). The proposed H-share offering would be expected to allow Fosun Pharma to boost the development of its drug manufacturing business, strengthen research and development ("R&D") platforms, expand the merger and acquisitions towards both domestic and foreign pharmaceutical firms, so as to further strengthen its leading status in China's pharmaceuticals and healthcare industry, and make it a globally competitive pharmaceutical enterprise.

During the Reporting Period, the revenue and profit attributable to owners of the parent of the Group of the pharmaceuticals and healthcare segment were as follows:

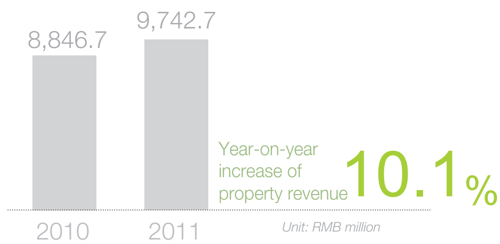
Unit: RMB million

	2011	2010	Change over the same period last year
Revenue	6,432.6	4,459.3	+44.3%
Profit attributable to owners of the parent	560.3	302.5	+85.2%

During the Reporting Period, the increase in revenue from the pharmaceuticals and healthcare segment reflects the rapid development of Fosun Pharma's business in areas such as pharmaceuticals R&D, industrial manufacturing, commercial wholesale and retail and investment. The increase in profit attributable to owners of the parent mainly included the steady increase in profit from various business of Fosun Pharma, as well as the gain on deemed disposal of equity interests in Sinopharm as a result of the completion of additional shares issuance on 4 May 2011.

Business review and analysis by segment

PROPERTY



The Group's property segment mainly includes its subsidiaries, Forte and Resource Property and associate, Haizhimen. During the Reporting Period, the macro regulation policy in respect of the property sector was increasingly tightened. The Group boosted its sale effort in second-tier cities such as Wuhan, Changchun, Chongqing and Chengdu basing on reasonable pricing, maintained flexible investment and sales strategies, focused on real estate projects that are highly cost effective, took the right pace in investment and land reserve, and basically achieved the sales target for the year. The Group's project of the Bund International Finance Center has officially commenced construction in late 2011 with smooth progress. It is expected that the project will be completed in 2015.

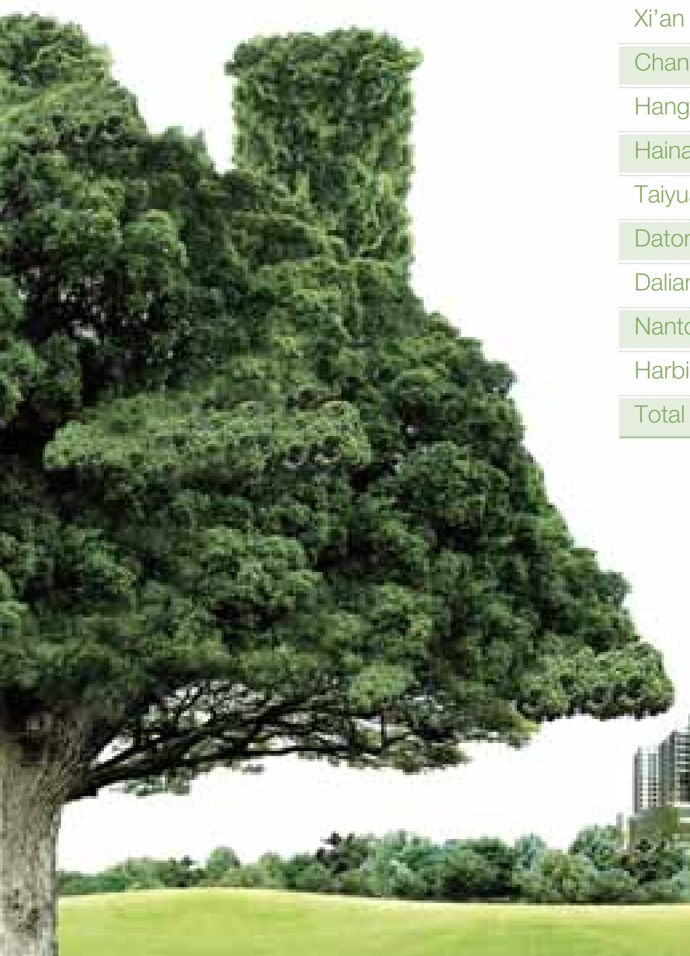
During the Reporting Period, the Group successfully completed the general offer to Forte's shareholders and Forte was delisted from the Hong Kong Stock Exchange. After delisting, Forte remains an important part of the Group's property segment. Through platforms including Forte, Haizhimen, Resource Property, Star Capital and others, based on our own advantage and in addition to residential property development, the Group explores an unique business model of combining the three lines of property, finance and industry, and for development of products including landmark complex and property distribution and services, and gradually build up the product lines of commercial/tourism/culture properties, senior housing, tourism properties, etc.. Meanwhile, the Group strives to enhance interior cooperation by the Group's overall strategic planning and professional division, in order to make the property segment of the Group become a large scale property group in China with the most comprehensive industrial chain.

During the Reporting Period, total attributable contractual sales GFA and sales revenue completed by the Group were approximately 927,972 sq.m. and RMB9,417 million, respectively (including projects of joint venture companies and associates in which the Group has equity interests, excluding the development projects of Shanghai Zendai Property Limited, an associate of Forte), representing a decrease of 13.3% and of 31.8% respectively as compared on the same basis with the same period of 2010 (2010: total attributable contractual sales GFA and sales revenue were approximately 1,070,389 sq.m. and RMB13,810 million respectively, which did not include the disposal of the equity interest of Tianjin Forte Puhe Development Co., Ltd. in 2010). During the Reporting Period, the Group's attributable GFA under development amounted to 4,622,738 sq.m., representing an increase of 26% compared with the same period of 2010; attributable GFA of newly commenced projects amounted to 1,859,640 sq.m., representing an increase of 14.1% compared with the same period of 2010; and attributable GFA of completed projects was 1,292,803 sq.m., representing an increase of 34%, compared with the same period of in 2010.

As at the end of the Reporting Period, the Group had attributable GFA of 12,463,692 sq.m. for pipeline projects in 17 first, second and third tier provinces and cities including Shanghai, Hainan, Tianjin, Nanjing, Chongqing, Wuhan, Wuxi, Hangzhou, Xi'an, Changchun, Chengdu, Taiyuan, Changsha, Datong, Harbin, Nantong and Dalian among which 3,415,865 sq.m. of GFA were newly added as project reserve during the Reporting Period.

Property project reserves of the Group by city (as at 31 December 2011)

Region	Total GFA (sq.m)	Attributable GFA (sq.m)
Shanghai	2,568,577	1,669,965
Nanjing	1,856,869	1,169,849
Wuxi	671,022	440,121
Wuhan	1,046,000	732,200
Changsha	290,900	290,900
Chongqing	1,726,850	1,119,736
Chengdu	2,625,659	1,276,942
Tianjin	1,019,638	924,157
Xi'an	2,358,054	1,179,027
Changchun	488,511	488,511
Hangzhou	1,353,289	847,976
Hainan	174,187	52,256
Taiyuan	581,000	464,800
Datong	724,564	724,564
Dalian	765,452	491,865
Nantong	429,010	122,337
Harbin	1,785,737	468,486
Total	20,465,319	12,463,692



Major development projects of the Group:

Region	Projects	GFA (sq.m) Total	GFA (sq.m) Attributable	Equity	Project Address	Notes
Beijing	Value Stream (Phase 2.1 Clubhouse)	4,200	4,200	100%	Changxing Chuang Xiaotangshan Town Changping District, Beijing	completion
Shanghai	Yi He Hua Cheng (Phase 2,South)	62,500	31,250	50%	Lane 479, East Wuwei Road Putuo District, Shanghai	commencement
	Jinshan Chempark (Phase 2)	35,543	35,543	100%	Shangyang Town Jinshang District, Shanghai	under development
	Steel Union (Phase 2)	133,000	66,500	50%	Youyi Road/Tieshan Road Baoshan District, Shanghai	under development
	Steel Union (Phase 3)	36,900	18,450	50%	Youyi Road/Tieshan Road Baoshan District, Shanghai	commencement
	Jin Guang North Project	80,700	64,560	80%	No. 567 North Block Putuo District, Shanghai	commencement
	Villa Espana (Phase 2)	9,925	5,459	55%	Lane 6666, Waipingsong Road, Qingpu District, Shanghai	commencement
	Forte Zhonghuan Community (Phase 1)	70,400	49,280	70%	No. 858 South Huanjing Road Baoshan District, Shanghai	under development
	Green Bay Villa	53,600	37,520	70%	No. 858 South Huanjing Road Baoshan District, Shanghai	commencement
	Golden City (C-2)	86,100	34,440	40%	Yuqiao Road/Yushui Road Pudong New District, Shanghai	completion
	Forte Glorious Time	120,400	120,400	100%	Yongxing Road Zabei District, Shanghai	completion
	Yi He Hua Cheng (3C-2)	9,900	4,950	50%	Lane 479, East Wuwei Road Putuo District, Shanghai	completion
	Andaz Hotel	47,988	9,598	20%	No.120 Taicang Road Luwan District, Shanghai	completion
	Gubei New City (Phase 2B)	29,400	14,700	50%	Lane 510, Wuzhong Road Changning District, Shanghai	commencement
	The Bund International Finance Center	426,073	213,037	50%	Dongmen Road South Zhongshan Road, Huangpu District, Shanghai	commencement
Nanjing	Ronchamp Villa (Phase 4.1-1)	19,649	19,649	100%	No.138-158 West Focheng Road, Nanjing	under development
	Ronchamp Villa (Phase 4.1-2)	10,600	10,600	100%	No.138-158 West Focheng Road, Nanjing	completion
	Ronchamp Villa (Phase 4.2)	40,078	40,078	100%	No.138-158 West Focheng Road, Nanjing	under development
	Glorious Time (Phase 1)	92,813	84,367	91%	No.100 Dongjing Village Xiaguan District, Nanjing	under development
	Glorious Time (Phase 2)	138,200	125,624	91%	No.100 Dongjing Village Xiaguan District, Nanjing	commencement
	Graceful Oasis	103,400	42,342	41%	No. 59 North Puzhu Road Pukou District, Nanjing	completion
	Graceful Oasis	222,200	90,991	41%	No. 59 North Puzhu Road Pukou District, Nanjing	commencement
	Graceful Oasis	334,579	137,010	41%	No. 59 North Puzhu Road Pukou District, Nanjing	under development
Wuxi	Australian Garden (Phase 3.2)	64,122	32,061	50%	No. 99 Zhenghe Ave Huishan District, Wuxi	under development
	Australian Garden (Phase 2.2)	56,500	28,250	50%	No. 99 Zhenghe Ave Huishan District, Wuxi	completion
	Australian Garden (Phase 3.1)	48,900	24,450	50%	No. 99 Zhenghe Ave Huishan District, Wuxi	completion
	Joy Town Residence	185,000	148,000	80%	Xinguang Road/Tongyang Nanchang District, Wuxi	commencement
Wuhan	Forte International East Lake (Phase 2A)	155,600	108,920	70%	No.147 Zhongbei Road, Wuchang District, Wuhan	completion
	Forte International East Lake (Phase 3)	186,400	130,480	70%	No.147 Zhongbei Road, Wuchang District, Wuhan	commencement
Chongqing	Forte Uptown (Phase 6)	74,768	74,768	100%	No. 81 Jinyu Ave Jingkai District, Chongqin	under development
	Forte Uptown (Phase 7)	160,900	160,900	100%	No. 81 Jinyu Ave Jingkai District, Chongqin	commencement
	Forte Uptown (Phase 5)	180,400	180,400	100%	No. 81 Jinyu Ave Jingkai District, Chongqin	completion
	Forte. Mountain	80,800	40,400	50%	C Block, Huangshuibuya Group Nan'an District, Chongqin	commencement
	Chongqing Forte Times	54,009	54,009	100%	B-01 Block, Jinshan Area Jingkai District, Chongqin	under development

Region	Projects	GFA (sq.m) Total	GFA (sq.m) Attributable	Equity	Project Address	Notes
Chengdu	Gorgeous Lakeside (Phase 1)	24,272	19,854	82%	North Shenghua Road/Desai Street Gaoxin District, Chengdu	under development
	Gorgeous Lakeside (Phase 1)	122,100	99,878	82%	North Shenghua Road/Desai Street Gaoxin District, Chengdu	completion
	Gorgeous Lakeside (Phase 2)	163,359	133,627	82%	North Shenghua Road/Desai Street Gaoxin District, Chengdu	under development
	Forte Times(Chengdu)	326,727	326,727	100%	South Park, Gaoxin District Chengdu	under development
	Forte Kingdom Fragrance (Phase 1)	102,600	52,326	51%	Shahe Office/Guangfushi Office, Huayang Street, Shuangliu Village, Chengdu	commencement
	Huanglong Project	115,600	57,800	50%	78 North Pengzu Ave Pengshan Village, Meishan	commencement
	Taiyue Bay	162,400	32,480	20%	18 Jintai Road, Gaoxin District Chengdu	commencement
Tianjin	Windsor Villa (Phase 1)	62,070	43,449	70%	Central Ave/Xiqi Ave Economic Zone, Low Tax Zone Tianjin	under development
	Windsor Villa (Phase 1)	91,400	63,980	70%	Central Ave/Xiqi Ave Economic Zone, Low Tax Zone Tianjin	completion
	Windsor Villa (Phase 2A)	256,200	179,340	70%	Central Ave/Xiqi Ave Economic Zone, Low Tax Zone Tianjin	commencement
Xi'an	Yotown (Phase 2)	94,100	89,395	95%	Yuhua Village. Gaoxin District Xi'an	completion
	Chief Park City (Phase 1)	196,634	98,317	50%	East Xuefu Road/Beichen Ave Xi'an	under development
Changchun	Natural City (A-1)	103,011	103,011	100%	Boxue Road, Jingyue Development Area, Changchun	under development
	Natural City (E-1)	105,100	105,100	100%	Boxue Road, Jingyue Development Area, Changchun	completion
	Natural City (D)	23,300	23,300	100%	Boxue Road, Jingyue Development Area, Changchun	completion
	Natural City (E-2)	124,600	124,600	100%	Boxue Road, Jingyue Development Area, Changchun	completion
	Natural City (E-3)	229,400	229,400	100%	Boxue Road, Jingyue Development Area, Changchun	commencement
	Natural City (A-2)	37,100	37,100	100%	Boxue Road, Jingyue Development Area, Changchun	commencement
Hangzhou	Forte Times (Phase1)-Fuyang Phase1	104,684	52,342	50%	Integrated market, Fuchun Street, Fuyang, Zhejiang	under development
	Forte Times (Phase2,3)-Fuyang Phase1	199,405	99,702	50%	Integrated market, Fuchun Street, Fuyang, Zhejiang	under development
	Invaluable City (Phase 4.1)	30,200	22,650	75%	Hanghai Road/East Shitang Road, Yuhang District, Hangzhou	completion
	Invaluable City (Phase 4.2)	38,200	28,650	75%	Hanghai Road/East Shitang Road, Yuhang District, Hangzhou	completion
	Northern City Center	166,700	166,700	100%	Moganshan Road/Qingmiao Road, Gongshu District, Hangzhou	completion
Dalian	Star City (Phase 1)	116,585	74,915	64%	G03 Block, Donggang District, Dalian, Liaoning Province	commencement
	Star City (Phase 3)	91,070	58,520	64%	E12 Block, Donggang District, Dalian, Liaoning Province	commencement
Harbin	Star City (Phase 12)	2,100	551	26%	W-12 Block, Qunli New District, Harbin, Heilongjiang Province	commencement
Nantong	Star City (Phase 1)	195,810	55,838	29%	CR11044 Block, Chongchuan District, Nantong, Jiangsu Province	commencement
Total		6,700,274	4,622,738			

During the Reporting Period, the revenue and profit attributable to owners of the parent of the property segment were as follows:

Unit: RMB million

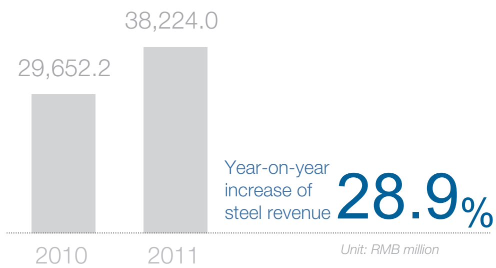
	2011	2010	Change over the same period last year
Revenue	9,742.7	8,846.7	+10.1%
Profit attributable to owners of the parent	1,619.3	1,271.8	+27.3%

During the Reporting Period, the increase in revenue and profit attributable to owners of the parent of property segment was mainly due to the increase in the sales area of Forte's property under development comparing with last year.

The Group's steel segment mainly includes its subsidiary Nanjing Iron & Steel and its associate Jianlong Group. During the Reporting Period, attributed to the reason of depression in global macro-economic situation, macro-control on China property business, and slowdown in increase of vehicle market and fixed asset investment, the demand from industries which are main steel users was weakened as well as the growth of steel consumption was slowed down. This revealed the conflicts related to overcapacity in the steel industry, with the core profitability of steel enterprises remained at a very low level. Furthermore, the price of upstream raw materials of the steel industry remained at a high level, leading to the increase in production cost of Nanjing Iron & Steel. During the Reporting Period, facing the dual pressure from high material prices and depressed steel prices, Nanjing Iron & Steel further enhanced innovation in product development and marketing, production volume of high value added product of steel pipes amounted to 460.7 thousand tonnes, representing an increase of 47.71% as compared to 2010. Large-scale production was implemented for 9 Ni steel. Its market share of steel plates for oil tank was 42%, maintaining its leading position in China, while the market share of T91 alloy steel billet was over 50%, which ranked among the top players. Nevertheless, the overall operation performance as at the end of 2011 showed a weak state.

Business review and analysis by segment

STEEL



Main products of Nanjing Iron & Steel	Sales ('000 tonnes) 2011	Market share 2011
Medium and heavy plates	357.56	5.33%
High strength ship plates	72.39	9.44%
Boiler and pressure vessel plates	30.09	10.10%
Bridge plates	9.51	11.27%
Pipeline steel plates (straight seam)	46.07	29.30%
Bearing steel	25.14	8.42%

Nanjing Iron & Steel also made an equity investment in All Wealthy Capital Ltd. and entered into a supplier contract of iron ores with it. During the Reporting Period, Jianlong Group overcame the impact of a highly volatile raw material market, actively explored the potential in coal and ore blending and comprehensive energy utilisation, and tapping potential and enhancing efficiency with technological innovation. It also extended its industrial chain and focused on R&D advanced product to enhance competitiveness.

Principal operating data of the subsidiary and major associate:

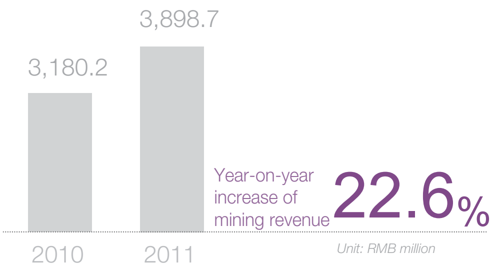
	Nanjing Iron & Steel	Jianlong Group
Output of crude steel in 2011 ('000 tonnes)	7,645	12,357
Output of crude steel in 2010 ('000 tonnes)	6,771	8,856
Change over the same period last year	12.9%	39.5%

During the Reporting Period, the revenue and profit attributable to owners of the parent of the steel segment were as follows:

Unit: RMB million

	2011	2010	Change over the same period last year
Revenue	38,224.0	29,652.2	+28.9%
Profit attributable to owners of the parent	34.3	410.0	-91.6%

The increase of revenue of the steel segment was primarily due to the increase in both sales volume and average selling prices of steel products comparing with last year. However, the rise in average price of upstream raw materials comparing with last year far exceeded the rise in average selling prices of steel products, leading to the decrease in gross and net profit of the steel segment.



Business review and analysis by segment

MINING

The Group's mining segment mainly includes its subsidiary, Hainan Mining and Jin'an Mining and associates Huaxia Mining, Shanjiaowulin. In addition, the Group also holds equity interest in Zhaojin Mining. During the Reporting Period, the production and sales of Hainan Mining continued to grow, achieving total sales of iron ore products of 3.67 million tonnes, representing an increase of 8.1% as compared with the same period last year. During the Reporting Period, the Group announced its proposed spin-off and separate listing of Hainan Mining independently on the main board of the Shanghai Stock Exchange. The Group will actively pursue such proposal and encourage Hainan Mining to continue its expansion by merger and acquisition.

Principal operating data of major subsidiaries, associates and other investment (as at 31 December 2011):

	Main product	Output in 2011 ('000 tonnes unless otherwise stated)	Change over the same period last year	Reserve volume
Hainan Mining	iron ore	3,761.58	13.03%	253 million tonnes of iron ore (note)
Jin'an Mining	iron concentrate	1,000.96	14.26%	80.74 million tonnes of iron ore
Huaxia Mining	iron concentrate	2,552.02	13.39%	1.8 billion tonnes of iron ore
Shanjiaowulin	coking coal	811.10	21.00%	810 million tonnes of prime coking coal, fat coal
Zhaojin Mining	gold production (own mines) (tonne)	15.90	15.60%	Gold resource volume 558 tonnes under the JORC standard

Note: as at 31 December 2010

During the Reporting Period, the revenue and profit attributable to owners of the parent of the mining segment were as follows:

Unit: RMB million

	2011	2010	Change over the same period last year
Revenue	3,898.7	3,180.2	+22.6%
Profit attributable to owners of the parent	1,119.8	932.1	+20.1%

During the Reporting Period, the increase in revenue and profit attributable to owners of the parent of the mining segment were mainly attributable to the sustaining high price of iron ore, as well as the flexible sales strategy and outstanding operating efficiency against sale increase of the operating enterprises.

Business review and analysis by segment

RETAIL, SERVICES, FINANCE AND OTHER INVESTMENTS

The Group adheres to the philosophy of value investment, and participates in the rapid development of industries such as retail, services and finance industries benefiting from China's growth momentum. During 2011, while the European debt crisis has affected the global economy, it also gave rise to opportunities for us to "combining China's growth momentum with global resources". Certain brand enterprises which mainly focused in the European market were confronted with bottleneck in growth. Their valuation are relatively low at the moment but some of them are in industries which have great potential in the China market. The Group sticks to its investment model of "combining China's growth momentum with global resources" and seeks industry leaders that have stagnant profit growth in the Europe and the United States markets but would enjoy a rapid development in China. Among such companies, for those with the intention to enter the China market, the Group will leverage on its solid industrial and network to assist them to grow in China and raise their global value.

Yuyuan

Yuyuan is an associate of the Group. Yuyuan is mainly engaged in retail and gold and jewellery retail and wholesale and it holds part of the stakes in Zhaojin Mining. During the Reporting Period, Yuyuan's operational revenue in the first three quarters of 2011 was RMB13.45 billion representing a growth of 50.3% over the same period last year, with net profit of RMB700 million. Yuyuan maintained sound sales of gold, with the sales revenue of Shanghai Laomiao Gold Co., Ltd. in 2011 exceeded RMB10 billion for the first time, and the growth of sales revenue of Shanghai First Asia Jewelry Co., Ltd. exceeded 60%. Moreover, Yuyuan continued to expand the nationwide sales network of gold and jewellery with its sales network covering 28 provincial regions as at the end of the Reporting Period. On the other hand, Yuyuan continued to benefit from the growth of the net profit shared from Zhaojin Mining which was brought by the upswing in gold price.

Focus Media

Focus Media is an important investment of the Group in the culture and media industry. The total net operating revenue for the year 2011 was USD790 million. Focus Media has recorded a growth of 54% over the same period last year. According to the financial statements prepared in accordance with US GAAP, the net profit of Focus Media for the year 2011 was USD200 million. In addition, when Focus Media was first doubted by Muddy Waters Research, a short selling organisation, at the end of November 2011, the Group as an active shareholder, assisted in dealing with the situation and increased its shareholding through the market so as to show its support to Focus Media and its management team.

Club Med

Club Med is an important attempt of the Group in “combining China’s growth momentum with global resources” investment model in 2010. During the Reporting Period, the Group continued to increase its shareholdings by way of investment in public market. Club Med achieved remarkable results in the Reporting Period, the business results of its headquarters grew in spite of the downward trend in the turbulent period of Europe’s economy in which the operating profit increased by 42% over the previous fiscal year, and achieved a turnaround to record a net profit. Especially after the Group investing in Club Med and reaching strategic cooperation, Club Med’s development strategy in China has obtained significant result. The mutual cooperative relationship was reinforced and the synergies of the resources of both parties have been surfaced gradually. There was a 40% year-on-year growth in customers from China. Meanwhile, with the proactive assistance of the Group, the construction of the second resort of Club Med in China is expected to be completed in Guilin and will commence to operate by the summer of 2012. Club Med will have five resorts altogether in China by 2015 and China will be its second largest market after France in the world.

Folli Follie

During the Reporting Period, the Group continued to focus on value and identified global investment opportunities which can benefit from growth in China's domestic consumption. Following its investment in the Club Med, the Group invested in Folli Follie, the globally renowned fashion retail group in May 2011, which was a new strategic investment of the Group. Subsequent to the establishment of this strategic partnership, Folli Follie recorded net profit growth of 4.7% for the first three quarters of 2011 compared with the same period last year. Being affected by the debt crisis in Greece and Europe, there was a substantial plunge in the stock price of Folli Follie during the Reporting Period. The Group and the relevant enterprise seized the opportunity to hold 13.85% shareholding in Folli Follie by participating in its placement and investment in public market. The Group is positive about the brand value of the renowned fashion brands that Folli Follie owns, like Folli Follie and Links of London and its development strategy in the greater China region. In future, the Group will leverage its solid industrial foundation and channels and resources in China to assist Folli Follie's development strategy in China so as to achieve mutual beneficial and win-win results.

Minsheng Bank

Minsheng Bank is an important investment of the Group in the financial service sector. During the Reporting Period, the commercial loan business of Minsheng Bank kept rapid development, its non-performing loan ratio maintained stable and net interest margin continued to expand. During the Reporting Period, due to the improved interest margin, the operational revenue of Minsheng Bank for the year 2011 was RMB82,368 million, representing a growth of 50.4% over the same period last year. The net profit of Minsheng Bank for the year 2011 was RMB27,920 million, representing a growth of 58.8% over the same period last year.

The Group also invested in a series of enterprises benefiting from China's growth momentum, which mainly include investment in consumption upgrade, financial services, resources and energy, and manufacturing upgrade sectors, etc.. The Group had 18 new investment projects through public or private markets, and increased capital in 13 projects out of original investment projects with an aggregate investment of RMB5,597.3 million. During 2011, the Group disposed of 6,516,310 American Depository Shares in Focus Media at a relatively high price. Through the two disposals in 2010 and 2011, the Group has recovered all investment in Focus Media and realised a portion of profit.

During the Reporting Period, the profit attributable to owners of the parent of the Group generated from retail, services, finance and other investments was RMB254.7 million, which mainly included the share of net profit from the associates of RMB262.8 million; the recognised investment gains generated from the disposal of part of the equity interests in the listed investment projects of RMB1,029.4 million with a loss on fair value of certain equity investments held by the Group of RMB740.8 million. As mainly affected by the loss in fair value of stock in 2011, the net profit attributable to owners of the parent of this segment has decreased by 83.5% over 2010.

Meanwhile, the Group actively fostered the listing of the invested enterprises under the background of rapid development of China's capital market. During the Reporting Period, seven investment projects of the Group had completed IPO and been listed on the Small and Medium Enterprise Board and ChiNext of the Shenzhen Stock Exchange and the Main Board of the Shanghai Stock Exchange successfully, multiple of invested capital was 3.7 times based on the market capitalisation as at 31 December 2011. Besides, two additional IPO projects have received approval from the Public Offering Review Committee of the China Security Regulatory Commission. During the Reporting Period, the Group retrieved cash amounted to RMB1,053.7 million through disposal in secondary markets.

Business review and analysis by segment

ASSET MANAGEMENT

As investment capacity of the Group unremittingly improved by reason of its systematic development, its scale of investment has been increasing year after year, and the funds mainly generated internally from dividends of the investees cannot meet our investment needs. During the Reporting Period, the Group advanced the third-party asset management business to a great extent, with the aim of giving full play to the advantage of the Group's investment capacity. By strategic partnerships, the Group upheld the investment philosophy of "combining China's growth momentum with global resources" in its asset management business so as to create excellent returns for LPs. As the assets under management of the Group expanded, it will provide the Group with long term growth of management fee revenue and share of investment gains. The asset management business of the Group mainly faced domestic and international high-end large institutional clients and individual clients. In 2011, Prudential of the United States committed to contribute USD500 million and became the first international LP of the Group. As at the end of the Reporting Period, the Group managed two US dollar funds which are Pramerica-Fosun China Opportunity Fund and Carlyle-Fosun, respectively and several RMB funds which include Fosun Capital, Fosun Chuanghong, Star Capital, and several real estate funds of Forte, etc.. The US dollar funds will mainly focus on long-term overseas capital, including sovereign funds, pension funds, etc., whereas RMB funds will cater for domestic high net worth individuals and actively seek institutional investors and large enterprises to become LPs of the Group. As at the end of the Reporting Period, the scale under management of the asset management business of the Group reached RMB13.26 billion, among which the self capital contribution of asset management segment of the Group amounted to RMB2.73 billion, the revenue from the management fee of asset management business amounted to RMB56.2 million, shares in the investment return realised was RMB28.2 million. In addition, the asset management business of the Group invested in 15 projects with an accumulated total investment of RMB5.16 billion.

Fund	Size of fund (Unit: RMB million)	Time of establishment
Fosun Capital	15.3	2011
Fosun Chuanghong	15.1	2011
Pramerica-Fosun China Opportunity Fund	37.8	2011
Carlyle-Fosun	6.3	2010
Star Capital	36.8	2011
Real estate funds of Forte etc.	21.3	2011

FINANCIAL REVIEW

INTEREST EXPENSES

Interest expenses net of capitalised amounts of the Group increased to RMB2,328.7 million in 2011 from RMB1,504.7 million in 2010. The increase in interest expenses was mainly attributable to the growth in scale of the total borrowings. The interest rates of borrowings in 2011 were approximately between 1% and 12.18%, as compared with approximately between 0.22% and 12.18% in 2010.

TAX

Tax decreased to RMB1,818.4 million in 2011 from RMB2,506.6 million in 2010. The decrease in tax was mainly resulted from the decrease in taxable profit from the steel segment and the retail, services, finance and other investments segment.

BASIC EARNINGS PER SHARE OF ORDINARY SHARES

Basic earnings per share attributable to owners of the parent was RMB0.53 in 2011, representing a decrease of 19.7% from RMB0.66 in 2010. The weighted average number of shares was 6,421.6 million shares for 2011, which was same as that for 2010.

EQUITY PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

As at 31 December 2011, equity per share attributable to owners of the parent was RMB4.96, representing an increase of RMB0.31 per share from RMB4.65 per share as at 31 December 2010. The increase in equity per share attributable to owners of the parent was primarily due to the difference between RMB2,285.6 million and RMB928.9 million, which were the total comprehensive income attributable to owners of the parent in 2011 and the dividend distributed on 15 July 2011, respectively.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a proposed final dividend of HKD0.157 per ordinary share for the year ended 31 December 2011. Subject to the approval of the Company's shareholders at the Company's annual general meeting to be held on 21 June 2012, the proposed final dividend will be paid to the Company's shareholders on or about 16 July 2012.

CAPITAL EXPENDITURES AND CAPITAL COMMITMENT

The capital expenditures of the Group mainly include the amounts spent on construction of plant, upgrade and addition of machineries and equipment, and increase in intangible assets and rights. We have been increasing investment in the research and development of pharmaceutical products in order to produce more proprietary products with higher gross profit margin. We continued our commitment in property development, but will adjust our strategy according to market conditions. In order to enhance the production capacity of the steel segment and the optimisation of product mix, we have increased the investment in the steel segment. Efforts will also be made in the mining segment with an aim to continuously strengthen our leading role in the industry. The amount of capital expenditure of the Group during the Reporting Period was RMB3,006.6 million. Details of capital expenditures of each business segment are set out in note 5 to financial statements.

As at 31 December 2011, the Group's capital commitment contracted but not provided for was RMB8,840.3 million, which was mainly committed for property development, addition of plant and machinery and investments. Details of capital commitment are set out in note 50 to financial statements.

INDEBTEDNESS AND LIQUIDITY OF THE GROUP

As at 31 December 2011, the total debt of the Group was RMB54,057.5 million, representing a relatively large increase over RMB43,935.4 million as at 31 December 2010, which was mainly due to the increase in borrowings as a result of business expansion of all segments of the Group, and the increase in percentage of mid-to-long-term debt as far as possible during the debt structure allocation. As at 31 December 2011, mid-to-long-term debt of the Group accounted for 56.2% of total debt, as opposed to 49.6% as at 31 December 2010, representing a more optimised debt structure. As at 31 December 2011, cash and bank balances decreased by 21.4% to RMB16,777.8 million as compared with RMB21,335.0 million as at 31 December 2010.

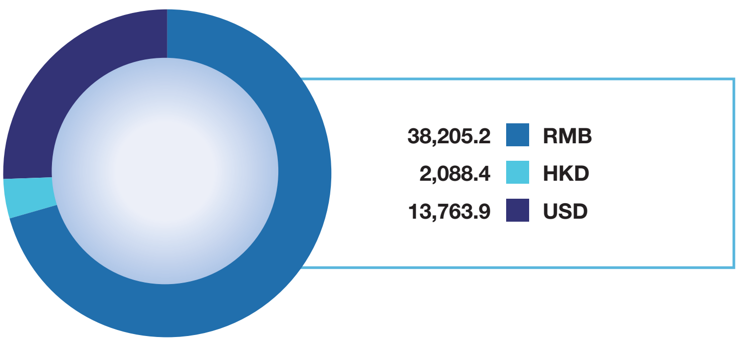
Unit: RMB million

	31 December 2011	31 December 2010
Total debt	54,057.5	43,935.4
Cash and bank balances	16,777.8	21,335.0

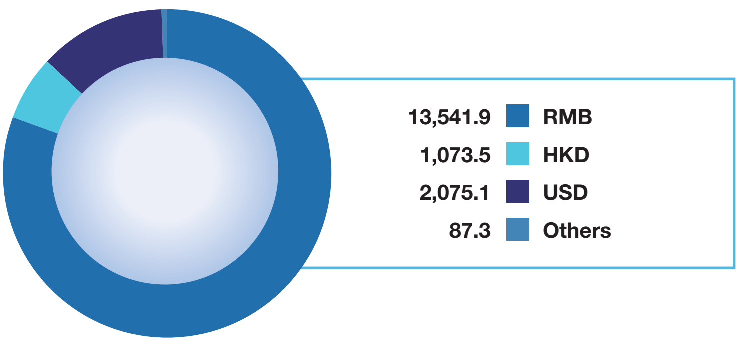
The original denomination of the Group's debt as well as cash and bank balances by currencies, equivalent in RMB, as at 31 December 2011 is summarised as follows:

Unit: RMB million equivalent

Total Debt



Cash and Bank Balances



TOTAL DEBT TO TOTAL CAPITALISATION RATIO

As at 31 December 2011, the ratio of total debt to total capitalisation was 52.7%, which was 49.4% as at 31 December 2010. Following the business expansion of the Group, the gearing ratio recorded reasonable increase while the financing channels were continually broadened.

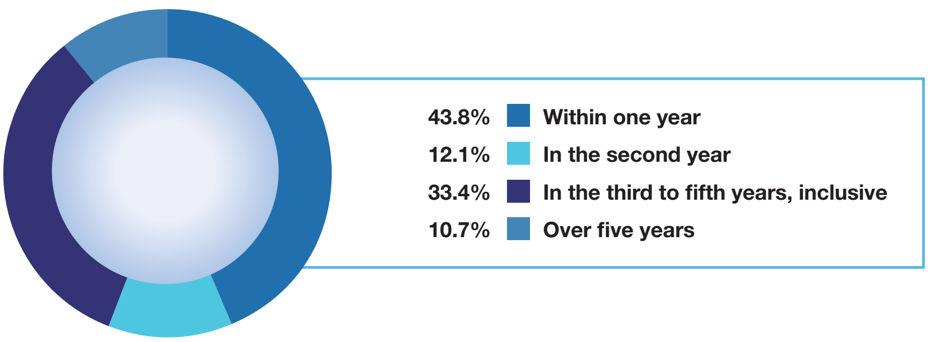
BASIS OF CALCULATING INTEREST RATE

To stabilise interest expenses, the Group endeavoured to maintain appropriate borrowings at fixed interest rates and floating interest rates. The Group made timely adjustment to the debt structure under the market circumstances. As at 31 December 2011, 63.1% of the Group's total borrowings bore interest at a floating interest rate.

THE MATURITY PROFILE OF OUTSTANDING BORROWINGS

The Group sought to manage and extend the maturity of outstanding borrowings, so as to ensure that outstanding borrowings due to mature every year would not exceed the expected cash flow of that year and the Group has the re-financing ability for the relevant liabilities in that year.

Below is the outstanding borrowings classified by year of maturity as at 31 December 2011:



AVAILABLE FACILITIES

As at 31 December 2011, save for cash and bank balances of RMB16,777.8 million, the Group had unutilised banking facilities of RMB40,275.7 million. The Group has entered into cooperation agreements with various major banks in China. According to these agreements, the banks granted the Group general banking facilities to support its capital needs. Prior approval of individual projects from banks in accordance with bank regulations of China must be obtained before the use of these banking facilities. As at 31 December 2011, available banking facilities under these arrangements totalled approximately RMB80,972.1 million, of which RMB40,696.4 million was allocated to various projects.

CASH FLOW

In 2011, net cash outflow from operating activities was RMB5,384.0 million. Profit before tax for the year was RMB6,883.1 million. After making aggregate adjustment for the items such as investment gains and losses and financing costs included in profit before tax and offsetting the total amount of depreciation and amortisation which did not result in cash outflow, cash inflow before working capital changes amounted to RMB7,630.9 million. However, owing to the increase in properties under development of RMB9,319.9 million, increase in trade and notes receivables of RMB1,095.7 million, decrease in accrued liabilities and other payables of RMB1,108.3 million and income tax payment of RMB1,833.5 million, cash flow generated from operating activities decreased. While the increase in trade and notes payables of RMB2,635.3 million and the increase in amount due to related companies of RMB1,013.1 million contributed to an increase in the cash flow from operating activities. The increase in properties under development was mainly due to the increase in the investment of property development projects in the property segment; the increase in trade and notes receivables was mainly in line with the sales growth in the steel segment and mining segment; the decrease in accrued liabilities and other payables was mainly due to the decrease in the customers' prepayment in the property segment. The increase in trade and notes payables was mainly related to increase of payables of additions of property under development; the increase in amount due to related companies was mainly related to the increase in balances due to non-controlling shareholders of subsidiaries.

In 2011, net cash outflow from investing activities was RMB4,051.0 million, mainly utilised for the purchase of property, plant and equipment, new investments in services business and strategic investment projects, which was partly offset by the proceeds from the disposal of interests in subsidiaries, associates and other strategic investments.

In 2011, net cash flow generated from financing activities was RMB6,516.9 million, mainly generated from the new loans obtained from banks and other financial institutions as well as the capital contribution from non-controlling shareholders of subsidiaries, which was partly offset by the repayment of bank loans and other loans, interest payment of bank loans and payment of dividends.

PLEDGED ASSETS

As at 31 December 2011, the Group had pledged assets of RMB17,004.0 million (31 December 2010: RMB14,548.5 million) for bank borrowings. Details of the major pledged assets were set out in note 37 to financial statements.

CONTINGENT LIABILITIES

As at 31 December 2011, contingent liabilities of the Group were RMB3,591.6 million (31 December 2010: RMB4,113.8 million) which were primarily applied to guarantee the mortgage loans of qualified buyers. Details of the contingent liabilities were set out in note 51 to financial statements.

INTEREST COVERAGE

In 2011, EBITDA divided by interest expense was 4.9 times as compared with 8.0 times in 2010. Owing to the substantial increase in total debt of the Group in 2011 compared with that in 2010, in addition to the increase in prevailing benchmark interest rate, interest expenses increased by 54.8%.

FINANCIAL POLICIES AND RISK MANAGEMENT

General policy

The Company maintains the financial independence of different business segments. Nevertheless, the Company also gives appropriate guidance on the fund management of different segments so as to ensure that risks of the Group are centrally monitored and financial resources are being effectively applied. The Group tries to obtain funds from different channels through banks and capital markets. Finance arrangements are organised to meet the business development needs and match the Group's cash flow.

Foreign currency exposure

Since the Group conducts its business mainly in Mainland China, RMB is the functional and also the presentation currency. Most of the Group's revenue is received in RMB, with part of it converted into foreign currencies for the purchase of imported raw materials. Since the exchange rate reform in July 2005, the exchange rate of RMB against USD has appreciated steadily. However, we are uncertain of the stability of RMB in the future. The cost of conversion of RMB into foreign currencies will be subject to the fluctuation of the exchange rate of RMB.

With the launching of global strategy, the proportion of assets held by the Group which are denominated in currencies other than RMB had increased. These non-RMB assets in the financial settlement and as at the date of currency conversion, may generate a certain amount of foreign exchange losses or gains, thereby affecting the Group's profits or net assets.

Interest rate exposure

The Group uses bank loans and other borrowings to meet its capital expenditure and working capital requirements from time to time and is subjected to the risk of interest rate fluctuation. Since a certain amount of the Group's borrowings is provided at floating interest rates which are subject to change by the lenders as required by the People's Bank of China and the market conditions in and outside Mainland China, the interest expenses of the Group will increase if the People's Bank of China or foreign banks increase their interest rates.

Application of derivatives

The Group will apply derivative instruments as necessary to hedge the risk exposure instead of speculation.

FORWARD-LOOKING STATEMENTS

This annual report includes certain forward-looking statements which involve the financial condition, results and business of the Group. These forward-looking statements are the Group's expectation or beliefs for future events and they involve known and unknown risks and uncertainties, which may cause actual results, performance or development of the situation to differ materially from the situation expressed or implied by these statements.

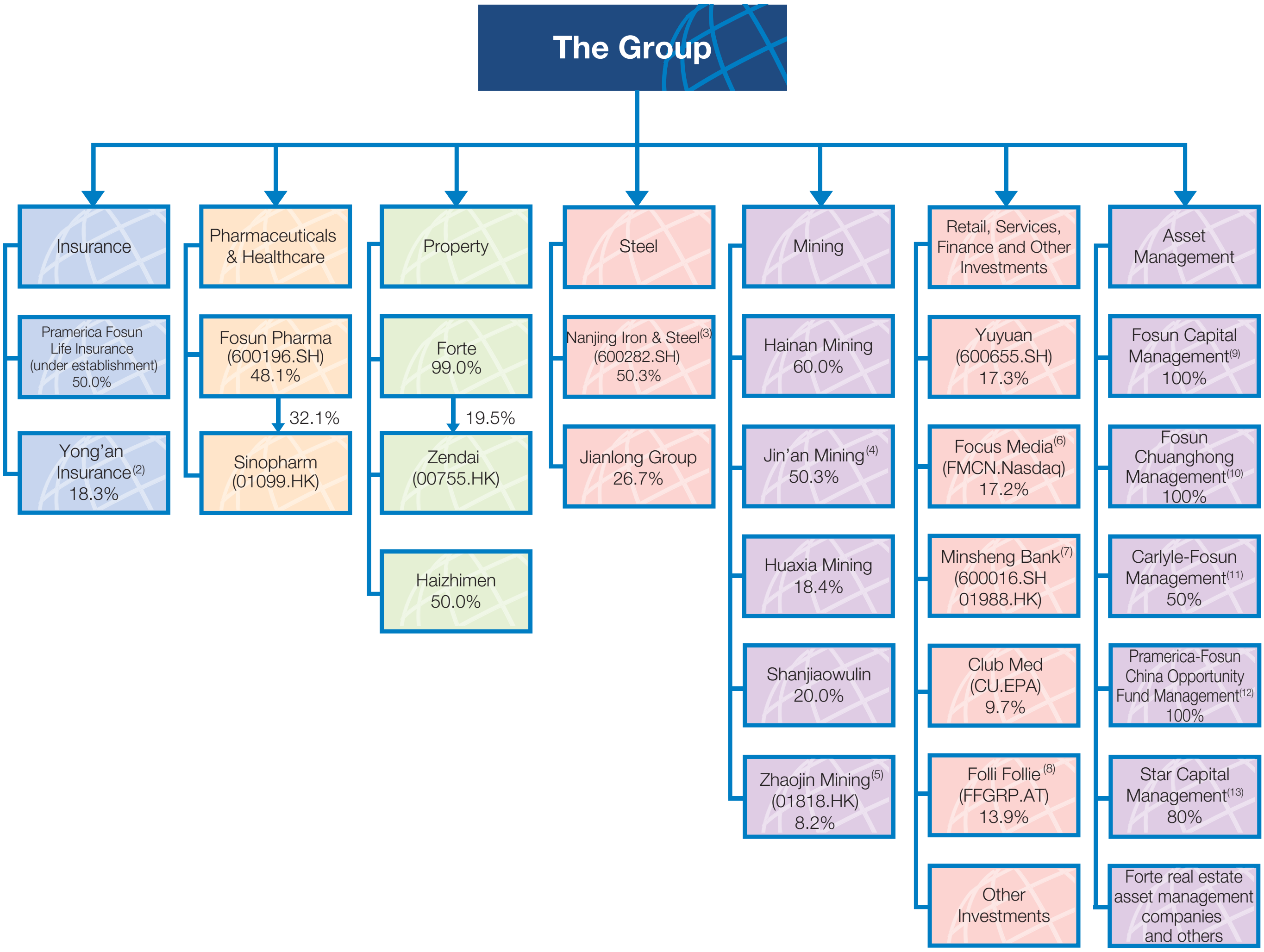
FIVE-YEAR STATISTICS

Unit: RMB million

Year	2007	2008	2009	2010	**2011**
Total equity	29,970.6	30,043.1	36,372.3	44,999.1	**48,486.2**
Equity attributable to owners of the parent	19,834.1	19,870.3	24,484.3	29,873.1	**31,830.2**
Equity per share attributable to owners of the parent (in RMB)	3.08	3.09	3.81	4.65	**4.96**
Indebtedness					
Total debt	21,918.0	24,550.5	28,812.0	43,935.4	**54,057.5**
Total debt/Total capitalisation (%)	42.3%	45.0%	44.2%	49.4%	**52.7%**
Interest coverage (times)	7.8	5.1	10.4	8.0	**4.9**
Capital employed	41,752.1	44,420.8	53,296.3	73,808.5	**85,887.7**
Cash and bank balances	14,144.0	11,691.0	15,947.6	21,335.0	**16,777.8**
Property, plant and equipment	15,598.6	16,378.6	17,767.2	20,553.3	**21,513.2**
Investment property	456.0	429.0	2,057.4	2,551.2	**3,026.0**
Property under development	9,415.0	12,787.7	11,957.6	16,787.6	**29,313.9**
Prepaid land lease payments	908.4	893.4	1,162.7	1,278.1	**1,405.9**
Mining rights	546.5	1,110.7	733.6	717.7	**421.6**
Interest in associates	6,848.0	5,947.1	9,621.4	15,238.6	**17,275.6**
Available-for-sale investments	2,188.1	1,905.3	2,943.5	7,327.0	**8,437.3**
Equity investments at fair value through profit or loss	90.4	1,534.9	4,922.3	6,478.6	**7,406.7**
Profit attributable to owners of the parent	3,354.3	1,328.4	4,646.7	4,227.1	**3,403.6**
Basic and diluted earnings per share (in RMB)	0.59	0.21	0.72	0.66	**0.53**
Profit contribution by each business segment (note)					
Insurance	–	–	–	–	**–**
Pharmaceuticals and healthcare	164.5	261.4	1,185.6	302.5	**560.3**
Property	383.8	57.6	327.3	1,271.8	**1,619.3**
Steel	1,845.1	118.0	1,068.1	410.0	**34.3**
Mining	592.9	1,285.1	235.6	932.1	**1,119.8**
Retail, services, finance and other investments	515.2	(125.5)	2,073.7	1,539.8	**254.7**
Asset management	–	–	–	(3.0)	**6.5**
EBITDA	9,784.8	6,887.2	11,204.9	12,014.5	**11,460.5**
Proposed dividend per share (in HKD)	0.170	0.080	0.164	0.170	**0.157**

Note: For comparison purpose, figures of 2010 were restated to reflect changes of business segment.

CORPORATE STRUCTURE (1)



Notes:

(1) Shareholding percentages represent effective equity interests as at 31 December 2011.

(2) The Group holds the equity interest in Yong'an Insurance through the subsidiaries, Shanghai Fosun Industrial Technology Development Co., Ltd., Shanghai Fosun Industrial Investment Co., Ltd. and Fosun Pharma, as to 13.0%, 3.8% and 3.2%, respectively.

(3) The Group holds 60% equity interest in Nanjing Nangang, which directly holds 56.5% equity interest in Nanjing Iron & Steel and indirectly holds another 27.3% equity interest in Nanjing Iron & Steel through Nanjing Nangang's wholly owned subsidiary Nanjing Steel United.

(4) Nanjing Iron & Steel holds 100% equity interest in Jin'an Mining.

(5) The Group holds the equity interest in Zhaojin Mining through the subsidiary, Shanghai Fosun Industrial Investment Co., Ltd. and the associate, Yuyuan, as to 3.6% and 26.2%, respectively.

(6) It is calculated with reference to the total number of shares of Focus Media as at 13 January 2012.

(7) The Group holds its A shares representing 1.2% of its total number of A shares and holds its H shares representing 6.41% of its total number of H shares. In addition, Pramerica-Fosun China Opportunity Fund holds its H shares representing 0.7% of its total number of H shares.

(8) It is held by the Company and Pramerica-Fosun China Opportunity Fund as to 10.0% and 3.9%, respectively.

(9) Shanghai Fosun Capital Investment Management Co., Ltd., general partner ("GP") of Fosun Capital.

(10) Tibet Fosun Investment Management Co., Ltd., GP of Fosun Chuanghong.

(11) Carlyle-Fosun (Shanghai) Equity Investment Management Co., Ltd., GP of Carlyle-Fosun.

(12) Fosun Equity Investment Ltd., GP of Pramerica-Fosun China Opportunity Fund.

(13) Shanghai Star Capital Investment Management Co., Ltd., GP of Star Capital.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Group for the year ended 31 December 2011.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Company is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value.

During the Reporting Period, the Company applied the principles of and fully complied with all code provisions as set out in the CG Code. The Company regularly reviews its corporate governance practices to ensure compliance with the CG Code.

A. THE BOARD

a) Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the businesses, strategic decisions and performance of the Group. The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All Directors have carried out their duties in good faith and in compliance with the standards of applicable laws and regulations, and have acted in the interests of the Company and its shareholders at all times.

b) Delegation of Management Function

The Board takes responsibility for all major matters of the Company including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflicts of interest), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information to ensure that Board procedures and all applicable rules and regulations are followed. Each director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board. The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions and work tasks are periodically reviewed.

c) Board Composition

The Board for the year ended 31 December 2011 comprised the following Directors:

Executive Directors:
Mr. Guo Guangchang *(Chairman)*
Mr. Liang Xinjun *(Vice Chairman and Chief Executive Officer)*
Mr. Wang Qunbin *(President)*
Mr. Fan Wei *(Co-President)*
Mr. Ding Guoqi
Mr. Qin Xuetang
Mr. Wu Ping

Non-executive Director:
Mr. Liu Benren

Independent Non-executive Directors:
Dr. Chen Kaixian
Mr. Zhang Shengman
Mr. Andrew Y. Yan

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules. None of the members of the Board is related to another.

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. The Company has received a written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The non-executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in Board meetings, and serving on Board committees, all non-executive Directors have made various contributions to the effective direction of the Company.

d) Appointment and Re-election of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Board as a whole is responsible for reviewing the board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors. The above mentioned responsibilities were delegated to the Nomination Committee of the Company.

Each of the Directors (including executive and non-executive Directors) has entered into a service contract with the Company for a term of 3 years from the date of the annual general meeting for the year 2011 of the Company.

At every annual general meeting, at least one-third of the Directors shall retire from office by rotation. All Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy or as an addition to the Board shall submit himself for re-election by shareholders at the next following general meeting after appointment.

e) Training for Directors

Each newly appointed Director receives comprehensive induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Continuing briefing and professional development for Directors will be arranged whenever necessary.

f) Board Meetings

The Board meets regularly to review the financial and operating performance of the Group and approve future strategy. The Board held four regular meetings during the Reporting Period. The attendance records of each Director are set out below:

Name of Directors	Attendance/Number of Meetings
Mr. Guo Guangchang	4/4
Mr. Liang Xinjun	4/4
Mr. Wang Qunbin	4/4
Mr. Fan Wei	4/4
Mr. Ding Guoqi	4/4
Mr. Qin Xuetang	4/4
Mr. Wu Ping	4/4
Mr. Liu Benren	4/4
Dr. Chen Kaixian	4/4
Mr. Zhang Shengman	4/4
Mr. Andrew Y. Yan	4/4

g) Practice and Conduct of Board Meetings

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management, where necessary, attend regular Board meetings and other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company. The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their Associates have a material interest.

B. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The posts of Chairman and Chief Executive Officer are held by Mr. Guo Guangchang and Mr. Liang Xinjun respectively. This segregation ensures a clear distinction between the Chairman’s responsibility to manage the Board and the Chief Executive Officer’s responsibility to manage the Company’s business. Their respective responsibilities are clearly established and set out in writing.

C. BOARD COMMITTEES

The Board has established Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company’s affairs. All Board committees of the Company were established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company’s website (www.fosun.com) and are available to shareholders upon request. The majority of the members of each Board committee are independent non-executive Directors. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company’s expense.

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Andrew Y. Yan (Chairman), Mr. Liang Xinjun and Mr. Zhang Shengman and the majority of them are independent non-executive Directors. The primary objectives of the Remuneration Committee include making recommendations and approving the remuneration policy and structure and remuneration packages of the Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his Associates will participate in deciding his own remuneration, which will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee held one meeting during the Reporting Period. The attendance records of each member of the Remuneration Committee are set out below:

Name of Directors	Attendance/Number of Meetings
Mr. Andrew Y. Yan	1/1
Mr. Liang Xinjun	1/1
Mr. Zhang Shengman	1/1

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely Mr. Zhang Shengman (Chairman), Dr. Chen Kaixian and Mr. Andrew Y. Yan. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function or external auditors before submission to the Board;
- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors; and
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system (including the adequacy of resources, qualification and experience of staff of the Company's accounting and financial reporting function, their training programmes and budget) and risk management system and associated procedures.

The Audit Committee held two meetings during the Reporting Period to review the financial results and reports, financial reporting and compliance procedures. The attendance records of each member of the Audit Committee are set out below:

Name of Directors	Attendance/Number of Meetings
Mr. Zhang Shengman	2/2
Dr. Chen Kaixian	2/2
Mr. Andrew Y. Yan	2/2

The Company's annual results for the year ended 31 December 2011 have been reviewed by the Audit Committee.

Nomination Committee

The Nomination Committee comprises three members, namely Mr. Wang Qunbin (Chairman), Mr. Zhang Shengman and Mr. Andrew Y. Yan and the majority of them are independent non-executive Directors.

The main duties of the Nomination Committee include the following:

- To review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- To identify individuals suitably qualified to become Board members and nominate and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- To assess the independence of independent non-executive Directors; and
- To make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for Directors.

The Nomination Committee held one meeting during the Reporting Period. The attendance records of each member of the Nomination Committee are set out below:

Name of Directors	Attendance/Number of Meetings
Mr. Wang Qunbin	1/1
Mr. Zhang Shengman	1/1
Mr. Andrew Y. Yan	1/1

D. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiry has been made to all Directors and the Directors have confirmed that they have complied with the Model Code throughout the Reporting Period. The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the above mentioned written guidelines by the employees of the Company was noted by the Company.

E. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Board is responsible for presenting a balanced and clear assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011. The senior management has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company put to the Board for approval.

F. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of Ernst and Young, the external auditors of the Company, about their reporting responsibilities for the financial statements is set out in the "Independent Auditors' Report" on page 65. During the Reporting Period, the remuneration paid by the Company to Ernst and Young, the external auditors of the Company, in respect of professional audit services, amounted to RMB4.6 million and no non-audit services were provided by Ernst and Young to the Company.

G. INTERNAL CONTROLS

The Board is responsible for maintaining a robust and effective internal control system, and overseeing the effective operation of the Company's internal control system to ensure the safety and integrity of the internal assets of the Company and the interests of shareholders and to facilitate the implementation of the Company's development strategy. The Company identifies, evaluates and monitors significant risks faced by the Company and builds up its risk-based internal control system, taking into consideration of findings of internal audit and issues revealed during operation and management as well as audit findings of external auditors. Such significant risks include decision-making risks of operation, financial control risks, and the risks arising from changes in business environment.

The internal audit department conducts independent evaluation on the effectiveness of the existing internal control system according to the general audit strategy and annual audit plan of the Company. It is also responsible for regulating the proper operation and improvement of the internal control system. Audit findings of the Company are reported to the Board and management and the management oversees the implementation of any remedial and improvement measures to be taken. After follow up and checking, such measures have been taken as expected.

During the Reporting Period, the Board has reviewed the effectiveness of the internal control system of the Group. The Company continued to improve the standardisation and systematic development of internal management system, covering the functions of financial control, operational control, compliance control and risk management. The internal audit department of the Company has carried out independent internal control auditing in respect of those major risk areas, such as corporate governance, income and expenditure control, equity investment, project management, asset management, information management etc., and has reported to the Directors regularly in respect of the effectiveness of the internal control system and significant risk. The boards of the subsidiaries have submitted evaluation reports to the Company on the effectiveness of internal control systems.

During the review of the internal control system by the Board, it has particularly considered the functions of accounting and financial reporting. The Company and most of its subsidiaries are listed companies, accounting and financial reporting staff have delivered good performance in the restructuring, refinancing and other relatively complex business, maintained good business flow and communication with accounting firms including Ernst & Young and Deloitte and China National Accounting Institute, and obtained prompt and cutting-edge accounting trainings.

The Board is of the view that the existing internal control system in place for the Reporting Period and up to the date of publication of this annual report and financial statements is reasonable, sound and sufficient to safeguard the interests of shareholders and employees and the safety of the Company's assets, and there was no material issue arising from the inadequacy of internal control. The Company will continue to strengthen its internal control system and improve the effectiveness of risk management.

H. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions. The Group delivers its most updated information through communication with analysts, meetings with investors, maintenance of the website of the Company concerning investor relations, dissemination of investor's newsletter and public forum.

The general meetings of the Company provide an opportunity for communication between the Board and the shareholders. The Chairman as well as the chairmen of the Nomination, Remuneration and Audit Committees and, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available to answer questions at shareholder meetings.

The Company endeavours to distribute material information about the Group to the public. To promote effective communication, the Company maintains a website at www.fosun.com, where information and updates on the Company's business developments and operations, financial information and other information are available to the public.

I. SHAREHOLDER RIGHTS

To safeguard shareholder interests and rights, separate resolutions are proposed at shareholder meetings on each substantial issue of the Company, including the election of individual Directors. The rights of shareholders and the procedures for demanding a poll on resolutions at shareholder meetings are contained in the Articles of Association. Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll and poll results announcement will be posted on the websites of the Company and the Hong Kong Stock Exchange on the business day following the shareholder meeting in the manner prescribed by the Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Guo Guangchang Liang Xinjun Wang Qunbin

EXECUTIVE DIRECTORS

Guo Guangchang

Guo Guangchang, aged 44, is an Executive Director and Chairman of the Company. Mr. Guo was a co-founder of the Group and is chairman of Fosun Group since its establishment in November 1994. Mr. Guo is a director of Fosun Pharma, vice chairman of Nanjing Nangang and is non-executive director of Forte. Mr. Guo was a non-executive director of Sinopharm from December 2009 to May 2010. Mr. Guo is a director of Club Med since March 2011. Mr. Guo is a deputy to the Tenth and Eleventh National People's Congress of the PRC and a member of the Ninth National Committee of Chinese People's Political Consultative Conference, and was appointed policy consultant to the Shanghai municipal government from 2001 to 2002.Mr. Guo has been vice chairman of the Shanghai Federation of Industry and Commerce since 2002 and became vice president in November 2007. Mr. Guo has been chairman of the Zhejiang Chamber of Commerce in Shanghai since 2004 and became honorary chairman in July 2011. In 2003, Mr. Guo was named one of the "Top Ten Leaders in Future Economy of China" and "Top Ten New Private Entrepreneurs in 2003". In 2004, Mr. Guo was named one of the "CCTV People of Financial Year 2004". In 2005, Mr. Guo obtained the nationwide "Outstanding Entrepreneur in Private Sector on Staff Caring" award. In 2006, Mr. Guo was "Industry & Commerce Category Winner" of "Ernst & Young Entrepreneur of the Year". In April 2009, Mr. Guo obtained "Award of Outstanding Contribution to Guangcai Program" issued by China Society for Promotion of the Guangcai Program. In November 2010, Mr. Guo was the Awardee for Directors of the Year Awards 2010 (Non Hang Seng Index Constituents) issued by The Hong Kong Institute of Directors. Mr. Guo was awarded "Outstanding Zhejiang Entrepreneur Award" at "The First World Zhejiang Entrepreneurs Convention" in October 2011. Mr. Guo was awarded one of the "Top 25 Most Influential Enterprise Leaders 2011" at "The Tenth China Entrepreneur Summit" in December 2011. Mr. Guo received a bachelor's degree in philosophy in 1989 and a master's degree in business administration in 1999, both from Fudan University.

Fan Wei Ding Guoqi Qin Xuetang Wu Ping

Liang Xinjun

Liang Xinjun, aged 43, is an Executive Director, Vice Chairman and Chief Executive Officer of the Company. Mr. Liang was a co-founder of the Group. Mr. Liang was vice chairman of Fosun Group since its establishment in November 1994. Mr. Liang was a director of Yuyuan from December 2007 to June 2010. Mr. Liang is also a non-executive director and vice chairman of Zhaojin Mining and an independent director of Shanghai Oriental Pearl (Group) Co., Ltd. (listed on the Shanghai Stock Exchange with stock code: 600832). Mr. Liang is a member of the Eleventh Shanghai Committee of Chinese People's Political Consultative Conference; vice chairman of the China Young Entrepreneurs Association; executive vice council chairman of China Science and Technology Private Entrepreneurs Association; executive vice president of the Chamber of the Metallurgy Industry of All-China Federation of Industry and Commerce; chairman of the Taizhou Chamber of Commerce in Shanghai and executive chairman of the Shanghai Fudan University Alumni Association. In October 2002, Mr. Liang was awarded "the First Session Innovation Award of Shanghai Science and Technology Entrepreneur". In July 2008, Mr. Liang was named "Top Ten Outstanding Youth of Shanghai" and in November 2011, Mr. Liang was awarded "Chinese Business Leader of the Year" at the Seventh Horasis Global China Business Meeting in Spain. Mr. Liang received a bachelor's degree in genetic engineering in 1991 from Fudan University and a master's degree in business administration in 2007 from Cheung Kong Graduate School of Business.

Wang Qunbin

Wang Qunbin, aged 42, is an Executive Director and President of the Company. Mr. Wang was a co-founder of the Group. Mr. Wang has been a director of Fosun Group since its establishment in November 1994. Mr. Wang has been director of Fosun Pharma since its establishment. Mr. Wang has been non-executive director of Sinopharm since January 2003 and was appointed vice chairman of Sinopharm from June 2010. Mr. Wang has been a director of Henan Lingrui Pharmaceutical Co., Ltd. (listed on the Shanghai Stock Exchange with Stock Code: 600285) since May 2003 and was appointed director of Nanjing Nangang since September 2011. Mr. Wang was a director of Shanghai Friendship Group Incorporated Company (listed on the Shanghai Stock Exchange with stock code: 600827) from September 2000 to June 2010. Prior to joining Fosun Group, Mr. Wang was a lecturer at the Genetic Research Institute of Fudan University. Mr. Wang holds various positions including honorary chairman of the Shanghai Biopharmaceutics Industry Association, vice chairman of the China Pharmaceutical Industry Association, and chairman of the Huzhou Chamber of Commerce in Shanghai. Mr. Wang was named "Young Global Leader Honoree 2009" of World Economic Forum, Chinese Pharmaceutical "60 Years, 60 People", "Top Ten Professional Managers in China Pharmaceutical Industry in 2004" and was awarded "The Fourth Session Technology Innovation Prize of China Outstanding Youth". Mr. Wang was accredited "Outstanding Technical Experts Allowance by State Council" in 2007. Mr. Wang received a bachelor's degree in genetic engineering from Fudan University in 1991.

Fan Wei

Fan Wei, aged 42, is an Executive Director and Co-President of the Company. Mr. Fan was a co-founder of the Group. Mr. Fan has been a director of Fosun Group since its establishment in November 1994. Mr. Fan has been director of Forte since 1998. Mr. Fan is chairman of the Housing Industry Association of Shanghai Federation of Industry and Commerce, vice chairman of the Shanghai Real Estate Trade Association and vice council chairman of the Institute of Real Estate Shanghai Academy of Social Sciences. In 2005, Mr. Fan obtained the "Top 100 Property Entrepreneur in China in 2005" award and was named "the First Session of Outstanding Young Entrepreneur of Shanghai in Property Sector". Mr. Fan received a bachelor's degree in genetic engineering from Fudan University in 1991.

Ding Guoqi

Ding Guoqi, aged 42, is an Executive Director, Senior Vice President and Chief Financial Officer of the Company. Mr. Ding is also a director of Nanjing Nangang. Mr. Ding has been chief financial officer of Fosun Group since 1995 and a director of Fosun Group since 2003. Mr. Ding was a director of Forte from September 2001 to September 2008. Since January 2007, Mr. Ding has been director of Shanghai Ganglian E-Commerce Holdings Co., Ltd. (the shares of which were listed on the Shenzhen Stock Exchange with stock code: 300226 in June 2011). Prior to joining the Group in 1995, Mr. Ding worked in the accounting department of Shanghai Jinshan Petrochemical Construction Company. Mr. Ding received a bachelor's degree in accounting from Shanghai University of Finance and Economics in 1991.

Qin Xuetang

Qin Xuetang, aged 48, is an Executive Director and Senior Vice President of the Company. Mr. Qin resigned as a director of Nanjing Nangang in September 2011. Mr. Qin has been a director of Fosun Group since June 2004. Mr. Qin was the secretary of the board of directors of Fosun Pharma from August 1998 to May 2004. Mr. Qin was the legal affairs director of Fosun Group from August 1995 to July 1998. Mr. Qin was a lecturer at the law department of Fudan University from August 1985 to July 1995. Mr. Qin received a bachelor's degree in laws in 1985 from the Southwest University of Political Science and Law and was admitted to practise law in the PRC in 1990.

Wu Ping

Wu Ping, aged 47, is an Executive Director and Senior Vice President of the Company. Mr. Wu has been director of Fosun Group since August 2003. Mr. Wu has been chairman of Yuyuan since December 2001 and became vice chairman since August 2011; director of Shanghai Tonghanchuntang Pharmaceutical Co., Ltd., chairman of Shanghai First Asia Jewelry, Co. Ltd., chairman of Shanghai Laomiao Gold Co., Ltd. since 2002; director of Shanghai Friendship Group Incorporated Company (listed on the Shanghai Stock Exchange with stock code: 600827) since May 2003; non-executive director of Zhaojin Mining from April 2004 to February 2010; director of Shanghai Friendship Fosun (Holding) Co., Ltd. since 2006. Mr. Wu has been vice chairman of Shanghai Shopping Centre Association since December 2004. Mr. Wu obtained his bachelor's degree in enterprise management from Shanghai Second Polytechnic University in July 1990.

NON-EXECUTIVE DIRECTOR

Liu Benren

Liu Benren, aged 69, has been a Non-Executive Director of the Company since March 2007. From 1965 to 1986, Mr. Liu worked in the hot rolling factory of Wuhan Iron and Steel Company. From 1986 to 1993, Mr. Liu was deputy chief engineer and vice president of Wuhan Iron and Steel Company. From 1993 to 2004, Mr. Liu was the general manager of Wuhan Iron and Steel (Group) Corporation. Since November 2005, Mr. Liu has been serving as an external director of Shenhua Group Corporation Limited. From August 2007 to March 2010, Mr. Liu was the non-executive director and chairman of China Metallurgical Group Corporation and from November 2008 to March 2010, he was the non-executive director and chairman of Metallurgical Corporation of China Ltd. (listed on the Hong Kong Stock Exchange with stock code: 01618). In June 2010, Mr. Liu was appointed non-executive director of China Shenhua Energy Company Limited (listed on the Hong Kong Stock Exchange with stock code: 01088 and on the Shanghai Stock Exchange with stock code: 601088, respectively), and was appointed non-executive director and vice chairman of Prosperity International Holdings (H.K.) Limited (listed on the Hong Kong Stock Exchange with stock code: 00803) in August 2010. Mr. Liu was a deputy to the Eighth, Ninth and Tenth National People's Congresses and a member of the Tenth National Committee of the Chinese People's Political Consultative Conference. Mr. Liu was awarded "Middle-age and Youth Expert with Special Contribution to the Nation" by the State Council. Mr. Liu has been vice chairman of the China Iron and Steel Association, vice council chairman of the China Metals Association, vice chairman of the China Quality Association and independent director of Prosperity Minerals Holdings Limited (listed on the London Stock Exchange with stock code: PMHL.L). Mr. Liu is a professor-level senior engineer who graduated from Wuhan Institute of Iron and Steel in 1965 with a bachelor's degree in steel rolling, and obtained postgraduate qualification from the Central Communist Party School in 1986.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Chen Kaixian

Chen Kaixian, aged 66, has been an Independent Non-Executive Director of the Company since August 2005. Dr. Chen received a bachelor's degree in radioactive chemistry in 1967 from Fudan University. Dr. Chen also received a master's degree in 1982 and a doctorate degree in 1985 from the Shanghai Institute of Materia Medica of the Chinese Academy of Sciences. From 1985 to 1988, Dr. Chen conducted post-doctorate studies in the Institut de Biologie Physic-chimique, Paris. In 1999, Dr. Chen was elected an academician of the Chinese Academy of Sciences. Dr. Chen is currently president of the Shanghai University of Traditional Chinese Medicine; a researcher, doctoral supervisor and director of the academic committee of the Shanghai Institute of Materia Medica of the Chinese Academy of Sciences; director of the academic committee of the State Key Laboratory of Drug Research; and a member of the experts group of the National Key Sci-Tech Special Project under the Twelfth Five-Year Plan "The Key New Drug Creation and Manufacturing". Dr. Chen is also council chairman of the China Society of Doctors in New Pharmaceuticals, chairman of the Chinese Association of Integrative Medicine and vice council chairman of the China Pharmaceuticals Association. Dr. Chen serves as vice chairman of the Shanghai Association for Science and Technology, vice chairman of the Shanghai Overseas Returned Scholars Association, and chairman of the Shanghai Pudong Association for Science and Technology. He is also an adjunct professor at China Pharmaceutical University and Fudan University.

Zhang Shengman

Zhang Shengman, aged 54, has been an Independent Non-Executive Director of the Company since December 2006. Mr. Zhang is chairman of Asia Pacific of Citigroup (listed on the New York Stock Exchange with stock code: C), before that he was president of Asia Pacific of Citigroup. Mr. Zhang joined Citigroup in February 2006 as chairman of the Public Sector Group. He was an independent director of Cabot Corporation (listed on the New York Stock Exchange with stock code: CBT) from July 2006 to March 2010. Mr. Zhang worked in the PRC Ministry of Finance as deputy director and vice secretary from 1994 to 1995. From 1994 to 1995, Mr. Zhang was the executive director for China at the World Bank. From 1995 to 1997, Mr. Zhang was vice president and chief secretary of the World Bank. From 1997 to 2001, Mr. Zhang was senior vice director of the World Bank. Mr. Zhang was a managing director of the World Bank and chairman of World Bank's operations committee, the sanctions committee and the corporate committee on fraud and corruption policy from 2001 to 2005. Mr. Zhang received a bachelor's degree in English literature in 1978 from Fudan University and a master's degree in public administration in 1985 from University of the District of Columbia. Mr. Zhang completed the Harvard Advanced Management Program in 1997.

Andrew Y. Yan

Andrew Y. Yan, aged 54, has been an Independent Non-Executive Director of the Company since March 2007. He is currently the Managing Partner of SAIF Partners. Prior to joining SAIF Partners, he was the Managing Director and Head of Hong Kong office of Emerging Markets Partnership, responsible for investment in Northeast Asia and Greater China from 1994 to 2001. From 1993 to 1994, he worked at Sprint International Corporation as the Director of Strategic Planning and Business Development for the Asia Pacific Region. From 1990 to 1993, he worked in the World Bank and the Hudson Institute as an Economist and Research Fellow respectively in Washington, DC. From 1982 to 1984, he was the Chief Engineer at the Jianghuai Airplane Corp.. Mr. Yan received a bachelor's degree in engineering from Nanjing Aeronautic Institute in 1982. He studied in the Master Program in Department of Sociology of Peking University from 1984 to 1986 and received a Master of Arts' degree from Princeton University in International Political Economy in 1989.

Currently, Mr. Yan is also an Independent Non-executive Director of China Resources Land Limited (stock code: 01109); Non-executive Director of Digital China Holdings Limited (stock code: 00861), MOBI Development Co., Ltd. (stock code: 00947), NVC Lighting Holding Limited (stock code: 02222), China Huiyuan Juice Group Limited (stock code: 01886) and eSun Holdings Limited (stock code: 00571), all of which are listed on the Main Board of the Hong Kong Stock Exchange. He is also an Independent Director of Giant Interactive Group Inc., (listed on the New York Stock Exchange with stock code: GA); Director of Acorn International Inc. (listed on the New York Stock Exchange with stock code: ATV), ATA Inc. (listed on Nasdaq with stock code: ATAI) and Eternal Asia Supply Chain Management Ltd. (listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange with stock code: 002183). He was a Director of Global Education & Technology Group Limited (listed on Nasdaq with stock code: GEDU) from March 2007 to December 2011; a Director of China Digital TV Holding Co. Ltd. (listed on the New York Stock Exchange with stock code: STV) from May 2004 to September 2008; an independent Non-executive Director of China Oilfield Services Limited (listed on the Hong Kong Stock Exchange with stock code: 02883) from September 2002 to June 2009 and an Independent Non-executive Director of Stone Group Holdings Limited from June 2001 to November 2009, the shares of which were withdrawn from listing on the Hong Kong Stock Exchange in November 2009.

SENIOR MANAGEMENT OF FOSUN GROUP, FOSUN PHARMA, FORTE, NANJING NANGANG AND HAINAN MINING

Fosun Group

Chen Qiyu, aged 39, is Vice President of the Company, the chairman of Fosun Pharma and non-executive director of Forte. Mr. Chen has been non-executive director of Sinopharm, vice chairman of Tianjin Pharmaceuticals Group Company Ltd. and director of Zhejiang D.A. Medical Treatment Holdings Ltd.. Mr. Chen joined Fosun Pharma in 1994, worked as manager in the industry development department of Fosun Group, and vice general manager, chief financial officer, secretary of the board of directors, executive vice general manager and general manager of Fosun Pharma. Prior to joining Fosun Group, Mr. Chen worked in the research and development department of Shanghai RAAS Blood Product Co., Ltd. Mr. Chen is Chairman of Shanghai Biopharmaceutical Industry Association, council member of the Shanghai Society of Genetics, and vice council chairman of the Fourth Council of China Medicinal Biotechnology Association. Mr. Chen received a bachelor's degree in genetics and genetic engineering in 1993 from Fudan University and an EMBA degree in 2005 from China Europe International Business School.

Fosun Pharma

Chen Qiyu, aged 39, is the chairman of Fosun Pharma. Details of Mr. Chen's biography are set out in the biographical details of senior management of Fosun Group.

Yao Fang, aged 42, is vice chairman and general manager of Fosun Pharma. In January 2011, Mr. Yao was appointed as supervisor of Sinopharm and non-executive director of Biosino Bio-Technology and Science Incorporation ("Biosino"). Mr. Yao served successively as assistant general manager of international business department of Shanghai International Securities Company, general manager of Shanghai S.I. Capital Co., Ltd., general manager of SIIC Management (Shanghai) Ltd., managing director of Shanghai Industrial Pharmaceutical Investment Co. Ltd., chairman of Shanghai Overseas Company, executive director of Shanghai Industrial Holdings Limited, etc. from 1993 to 2009.

Qiao Zhicheng, aged 39, is the vice general manager, chief financial officer and secretary of board of directors of Fosun Pharma. Mr. Qiao was appointed non-executive director of Biosino in January 2011. Mr. Qiao served successively as project manager of Beijing Yongjin Financial Adviser Co., Ltd., business director of Beijing Zhijin Technology Investment Co., Ltd., general manager of Beijing Yongjin Financial Adviser Co., Ltd. and vice general manager Yongjin Group, Inc. from 1998 to 2003. Mr. Qiao was investment director in 2004, general manager from December 2004 to August 2010, and vice chairman from July 2009 to August 2010 of ZhuZhou QianJin Pharmaceutical Co., Ltd. Mr. Qiao has been appointed secretary of board of directors of Fosun Pharma since February 2011.

Forte

Zhang Hua, aged 46, is the chairman, executive director and president of Forte. Mr. Zhang joined Forte in 1999. Mr. Zhang was appointed executive president of Forte in February 2009, and was appointed president of Forte in May 2009. Mr. Zhang was appointed executive director of Forte in October 2009 and chairman of Forte in December 2010. Mr. Zhang is State Certified Real Estate Appraiser and Engineer. Mr. Zhang has worked in the production and infrastructure department of Shanghai No.2 Commerce Bureau and Shanghai Shanglian Real Estate Co., Ltd.. Mr. Zhang has been vice general manager of Shanghai Puhua Real Estate Development Co., Ltd., general manager of Shanghai Forte Zhibao Real Estate Development Co., Ltd. and regional general manager of Shanghai Northern Region of Forte. Mr. Zhang received a bachelor's degree in management from Tongji University in 2003.

Wang Zhe, aged 41, is executive director, vice president and chief financial officer of Forte. Mr. Wang joined Forte in August 2002 and was appointed executive director of Forte in March 2008. Prior to joining Forte, Mr. Wang worked in the Agricultural Bank of China and Shanghai Pudong Development Bank. Mr. Wang became a qualified economist in 1997. Mr. Wang graduated from the global economic department at Fudan University in 1992 with a bachelor's degree in economics. Mr. Wang graduated from the international finance department of Fudan University in 1999 and received a master's degree in international finance.

Nanjing Nangang

Yang Siming, aged 58, has been chairman and chief executive officer of Nanjing Nangang. Mr. Yang is chairman of Nanjing Iron & Steel Group Co., Ltd. and chairman of Nanjing Iron & Steel since September 2008. Since June 1991, Mr. Yang worked as party deputy secretary and disciplinary committee secretary of Nanjing Iron & Steel Factory, and vice general manager, director, general manager and party deputy secretary of Nanjing Iron & Steel Group Co., Ltd.. Mr. Yang has been director of Nanjing Steel United since April 2003 and general manager of Nanjing Steel

United since August of the same year. Mr. Yang was named researcher level senior engineer by the government's Department of Personnel in September 2002. Mr. Yang received a doctorate in management from the University of Nanjing in June 2007.

Lü Peng, aged 49, is director and general manager of Nanjing Nangang and vice chairman of Nanjing Iron & Steel. Mr. Lü joined Fosun Group in June 2003 and worked as vice general manager of the iron and steel division of Fosun Group from June 2003 to November 2005, and was vice chairman of Nanjing Iron & Steel since September 2008. Prior to joining Fosun Group, Mr. Lü held various positions in the Shanghai Institute of Iron & Steel Technology from July 1985 to August 1995. Mr. Lü worked as vice general manager of Shanghai No. 3 Steel Factory from 1995 to 1996. Mr. Lü was vice general manager of Bao Steel Group Shanghai Pudong Steel Limited Company from 1996 to 2003. Mr. Lü received a bachelor's degree in steel and metallurgy in 1982 from the University of Science & Technology Beijing. Mr. Lü also received a master's degree in steel and metallurgy from the University of Science & Technology Beijing in 1985.

Sun Yimin, aged 41, is the chief accountant of Nanjing Nangang and director of Nanjing Iron & Steel. Mr. Sun joined Fosun Group in July 2005. He was the financial manager of Shenyang Hejin Holding Investment Co., Ltd. from June 2001 to July 2005, and chief financial officer of the iron and steel division of Fosun Group as well as vice general manager and chief financial officer of Hainan Mining from July 2005 to May 2008. Since May 2008, Mr. Sun has served as chief accountant of Nanjing Steel United. Mr. Sun graduated from the Dongbei University of Finance and Economics with a bachelor's degree of economic investment management in 1992, and from Renmin University of China with a master's degree in accounting in 2001.

Hainan Mining

Chen Guoping, aged 54, is the chairman and party deputy secretary of Hainan Mining. Since November 2009, Mr. Chen has been a non-executive director of Zhaojin Mining. Mr. Chen joined Fosun Group in September 2003 and worked as chief technology officer and vice general manager of the iron and steel division of Fosun Group from September 2003 to August 2007. He has been the chairman and party deputy secretary of Hainan Mining since August 2007, general manager of the mineral resources division of Fosun Group since June 2009, and has been appointed senior assistant to the president of Fosun Group since January 2010. Prior to joining Fosun Group, Mr. Chen held various positions in Shanghai Pudong Iron and Steel Company from June 1983 to July 1998. He was the technology marketing manager of Shanghai Krupp Stainless Co., Ltd. from July 1998 to September 2003. Mr. Chen is a deputy to the fourth People's Congress of Hainan Province. Mr. Chen obtained a bachelor's degree in engineering from Shanghai University of Technology in 1988 and qualified as a senior engineer in 1997.

Liu Mingdong, aged 44, is the director, general manager and party deputy secretary of Hainan Mining. Mr. Liu held various positions such as head of planning department, head of financial planning department, assistant to general manager, vice general manager in Hainan Iron & Steel Company from August 1989 to July 2007. He was appointed the general manager and party deputy secretary of Hainan Mining in August 2007. Mr. Liu received a master's degree in engineering from University of Science & Technology Beijing in 1996 and qualified as a senior economist in February 2001.

Feng Yilin, aged 53, is the vice general manager and chief financial officer of Hainan Mining. Mr. Feng joined Fosun Group in May 2003. He was the chief investment officer of Fosun Group from May 2003 to August 2007, the supervisor of Hainan Mining from August 2007 to April 2008, and was appointed the vice general manager and chief financial officer of Hainan Mining in May 2008. Before joining the Fosun Group, Mr. Feng had worked in Shanggong Co., Ltd. for over 20 years. He was also the chief financial officer of the medical appliances department of Fosun Pharma, the vice general manager and chief financial officer of Shanghai Forever Co., Ltd. and the general manager of Shanghai Fortune ACT S&T Co., Ltd. from January 1999 to April 2003. Mr. Feng obtained a bachelor's degree in industrial accounting from the Shanghai University of Finance and Economics in July 1985 and qualified as an accountant in April 1997.

Company Secretary

Sze Mei Ming, aged 34, was appointed Company Secretary of the Company on 11 March 2009. Ms. Sze joined the Company in November 2007. Ms. Sze holds a bachelor's degree in Arts from the University of Hong Kong, a bachelor's degree in laws from the University of London and a master's degree in Chinese and Comparative Law from the City University of Hong Kong. Ms. Sze has experience in the company secretarial industry for years and is an associate member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

DIRECTORS' REPORT

The Board is pleased to present its report and the audited financial statements of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The core businesses of the Group consist of (i) insurance; (ii) pharmaceuticals and healthcare; (iii) property; (iv) steel; (v) mining; (vi) retail, services, finance and other investments; and (vii) asset management.

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Group at that date are set out in the financial statements and the accompanying notes on pages 66 to 193.

The Board has recommended the payment of a final dividend of HKD0.157 per ordinary share for the year ended 31 December 2011 to the shareholders of the Company whose names appear on the register of members of the Company on 29 June 2012. Subject to approval by the shareholders of the Company at the annual general meeting of the Company to be held on 21 June 2012 (the "AGM"), the proposed final dividend is expected to be paid on or around 16 July 2012 to the shareholders of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 19 June 2012 to Thursday, 21 June 2012, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates and other relevant documents, if any, must be lodged with Computershare Hong Kong Investor Services Limited, the share registrar of the Company (the "Share Registrar"), at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (the "Registrar Address"), for registration no later than 4:30 p.m. on Monday, 18 June 2012.

The register of members of the Company will also be closed from Wednesday, 27 June 2012 to Friday, 29 June 2012, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend to be proposed at the AGM, all transfer documents accompanied by the relevant share certificates and other relevant documents, if any, must be lodged with the Share Registrar at the Registrar Address for registration no later than 4:30 p.m. on Tuesday, 26 June 2012.

SUMMARY FINANCIAL INFORMATION

A summary of the financial information for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out in the section headed "Five-Year Statistics" in this annual report.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the Reporting Period are set out in notes 14 and 15 to financial statements, respectively.

ISSUED CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in note 45 to financial statements.

SUBSIDIARIES

The names of the principal subsidiaries, their principal places of operation, their countries of incorporation and particulars of their issued share capital are set out in note 4 to financial statements.

BORROWINGS

Particulars of borrowings of the Group are set out in note 37 to financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any Shares during the Reporting Period.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on pages 71 to 74 of this annual report and details of movements in the reserves of the Company during the Reporting Period and the Company's distributable reserves as at 31 December 2011 are set out in note 46 to financial statements.

CHARITABLE CONTRIBUTIONS

During the Reporting Period, the Group made charitable contributions totalling approximately RMB45.9 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Group's five largest suppliers contributed less than 30% of the total costs and the Group's five largest customers contributed less than 30% of the total revenue.

During the Reporting Period, none of the Directors or any of their Associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest suppliers.

SHARE OPTION SCHEME

The Company adopted its Share Option Scheme on 19 June 2007. The major terms of the Share Option Scheme are as follows:

1) The purpose of the Share Option Scheme is to provide incentive and/or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of the Group.

2) The participants of the Share Option Scheme are any Director (including independent non-executive Director), employee (whether full-time or part-time), consultant or advisor who in the sole discretion of the Board has contributed or will contribute to the Group.

3) The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not exceed 30% (or other percentage as stipulated in the Listing Rules) of the Shares in issue from time to time. Subject to the aforesaid limit, the total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes must not, in aggregate, exceed 643,750,000 Shares, being 10% of the issued share capital of the Company as at 16 July 2007, the date of listing of the Shares, unless separate shareholders' approval has been obtained. The total of 643,750,000 Shares available for issue under the Share Option Scheme representing approximately 10.02% of the issued share capital as at the date of this annual report.

4) The maximum entitlement of each participant under the Share Option Scheme is 1% of the issued share capital of the Company unless such grant has been duly approved by resolution of the shareholders of the Company in general meeting.

5) The exercise period of any option granted under the Share Option Scheme must not be more than ten years commencing on the date of grant.

6) The acceptance amount for the option is determined by the Board from time to time.

7) The exercise price determined by the Board shall be at least the highest of (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (ii) the average of the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet for the five business days immediately preceding the offer date; and (iii) the nominal value of a Share.

8) Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period to be determined and notified by the Board to the grantee during which the option may be exercised and in any event shall not be more than 10 years commencing on the date on which the offer in relation to such option is deemed to have been accepted in accordance with the terms of the Share Option Scheme and expiring on the last day of the ten-year-period.

Since the adoption of the Share Option Scheme, no share option has been granted by the Company.

DIRECTORS

The Directors during the Reporting Period were:

Executive Directors

Mr. Guo Guangchang *(Chairman)*
Mr. Liang Xinjun *(Vice Chairman and Chief Executive Officer)*
Mr. Wang Qunbin *(President)*
Mr. Fan Wei *(Co-President)*
Mr. Ding Guoqi
Mr. Qin Xuetang
Mr. Wu Ping

Non-Executive Director

Mr. Liu Benren

Independent Non-Executive Directors

Dr. Chen Kaixian
Mr. Zhang Shengman
Mr. Andrew Y. Yan

According to articles 106 and 107 of the Articles of Association, Mr. Liang Xinjun, Mr. Wang Qunbin, Mr. Qin Xuetang and Mr. Liu Benren shall retire by rotation at the AGM, among whom Mr. Liang Xinjun, Mr. Wang Qunbin and Mr. Qin Xuetang, being eligible, will offer themselves for re-election at the same meeting, while Mr. Liu Benren will not offer himself for re-election after the retirement at the same meeting.

Dr. Chen Kaixian, an independent non-executive Director resigned with effect from 28 March 2012. The Board appointed Mr. Zhang Huaqiao as the independent non-executive Director with effect on 28 March 2012. According to article 111 of the Articles of Association, Mr. Zhang Huaqiao shall retire at the AGM and shall be eligible for re-election. The Board recommended Mr. David T. Zhang as a candidate to be elected and appointed at the AGM as the independent non-executive Director on 27 March 2012. According to article 109 of the Articles of Association, Mr. David T. Zhang shall be appointed by the shareholders at the AGM.

The Company has received annual confirmation of independence from all independent non-executive Directors, and as at the date of this report considers all of them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 46 to 51 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each Director has entered into a service contract with the Company for a term of 3 years from the date of the annual general meeting for the year 2011 of the Company.

None of the Directors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Remuneration Committee of the Company considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate. References to the remuneration standards of the industry as well as the business development of the Company are made to ensure the level of remuneration should be sufficient to attract and retain the Directors, and the Company should avoid paying more than necessary for this purpose.

Details of the Directors' remuneration are set out in note 9 to financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2011, none of the Directors nor their respective Associates had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules, save for the details disclosed in the section headed "Connected Transaction" of this report.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2011, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

(1) Long positions in the Shares, underlying shares and debentures of the Company

Name of Director/ chief executive	Class of Shares	Number of Shares	Type of interests	Approximate percentage of Shares in issue
Guo Guangchang	Ordinary	5,078,198,000[(1)]	Corporate	79.08%
Ding Guoqi	Ordinary	12,940,000	Individual	0.20%
Qin Xuetang	Ordinary	3,880,000	Individual	0.06%
Wu Ping	Ordinary	7,760,000	Individual	0.12%

(2) Long positions in the shares, underlying shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO)

Name of Director/ chief executive	Name of associated corporation	Class of shares	Number of shares	Type of interests	Approximate percentage of shares in issue
Guo Guangchang	Fosun Holdings	Ordinary	1	Corporate	100.00%
	Fosun International Holdings	Ordinary	29,000	Individual	58.00%
	Fosun Pharma	Ordinary	114,075	Individual	0.01%
Liang Xinjun	Fosun International Holdings	Ordinary	11,000	Individual	22.00%
Wang Qunbin	Fosun International Holdings	Ordinary	5,000	Individual	10.00%
	Fosun Pharma	Ordinary	114,075	Individual	0.01%
Fan Wei	Fosun International Holdings	Ordinary	5,000	Individual	10.00%
Qin Xuetang	Fosun Pharma	Ordinary	114,075	Individual	0.01%

Note:

(1) Pursuant to Division 7 of Part XV of the SFO, 5,078,198,000 Shares held by Mr. Guo Guangchang are deemed corporate interests held through Fosun Holdings and Fosun International Holdings.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 December 2011, so far as was known to the Directors, the persons or entities, other than a Director or chief executive of the Company, who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of the substantial shareholder	Number of Shares directly or indirectly held	Approximate percentage of Shares in issue
Fosun Holdings	5,074,558,500(2)	79.02%
Fosun International Holdings(1)	5,074,558,500(2)	79.02%

Notes:

(1) Fosun International Holdings is owned as to 58%, 22%, 10% and 10% by Messrs. Guo Guangchang, Liang Xinjun, Wang Qunbin and Fan Wei, respectively.

(2) Fosun International Holdings is the beneficial owner of all the issued shares in Fosun Holdings and, therefore, Fosun International Holdings is deemed, or taken to be interested in the Shares owned by Fosun Holdings for the purposes of the SFO. Despite the interests in Shares as recorded in the register pursuant to SFO, Fosun Holdings and Fosun International Holdings (by virtue of its shareholding in Fosun Holdings) is interested and deemed or taken to be interested in 5,078,198,000 Shares as of 31 December 2011.

(3) Mr. Guo Guangchang is the sole director of Fosun Holdings and Fosun International Holdings. Mr. Guo, by virtue of his ownership of shares in Fosun International Holdings as to 58%, is deemed or taken to be interested in the Shares owned by Fosun Holdings for the purpose of the SFO.

Save as disclosed above, so far as was known to the Directors, as at 31 December 2011, the Company has not been notified by any persons (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance were entered into between the Company or any of its subsidiaries and any controlling shareholder or any of its subsidiaries during the Reporting Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules during the Reporting Period.

CONNECTED TRANSACTIONS

For the year ended 31 December 2011, the Company entered into the following connected transaction:

On 21 November 2011, Nanjing Iron & Steel, Tibet Fosun Investment Management Co., Ltd. ("Tibet Fosun") and Shanghai Fosun Pingyao Investment Management Company Limited ("Fosun Pingyao"), all of which are subsidiaries of the Company, entered into the limited partnership agreement with Tibet Xingye Investment Management Co., Ltd. ("Tibet Xingye") and other investors (the "LPA") in respect of the formation of Fosun Chuanghong. Pursuant to the LPA, the total capital of Fosun Chuanghong is RMB1,505,000,000, of which, among others, Nanjing Iron & Steel will contribute RMB100 million, Tibet Fosun will contribute RMB15 million, Fosun Pingyao will contribute RMB40 million and Tibet Xingye will contribute RMB470 million, representing approximately 6.64%, 1%, 2.66% and 31.23%, respectively, of the total capital of Fosun Chuanghong. By entering into the LPA, the Directors believe that it will provide a good opportunity for the Group to make investments, which is in line with the strategy of the Group. Tibet Xingye is an Associate of Mr. Guo Guangchang, a director of the Company, and is therefore a connected person of the Company. Further details are set out in the announcement of the Company dated 13 December 2011.

NON-COMPETITION UNDERTAKING

As disclosed in the prospectus of the Company, the independent non-executive Directors will review all the matters, if any, relating to the enforcement of the deed of non-competition undertaking dated 26 June 2007 ("Deed of Non-competition Undertaking"). During the Reporting Period, the independent non-executive Directors have reviewed matters relating to the enforcement of the Deed of Non-competition Undertaking. Fosun International Holdings, Fosun Holdings, Mr. Guo Guangchang, Mr. Liang Xinjun, Mr. Wang Qunbin and Mr. Fan Wei (the "Controlling Shareholders") have provided the Company with an annual declaration of compliance with the provisions of the Deed of Non-competition Undertaking.

During the Reporting Period, the Controlling Shareholders provided the Company with all information necessary for the enforcement of the Company's rights under the Deed of Non-competition Undertaking, all information reasonably requested by the Company from time to time relating to Excluded Businesses (as defined in the Deed of Non-competition Undertaking) and such other business opportunities or activities related to any business of the Group as the Company reasonably believed were available to the Controlling Shareholders or that the Controlling Shareholders may be planning to participate in, as well as access to appropriate staff members of the Controlling Shareholders to discuss and obtain such information, in order to enable the Company to consider whether to exercise any of its rights under the Deed of Non-competition Undertaking.

Pursuant to a non-competition undertaking agreement dated 10 February 2003 ("2003 Non-competition Agreement"), Mr. Guo Guangchang, Fosun Group, Shanghai Guangxin Science & Technology Development Co., Ltd. and Shanghai Fosun High and New Technology Development Co,. Ltd, (together the "Covenantors") undertook to Forte that, among other matters, the Covenantors will not, except through Forte or its Associates, and procure that their Associates will not, engage or be interested, directly or indirectly, in the property or related business, including without limitation, property development, construction supervisory, sales planning and real estate agency and other ancillary property related services and any business, which competes or is likely to compete with any business of Forte Group ("Forte Core Business").

On 21 April 2009, the Company and Forte entered into an amended and restated non-competition agreement ("Amended and Restated Non-competition Agreement") to supersede the 2003 Non-competition Agreement, pursuant to which the Company agreed that it will not, except through Forte Group, and will procure that its subsidiaries will not, compete with Forte Group in the Forte Core Business. The Company also granted to Forte (i) a call option and (ii) pre-emptive rights to purchase the interests of the Group in any business resulting from the business opportunity referred to above, which has been offered to, but has not been purchased or taken up by Forte Group and has been retained by the Group.

On 1 December 2009, the Company and Forte entered into a supplemental agreement ("Supplemental Agreement") to amend the scope of the Forte Core Business as set out in the Amended and Restated Non-competition Agreement and set out certain further undertakings from the Company. Pursuant to the Supplemental Agreement, the Company and Forte agreed that sales planning, exchange and real estate agency services be taken out from the Forte Core Business. Subsequent to the delisting of Forte on 13 May 2011, the Amended and Restated Non Competition Agreement ceased to have effect on the same date.

During the Reporting Period, the Company complied with the Amended and Restated Non-competition Agreement, provided information in respect of the compliance and enforcement of the Amended and Restated Non-competition Agreement to Forte and provided all information necessary for the annual review of the independent non-executive directors of Forte and the enforcement of the Amended and Restated Non-competition Agreement.

RELATED PARTY TRANSACTIONS

Related party transactions entered by the Group during the Reporting Period are disclosed in note 52 to financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period of the Group are set out in note 56 to financial statements.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

COMPLIANCE WITH THE CG CODE

During the Reporting Period, the Company has applied the principles of and fully complied with all code provisions as set out in the CG Code.

Further information on the corporate governance practices of the Company is set out in the Corporate Governance Report on pages 40 to 45 of this annual report.

AUDIT COMMITTEE

As at the end of the Reporting Period, the Audit Committee of the Company comprises three independent non-executive Directors, namely Mr. Zhang Shengman (Chairman), Dr. Chen Kaixian and Mr. Andrew Y. Yan. The main duties of the Audit Committee are to review and monitor the financial reporting procedures and internal control system of the Company, and to provide recommendations and advice to the Board. The Audit Committee has reviewed the 2011 annual results of the Group.

AUDITORS

The financial statements of the Group were audited by Ernst & Young. Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On Behalf of the Board

Guo Guangchang
Chairman

Shanghai, the PRC
27 March 2012

CORPORATE SOCIAL RESPONSIBILITY

TAX REVENUE CONTRIBUTION

Building on the notion of "China expertise, Global capacity", the Group has made remarkable headway in establishing a global-leading investment management brand with a focus on China's economic growth momentum in 2011. The Group's tax revenue contribution to the country amounted to RMB6.9 billion in 2011, which ranked 37th among top large enterprises tax payers according to the ranking by the State Administration of Taxation. With its unremitting efforts in exploring investment opportunities, the Group has investment projects throughout China, including central and western regions such as Guizhou, Shaanxi and Guangxi, which bolstered the economic and social development in those areas.

Love Community

Sport's Day

Training at the Management Institute

ESTABLISHMENT OF CORPORATE CULTURE AND STAFF CARING

In order to protect the legal rights of the employees and facilitate the healthy development of the enterprise, the 3rd workers congress of the Group was formed through democratic election. The representatives come from different departments and positions at all levels.

In respect of the improvement of employees' physical and mental health, the Group advocates healthy way of thinking and positive and optimistic living attitude in its newspaper "Fosun People". The Group designated an area as "Love Community" in its premises to provide employees with catering services such as vegetarian meal. The organisations such as staff union of the Group put great effort in organising a variety of cultural and sports activities, including Sport's Day and Taichi activities.

In 2011, the Fosun Management Institute was established, which plays a role of "Huangpu Military Academy" for the training of talents of the Group. 27 sections of different training projects were launched in 2011, in which 3 training sections for general managers, 6 training sections for human resources directors, 4 times of large-scale quarterly training for new staff, 2 training sections for audit directors and a series of investment and financing salon activities were held. The total amount of the trainings was 2,056 person-time, enhancing the employees' professionalism and competitiveness.

The Group encourages the employees to learn, and in 2010-2011, a lot of resources were put in building up an E-learning system, so as to facilitate the employees to learn online using flexible methods.

CONCERNING ABOUT SAFETY AND ENVIRONMENTAL PROTECTION AND ESTABLISHING LOW ENERGY CONSUMPTION ECONOMY

In 2011, the Group specifically recruited talents and newly established a department of supervision of safety, quality control and environmental protection, so as to reinforce supervision related to safety, quality management and environmental protection.

The Group strictly complies with the investment philosophy on environmental protection. Relevant investment teams of the Group (particularly the investment teams of the mining division) adhere to strict investment selection standard in choosing investment projects, those projects which do not meet the country's industry policies and environmental protection standards will not be invested by the Group. According to the requirements of the Group's investment business management, and taking into account the features of investment in industries such as the mining industry, not only the resources and production aspects, financial aspect, utilities and logistics aspects, legal aspect and operation and management aspects are analysed during the preliminary analysis and due diligence processes of the mining investment business, but also the safety and environmental aspects and social environment aspects shall also be analysed. Issues such as safe production, environmental protection works, tailing dam, local indigenous culture, animal and plant protection and relevant certificates shall also be assessed. The investment values and risks shall be systematically evaluated.

The Forbidden City at the Louvre

Donation for Fukushima

Dongyang wooden sculptures, an intangible cultural heritage

Wuju opera, an intangible cultural heritage

SUPPORTING THE CULTURAL AND EDUCATION INDUSTRIES, AND ACTIVELY PROMOTING CHARITABLE SPIRIT

- **Pioneer of overseas cultural sponsorship, earning commendation of international media**

In September 2011, the opening ceremony of the Fosun-sponsored cultural exhibition was held at Musée du Louvre of Paris in France, which typically demonstrated the association of economy with culture for Fosun's overseas investment.

The exhibition is titled "The Forbidden City at the Louvre", and the Group sponsored €200,000 to this event.

- **Humanitarian donation for Japan's earthquake relief**

On 24 March 2011, the Group donated RMB5 million through Red Cross China to the frontline rescue workers at the nuclear-crisis-stricken area in Fukushima and their family members.

- **Encouraging entrepreneurship and charitable culture**

As always, the Group considers that education is a way to realise social fairness and equality of opportunities. The Group has long been concerned about education, youth employment and entrepreneurship of youngsters as well as their participation in charity works.

YouChange China Social Entrepreneur Foundation supported by the Group launched the following key projects in 2011:

– Since the beginning of the year, YouChange University has been sending retired teachers to poverty-stricken areas to conduct teaching activities;
– The "Small eagle plan" of YouChange sent fresh graduates who are willing to receive tough training to a poor village to have one-year experience;
– non-governmental disaster relief network class and charity leadership class of YouChange, as well as youth volunteer training classes were launched;
– "2011 YouChange university student entrepreneurship enlightenment and education scheme" was launched.

The Group continued its in-depth cooperation with Youth Business China (YBC), and delegated staff to take part in the daily operation of the scheme in full-time.

- **Promoting intangible cultural heritage – Dongyang woodcarving culture**

In June 2011, the Group and six Zhejiang enterprises entered into a cooperation agreement with the People's Government of Dongyang, Zhejiang Province in Hangzhou to jointly build the China Wood Carving Culture Expo City and China Wood Carving Museum in Dongyang.

The Group hopes that together with a group of Zhejiang enterprises, through capital investment, wood carving enterprises can be fully integrated and wood-carving in Dongyang can be industrialised, such that this intangible cultural heritage can be inherited.

- **Subsidising intangible cultural heritage – Wu Opera**

On 10 June 2011, the large-scale modern Wu opera "Chicken feather flying in the sky" created by the Wu opera troupe of Yiwu, Zhejiang Province was performed. This performance, sponsored by the Group, was the first time that the national intangible cultural heritage – Wu opera was performed in Shanghai upon invitation.

MAJOR SOCIAL HONOURS RECEIVED BY THE GROUP IN 2011

In April 2011, Fosun Group was named "Top 100 Chinese Green Enterprises" by Daonong Center for Enterprise.

In September 2011, China Europe International Business School's "Top 100 Listed Non-state Owned Enterprises of China" was announced, and the Company was listed in the top 10 of the listed non-state owned enterprises of China.

In December 2011, Fosun Group was ranked in the "2011 China Overall Ranking of Chinese Non-state Owned Enterprise of Corporate Social Responsibility" by the Southern Weekend, with its comprehensive ranking at No. 4 among the top 100 non-state owned enterprises in China.

In December 2011, Fosun Group was honoured as one of the "Top-Ten Model Non-State-owned-Enterprise Economies in China", and Mr. Guo Guangchang, Chairman of the Group, was invited to present Fosun's achievements in the conference held at the Great Hall of the People.

HUMAN RESOURCES

As at 31 December 2011, the Group had approximately 31,000 employees.

In 2011, the Human Resources Department of the Group focused on the strategic goal of building "a global leading investment group with a focus on China momentum"; clearly defined the vision of human resources management of "establishing an investment management team with entrepreneurship and members comprising of leading talents in various industries"; and emphasised on advancing "China Expertise, Global Capacity", and enhanced investment, financing and management capabilities in the aspect of human resources management.

In the aspect of investment and financing, in 2011 the Group added an internal unit, the Asset Management Group, and expanded the ability of capital financing from third parties. The Group also improved and strengthened the personnel deployment of Shanghai Fosun Capital Investment Management Co., Ltd., Fosun Venture Capital Investment Management Co., Ltd., investment teams of Pramerica-Fosun China Opportunity Fund and Carlyle-Fosun. Numerous talents with global perspective were added from pharmaceutical and healthcare, property, mining and resources, manufacturing and financial industries.

In the aspect of management optimisation, in 2011 the Group established a new department for the monitoring of safety, environmental protection and quality to reinforce supervision and management of investees in respect of safety, environmental protection and quality. At the same time, the Group specifically required investees to conduct industry benchmarking, and took talent recruitment, team building and staff development, in addition to financial indicators, as key indicators in assessing their performance, with a view of motivating investees to improve management. Meanwhile, the Group also added finance management personnel to strengthen strategic development and budget management. For performance management, the Group enhanced its performance appraisal system, and further reinforced the result-oriented culture to improve management efficiency.

In the aspect of team building and talent training, on top of the Group's unremitting efforts in recruiting talents, Fosun Management Institute launched a series of talent development and training projects targeted at increasing our talents' investment and professional capabilities to support the sustainable development of the Group.

ERNST & YOUNG
安永會計師事務所

22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

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

We have audited the consolidated financial statements of Fosun International Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 66 to 193, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst and Young
Certified Public Accountants

Hong Kong
27 March 2012

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	**2011 RMB'000**	2010 RMB'000
REVENUE	*6*	**56,816,215**	44,643,702
Cost of sales		**(46,249,903)**	(35,277,157)
Gross profit		**10,566,312**	9,366,545
Other income and gains	*6*	**4,111,783**	4,304,874
Selling and distribution costs		**(2,122,999)**	(1,470,694)
Administrative expenses		**(2,871,202)**	(2,075,864)
Other expenses		**(1,989,955)**	(825,750)
Finance costs	*7*	**(2,381,748)**	(1,572,100)
Share of profits and losses of:			
Jointly-controlled entities	*22*	**32,076**	(23,156)
Associates		**1,538,827**	949,437
PROFIT BEFORE TAX	*8*	**6,883,094**	8,653,292
Tax	*10*	**(1,818,370)**	(2,506,590)
PROFIT FOR THE YEAR		**5,064,724**	6,146,702
Attributable to:			
Owners of the parent	*46*	**3,403,605**	4,227,092
Non-controlling interests		**1,661,119**	1,919,610
		5,064,724	6,146,702
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted (RMB)	*13*	**0.53**	0.66

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
PROFIT FOR THE YEAR		**5,064,724**	6,146,702
OTHER COMPREHENSIVE INCOME			
Available-for-sale investments:			
Changes in fair value		**569,121**	2,474,233
Reversal of changes in fair value arising from an available-for-sale investment becoming an associate		**(58,283)**	(152,931)
Reclassification adjustments for gains included in the consolidated income statement – gain on disposal		**(835,022)**	(7,505)
Income tax effect	*29*	**(241,808)**	(554,046)
		(565,992)	1,759,751
Share of other comprehensive income of jointly-controlled entities		**(2,514)**	3,740
Share of other comprehensive income of associates		**(231,297)**	297,700
Exchange differences on translation of foreign operations		**(129,948)**	(132,355)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(929,751)**	1,928,836
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,134,973**	8,075,538
Attributable to:			
Owners of the parent		**2,285,644**	5,797,609
Non-controlling interests		**1,849,329**	2,277,929
		4,134,973	8,075,538

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**21,513,247**	20,553,341
Investment properties	15	**3,026,000**	2,551,167
Prepaid land lease payments	16	**1,405,937**	1,278,066
Exploration and evaluation assets	17	**456,722**	437,762
Mining rights	18	**421,589**	717,680
Intangible assets	19	**1,248,872**	240,978
Goodwill	20	**1,659,425**	376,875
Investments in jointly-controlled entities	22	**1,409,737**	1,070,429
Investments in associates	23	**17,275,611**	15,238,649
Held-to-maturity investments	24	**–**	14,312
Available-for-sale investments	25	**8,437,265**	7,327,045
Properties under development	26	**6,885,559**	6,931,439
Due from related companies	35	**448,642**	413,793
Loans receivables	27	**2,234,432**	1,493,432
Prepayments	28	**676,313**	756,748
Deferred tax assets	29	**1,521,131**	1,005,809
		68,620,482	60,407,525
Non-current asset held for sale	36	**–**	148,049
Total non-current assets		**68,620,482**	60,555,574
CURRENT ASSETS			
Cash and bank balances	30	**16,777,753**	21,334,977
Equity investments at fair value through profit or loss	31	**7,406,727**	6,478,648
Trade and notes receivables	32	**6,506,112**	5,496,535
Prepayments, deposits and other receivables	33	**3,853,964**	3,990,536
Inventories	34	**7,119,548**	6,901,609
Completed properties for sale		**2,583,146**	2,014,437
Properties under development	26	**22,428,345**	9,856,198
Loans receivables	27	**132,250**	220,000
Due from related companies	35	**1,856,159**	1,526,292
		68,664,004	57,819,232
Assets of a disposal group classified as held for sale	36	**253,132**	–
Total current assets		**68,917,136**	57,819,232

	Notes	2011 RMB'000	2010 RMB'000
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	37	**23,532,459**	22,026,769
Loans from related companies	38	**167,830**	26,678
Trade and notes payables	39	**11,330,982**	8,617,385
Accrued liabilities and other payables	40	**13,035,226**	12,860,400
Tax payable		**2,737,186**	2,531,045
Finance lease payables	41	**43,966**	40,116
Derivative financial instruments	42	**9,228**	84,566
Due to the holding company	35	**1,431,144**	1,092,250
Due to related companies	35	**1,914,420**	954,385
		54,202,441	48,233,594
Liabilities directly associated with the assets classified as held for sale	36	**57,048**	–
Total current liabilities		**54,259,489**	48,233,594
NET CURRENT ASSETS		**14,657,647**	9,585,638
TOTAL ASSETS LESS CURRENT LIABILITIES		**83,278,129**	70,141,212
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	37	**30,357,179**	21,795,074
Loans from a related company	38	**–**	86,887
Finance lease payables	41	**119,998**	164,178
Deferred income	43	**213,060**	144,876
Due to related companies	35	**824,137**	–
Other long term payables	44	**334,864**	474,466
Deferred tax liabilities	29	**2,942,737**	2,476,645
Total non-current liabilities		**34,791,975**	25,142,126
Net assets		**48,486,154**	44,999,086
EQUITY			
Equity attributable to owners of the parent			
Issued capital	45	**621,497**	621,497
Reserves	46	**30,391,347**	28,322,703
Proposed final dividend	12	**817,340**	928,936
		31,830,184	29,873,136
Non-controlling interests		**16,655,970**	15,125,950
Total equity		**48,486,154**	44,999,086

Guo Guangchang
Director

Ding Guoqi
Director

STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	*21*	**3,640,455**	1,914,476
Investment in an associate	*23*	**82,421**	82,421
Total non-current assets		**3,722,876**	1,996,897
CURRENT ASSETS			
Cash and bank balances	*30*	**2,223,886**	1,786,810
Equity investments at fair value through profit or loss	*31*	**4,685,741**	5,483,461
Prepayments, deposits and other receivables	*33*	**5,720**	836
Due from subsidiaries	*35*	**11,244,793**	10,887,527
Total current assets		**18,160,140**	18,158,634
CURRENT LIABILITIES			
Interest-bearing bank loans	*37*	**441,063**	562,930
Accrued liabilities and other payables	*40*	**49,900**	17,683
Tax payable		**1,241**	27,201
Due to the holding company	*35*	**1,431,144**	1,092,250
Total current liabilities		**1,923,348**	1,700,064
NET CURRENT ASSETS		**16,236,792**	16,458,570
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,959,668**	18,455,467
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*37*	**6,419,398**	2,611,320
Net assets		**13,540,270**	15,844,147
EQUITY			
Issued capital	*45*	**621,497**	621,497
Reserves	*46*	**12,101,433**	14,293,714
Proposed final dividend	*12*	**817,340**	928,936
Total equity		**13,540,270**	15,844,147

Guo Guangchang
Director

Ding Guoqi
Director

Group

	Attributable to owners of the parent												
	Issued capital RMB'000 (note 45)	Share premium RMB'000	Other deficits RMB'000 (note 46(a))	Statutory surplus reserve RMB'000 (note 46(b))	Available-for-sale investments revaluation reserve RMB'000	Capital redemption reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000 (note 12)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011	621,497	11,787,763	(443,540)	2,390,537	2,432,714	1,465	384,254	12,281,599	(512,089)	928,936	29,873,136	15,125,950	44,999,086
Adjustment of contingent consideration arising from business combination (note 47(c))	-	-	-	-	-	-	-	60,000	-	-	60,000	-	60,000
As restated	621,497	11,787,763	(443,540)	2,390,537	2,432,714	1,465	384,254	12,341,599	(512,089)	928,936	29,933,136	15,125,950	45,059,086
Profit for the year	-	-	-	-	-	-	-	3,403,605	-	-	3,403,605	1,661,119	5,064,724
Other comprehensive income for the year:													
Changes in fair value of available-for-sale investments, net of tax	-	-	-	-	(90,715)	-	-	-	-	-	(90,715)	418,028	327,313
Reversal of changes in fair value arising from the available-for-sale investment becoming an associate (note 23)	-	-	-	-	(28,005)	-	-	-	-	-	(28,005)	(30,278)	(58,283)
Reclassification adjustments for gains included in the consolidated income statement – gain on disposal	-	-	-	-	(756,432)	-	-	-	-	-	(756,432)	(78,590)	(835,022)
Share of other comprehensive income of jointly-controlled entities	-	-	-	-	-	-	-	-	(2,489)	-	(2,489)	(25)	(2,514)
Share of other comprehensive income of associates	-	-	-	-	(137,536)	-	-	-	-	-	(137,536)	(93,761)	(231,297)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(102,784)	-	(102,784)	(27,164)	(129,948)
Total comprehensive (loss)/income for the year	-	-	-	-	(1,012,688)	-	-	3,403,605	(105,273)	-	2,285,644	1,849,329	4,134,973

Group *(Continued)*

	Attributable to owners of the parent												
	Issued capital RMB'000 (note 45)	Share premium RMB'000	Other deficits RMB'000 (note 46(a))	Statutory surplus reserve RMB'000 (note 46(b))	Available-for-sale investments revaluation reserve RMB'000	Capital redemption reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000 (note 12)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Acquisition of subsidiaries (note 47(a))	-	-	-	-	-	-	-	-	-	-	-	841,400	841,400
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	2,383,661	2,383,661
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(849,374)	(849,374)
Final 2010 dividend declared	-	-	-	-	-	-	-	-	-	(928,936)	(928,936)	-	(928,936)
Proposed final dividend	-	-	-	-	-	-	-	(817,340)	-	817,340	-	-	-
Transfer from retained profits	-	-	-	196,480	-	-	-	(196,480)	-	-	-	-	-
Disposal of subsidiaries (note 47(b))	-	-	-	-	-	-	-	-	-	-	-	(14,175)	(14,175)
Equity-settled share-based payment	-	1,890	-	-	-	-	-	-	-	-	1,890	5,822	7,712
Fair value adjustment on the loan from non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	25,034	25,034
Disposal of partial interests in a subsidiary without losing control	-	-	-	-	-	-	1,051	-	-	-	1,051	1,792	2,843
Deemed acquisition of additional interests in subsidiaries	-	-	-	-	-	-	60,669	-	-	-	60,669	(60,669)	-
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	476,730	-	-	-	476,730	(2,649,536)	(2,172,806)
Compensation arising from LAT provision, net	-	-	-	-	-	-	-	-	-	-	-	(3,264)	(3,264)
At 31 December 2011	621,497	11,789,653*	(443,540)*	2,587,017*	1,420,026*	1,465*	922,704*	14,731,384*	(617,362)*	817,340	31,830,184	16,655,970	48,486,154

* These reserves accounts comprise the consolidated reserve of RMB 30,391,347,000 (2010: RMB28,322,703,000) in the consolidated statement of financial position.

Group *(Continued)*

	Attributable to owners of the parent												
	Issued capital RMB'000 (note 45)	Share premium RMB'000	Other deficits RMB'000 (note 46(a))	Statutory surplus reserve RMB'000 (note 46(b))	Available-for-sale investments revaluation reserve RMB'000	Capital redemption reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000 (note 12)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	621,497	11,787,763	(443,540)	2,223,889	714,116	1,465	–	9,015,868	(364,008)	927,270	24,484,320	11,887,958	36,372,278
Reversal of impairment loss arising from an available-for-sale investment becoming an associate	–	–	–	–	–	–	–	134,223	–	–	134,223	56,003	190,226
As restated	621,497	11,787,763	(443,540)	2,223,889	714,116	1,465	–	9,150,091	(364,008)	927,270	24,618,543	11,943,961	36,562,504
Profit for the year	–	–	–	–	–	–	–	4,227,092	–	–	4,227,092	1,919,610	6,146,702
Other comprehensive income for the year:													
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	1,670,922	–	–	–	–	–	1,670,922	249,265	1,920,187
Reversal of changes in fair value arising from an available-for-sale investment becoming an associate	–	–	–	–	(100,461)	–	–	–	–	–	(100,461)	(52,470)	(152,931)
Reclassification adjustments for gains included in the consolidated income statement – gain on disposal	–	–	–	–	(3,334)	–	–	–	–	–	(3,334)	(4,171)	(7,505)
Share of other comprehensive income of jointly-controlled entities	–	–	–	–	–	–	–	–	2,639	–	2,639	1,101	3,740
Share of other comprehensive income of associates	–	–	–	–	151,471	–	–	–	1,528	–	152,999	144,701	297,700
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	(152,248)	–	(152,248)	19,893	(132,355)
Total comprehensive income/(loss) for the year	–	–	–	–	1,718,598	–	–	4,227,092	(148,081)	–	5,797,609	2,277,929	8,075,538

Group *(Continued)*

	Attributable to owners of the parent												
	Issued capital RMB'000 (note 45)	Share premium RMB'000	Other deficits RMB'000 (note 46(a))	Statutory surplus reserve RMB'000 (note 46(b))	Available-for-sale investments revaluation reserve RMB'000	Capital redemption reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000 (note 12)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	441,549	441,549
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	1,603,309	1,603,309
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(562,071)	(562,071)
Final 2009 dividend declared	–	–	–	–	–	–	–	–	–	(927,270)	(927,270)	–	(927,270)
Proposed final dividend	–	–	–	–	–	–	–	(928,936)	–	928,936	–	–	–
Transfer from retained profits	–	–	–	166,648	–	–	–	(166,648)	–	–	–	–	–
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(75,006)	(75,006)
Liquidation of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(31,451)	(31,451)
Deemed disposal of partial interests in subsidiaries without losing control	–	–	–	–	–	–	171,683	–	–	–	171,683	(171,683)	–
Disposal of partial interests in a subsidiary without losing control	–	–	–	–	–	–	19,648	–	–	–	19,648	21,243	40,891
Deemed acquisition of additional interests in subsidiaries	–	–	–	–	–	–	285,278	–	–	–	285,278	(285,278)	–
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	(92,355)	–	–	–	(92,355)	(69,190)	(161,545)
Compensation arising from LAT provision	–	–	–	–	–	–	–	–	–	–	–	32,638	32,638
At 31 December 2010	621,497	11,787,763*	(443,540)*	2,390,537*	2,432,714*	1,465*	384,254*	12,281,599*	(512,089)*	928,936	29,873,136	15,125,950	44,999,086

* These reserves accounts comprise the consolidated reserve of RMB28,322,703,000 (2009: RMB22,935,553,000) in the consolidated statement of financial position.

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**6,883,094**	8,653,292
Adjustments for:			
Depreciation of items of property, plant and equipment	8	**2,088,457**	1,734,183
Amortisation of prepaid land lease payments	16	**33,400**	27,324
Amortisation of intangible assets	19	**26,431**	5,266
Amortisation of mining rights	18	**100,468**	89,743
Provision for impairment of items of property, plant and equipment	14	**473**	6,500
Provision for impairment of available-for-sale investments	8	**–**	723
Provision for impairment of goodwill	8	**–**	64,983
Provision for impairment of receivables	8	**45,019**	12,655
Provision for inventories	8	**222,016**	39,720
Provision for impairment of completed properties for sale	8	**116,709**	–
Provision for impairment of non-current assets held for sale	8	**148,049**	81,298
Gain on disposal of available-for-sale investments	6	**(843,588)**	(95,890)
Gain on disposal of equity investments at fair value through profit or loss	6	**(578,606)**	(917,594)
Gain on disposal of jointly-controlled entities	6	**(169,416)**	–
Gain on disposal of partial interest in associates	6	**(34,696)**	(194,681)
Gain on deemed disposal of interests in associates	6	**(910,864)**	(97,849)
Gain on disposal of subsidiaries	6	**(59,304)**	(964,164)
Net loss on disposal of items of property, plant and equipment	6, 8	**4,945**	32,228
Fair value adjustment on equity investments at fair value through profit or loss	6, 8	**759,883**	(912,920)
Fair value gains on investment properties	6	**(97,524)**	(264,578)
Interest expenses		**2,328,684**	1,503,799
Interest income	6	**(380,574)**	(244,513)
Dividends from equity investments at fair value through profit or loss	6	**(160,254)**	(5,951)
Dividends from available-for-sale investments	6	**(284,434)**	(77,509)
Share of profits and losses of associates		**(1,538,827)**	(949,437)
Subtotal carried forward		**7,699,541**	7,526,628

	Note	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES (Continued)			
Subtotal brought forward		**7,699,541**	7,526,628
Share of profits and losses of jointly-controlled entities		**(32,076)**	23,156
Gain on bargain purchase	6	**(33,337)**	–
Compensation arising from LAT provision, net		**(3,264)**	32,638
CASH INFLOW BEFORE WORKING CAPITAL CHANGES		**7,630,864**	7,582,422
Increase in properties under development		**(9,319,926)**	(2,341,530)
Increase in completed properties held for sale		**(685,418)**	(271,358)
Increase in investment property		**(377,309)**	(67,490)
Increase in trade and notes receivables		**(1,095,705)**	(482,458)
Increase in prepayments, deposits and other receivables		**(26,400)**	(249,292)
Increase in inventories		**(431,501)**	(1,084,363)
Increase in amounts due from related companies		**(705,176)**	(839,588)
Increase in trade and notes payables		**2,635,275**	1,359,288
(Decrease)/increase in accrued liabilities and other payables		**(1,108,292)**	3,941,091
Increase in deferred income		**68,184**	62,207
Decrease in other long term payables		**(139,602)**	(87,455)
Increase in amounts due to related companies		**1,013,078**	548,962
Increase in restricted presale proceeds of properties		**(382,657)**	–
Decrease in derivative financial instruments		**(75,338)**	–
CASH (USED IN)/GENERATED FROM OPERATIONS		**(2,999,923)**	8,070,436
Interest paid		**(550,568)**	(425,452)
Income tax paid		**(1,833,519)**	(1,574,537)
NET CASH FLOWS (USED IN)/GENERATED FROM OPERATING ACTIVITIES		**(5,384,010)**	6,070,447

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(3,257,896)**	(4,456,524)
Increase of prepaid land lease payments		**(83,757)**	(41,868)
Purchase of intangible assets		**(61,636)**	(29,110)
Purchase of mining rights		**(4,349)**	(73,837)
Purchase of exploration and evaluation assets		**(23,960)**	(17,073)
Purchase of available-for-sale investments		**(2,672,626)**	(2,249,311)
Purchase of equity investments at fair value through profit or loss		**(4,068,191)**	(2,614,383)
Proceeds from disposal of equity investments at fair value through profit or loss		**2,735,511**	2,715,155
Proceeds from disposal of available-for-sale investments		**1,943,960**	209,385
Proceeds from disposal of items of property, plant and equipment		**84,876**	323,195
Proceeds from sales of land using rights		**3,089**	–
Proceeds from disposal of intangible assets		**5,276**	4,374
Proceeds from disposal of held-to-maturity investments		**14,312**	80,429
Proceeds from disposal of subsidiaries	*47(b)*	**300,340**	681,428
Proceeds from disposal of associates		**70,735**	845,188
Proceeds from disposal of jointly-controlled entities		**82,907**	–
Acquisition of subsidiaries	*47(a)*	**(1,321,621)**	(988,442)
Acquisition of associates		**(345,336)**	(5,219,263)
Acquisition of jointly-controlled entities		**(255,858)**	(269,020)
Dividends received from available-for-sale investments	*6*	**284,434**	77,509
Dividends received from equity investments at fair value through profit or loss	*6*	**160,254**	5,951
Dividends received from associates		**669,551**	295,078
Shareholder loans provided to jointly-controlled entities and associates		**(653,250)**	(1,493,432)
Decrease/(increase) in pledged bank balances time deposits with original maturity of more than three months		**2,021,672**	(111,054)
Prepayments for proposed acquisitions		**(60,000)**	(275,901)
Interest received	*6*	**380,574**	244,513
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(4,050,989)**	(12,357,013)

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital element of finance lease rental payments		**(40,330)**	–
Proceeds from sales and lease-back of machinery		**–**	175,000
Capital contribution from non-controlling shareholders of subsidiaries		**2,383,661**	1,603,309
New bank and other borrowings		**63,051,305**	36,613,831
Repayment of bank and other borrowings		**(53,102,510)**	(22,803,659)
Dividends paid to non-controlling shareholders of subsidiaries		**(1,065,374)**	(502,071)
Acquisition of additional interests in subsidiaries		**(2,172,806)**	(992,054)
Dividends paid		**(505,842)**	(1,176,023)
Interest paid		**(2,031,187)**	(1,484,799)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**6,516,917**	11,433,534
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(2,918,082)**	5,231,534
Cash and cash equivalents at beginning of year		**16,826,592**	11,595,058
CASH AND CASH EQUIVALENTS AT END OF YEAR		**13,908,510**	16,826,592
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:			
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	*30*	**13,908,383**	16,826,592
Cash and bank balances attributable to assets of a disposal group classified as held for sale	*36*	**127**	–
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS		**13,908,510**	16,826,592

1. CORPORATE INFORMATION

Fosun International Limited (the "Company") was incorporated as a company with limited liability in Hong Kong on 24 December 2004 under the Hong Kong Companies Ordinance (Chapter 32).

The registered office of the Company is located at Room 808, ICBC Tower, 3 Garden Road, Central, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the manufacture and sale of pharmaceutical and healthcare products, property development, the manufacture and sale of iron and steel products, mining and ore processing of various metals, asset management, operation and investment in insurance business and the management of investment in retail, services, finance and other business.

The holding company and the ultimate holding company of the Company are Fosun Holdings Limited and Fosun International Holdings Ltd. which are incorporated in Hong Kong and the British Virgin Islands, respectively.

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 16 July 2007.

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and certain equity investments, which have been measured at fair value. Disposal groups and non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiaries for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendment	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK (IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs have had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 53 to the consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

The principal effects of adopting these new and revised HKFRSs are as follows: *(Continued)*

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* [4]
HKFRS 9	*Financial Instruments* [6]
HKFRS 10	*Consolidated Financial Statements* [4]
HKFRS 11	*Joint Arrangements* [4]
HKFRS 12	*Disclosure of Interests in Other Entities* [4]
HKFRS 13	*Fair Value Measurement* [4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* [3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [2]
HKAS 19 (2011)	*Employee Benefits* [4]
HKAS 27 (2011)	*Separate Financial Statements* [4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures and* HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12 and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 January 2012.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable.

The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties under development, completed properties held for sale, financial assets, deferred tax assets, investment properties, goodwill and non-current assets/assets of a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated income statement in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person,

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	5 to 45 years
Plant and machinery	5 to 15 years
Office equipment	3 to 14 years
Motor vehicles	4 to 12 years
Mining infrastructure	18 years
Leasehold improvements	The shorter of the lease terms or their useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery under construction or installation and testing which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction or installation and testing and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or property under development, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. For a transfer from property under development to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties, deferred tax assets and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Trademark

Trademarks with finite useful lives are stated at cost less any impairment losses and are amortised on the straight-line basis over the respective estimated useful lives of not exceeding 12 years. Trademarks with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of trademarks are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Medicine licences

Medicine licences with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of medicine licences are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Patents, and technical know-how

Purchased patents, and technical know-how are stated at cost less any impairment losses and are amortised on the straight-line basis over the respective estimated useful lives not exceeding 20 years.

Business network

Business network are stated at cost less any impairment losses and are amortised on the straight-line basis over the respective estimated useful lives of not exceeding 15 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

Research and development costs

All research costs are charged to the consolidated income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses. Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure incurred prior to accruing legal rights to explore an area is written off as incurred. When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to mining rights and are amortised on the units of production ("UOP") method based on the proven and probable mineral reserves. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Mining rights include the cost of acquiring mining licences, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortised over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proven and probable reserves of the mines using the UOP method. Mining rights are written off to the consolidated income statement if the mining property is abandoned.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated income statement so as to provide a constant periodic rate of charge over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the consolidated income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivables, quoted and unquoted financial instruments and amounts due from related companies.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Financial assets at fair value through profit or loss *(Continued)*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the other income and gains or other expenses in the consolidated income statement. These net fair value changes do not include any dividends earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation as these instruments cannot be reclassified after initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the financial income in the consolidated income statement. The loss arising from impairment is recognised in the consolidated income statement in finance costs for loans and in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the consolidated income statement. The loss arising from impairment is recognised in the consolidated financial statements in other expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the consolidated income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the consolidated income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial investments *(Continued)*

If an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is removed from other comprehensive income and recognised in the consolidated income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement – is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and notes payables, other payables and accruals, an amount due to the holding company, amounts due to related companies, loans from related companies, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement *(Continued)*

Financial liabilities at fair value through profit or loss *(Continued)*

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated income statement. The net fair value gain or loss recognised in the consolidated income statement does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and commodity derivative contracts, to hedge its foreign currency risk and commodity price risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the consolidated income statement.

Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

None of Group's derivative financial instruments is qualified as hedge accounting.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Properties under development

Properties under development are stated at cost which includes all development expenditures, including land costs, interest charges and other costs directly attributable to such properties.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle.

Properties under development are valued at the lower of cost and net realisable value at the end of reporting period and any excess of cost over net realisable value of individual item of properties under development is accounted for as a provision. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

Completed properties for sale

Completed properties for sale are recognised in the consolidated statement of financial position at the lower of cost and the net realisable value. Net realisable value is estimated by the Directors based on the prevailing market conditions. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Any excess of cost over net realisable value of individual item of completed properties for sale is accounted for as a provision.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and from an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statement.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liabilities arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and jointly-controlled entities, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and jointly-controlled entities, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated income statement over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) *Sale of completed properties*

Revenue from the sale of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

(c) *Service fees*

Property agency fees, property sales planning and advertising fees, construction supervisory fees and property management fees are recognised when the relevant services have been rendered and it is probable that economic benefits will flow to the Group and the relevant fees can be measured reliably.

(d) *Rental income*

Revenue is recognised on a time proportion basis over the lease terms.

(e) *Interest income*

Revenue is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(d) *Dividend income*

Revenue is recognised when the shareholder's right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

One of the Group's subsidiaries operates a share option scheme to its employees. Employees receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes option pricing model further details of which are given in note 48 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits

The Group did not provide post employment benefits, other than (i) defined contribution pension schemes and (ii) other employee benefits to qualified former employees ("Qualified SOE Employees") and qualified retirees ("Qualified Retirees") of former state-owned enterprises, as set out below.

(i) Defined contribution pension schemes

The full-time employees of the Group, other than Qualified SOE Employees and Qualified Retirees of former state-owned enterprises ("Former SOEs") as set out below, are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred.

(ii) Other employee benefits to Qualified SOE Employees and Qualified Retirees

The Group took over Qualified SOE Employees and Qualified Retirees from the Former SOEs upon the Group's acquisition of the Former SOEs. A liability in respect of the retirement benefits of Qualified SOE Employees and Qualified Retirees was taken over by the Group from the former parent company of the Former SOEs upon taking up Qualified SOE Employees and Qualified Retirees. All the following retirement benefits are covered by the abovementioned liability taken over and the details of the retirement benefits are as follows:

Qualified SOE Employees

The Qualified SOE Employees consist of two different categories of employees:

(a) Qualified SOE Employees being made redundant by the Former SOEs before their statutory retirement age prior to the Group's acquisition of the Former SOEs.

The Former SOEs paid basic salary and social benefit funds on a monthly basis to these Qualified SOE Employees until they reach statutory retirement age as stipulated by the State Regulations. The Group is required to continue paying such monthly payments to these redundant Qualified SOE Employees until they reach statutory retirement age as stipulated by the State Regulations; and

(b) Qualified SOE Employees not being made redundant by the Former SOEs before their statutory retirement age prior to the Group's acquisition of the Former SOEs and entering into new employment contracts with the Group upon acquisition of the Former SOEs by the Group.

The Former SOEs implemented early retirement plans for these Qualified SOE employees. The benefits of the early retirement plans of the Qualified SOE Employees were calculated based on factors including the number of years of qualified service with the Former SOEs, salary amount and other agreed terms for Qualified SOE Employees upon the Group's acquisition of the Former SOEs. The Group is required to pay these Qualified SOE Employees a redundancy payment if they opt for early retirement or are made redundant by the Group before their statutory retirement age as stipulated by State Regulations. These Qualified SOE Employees are not entitled to early retirement benefits upon reaching statutory retirement age.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits *(Continued)*

(ii) Other employee benefits to Qualified SOE Employees and Qualified Retirees *(Continued)*

Qualified Retirees

The Former SOEs also provided post retirement benefits to their employees who were not covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. Upon being acquired by the Group, the Former SOEs had certain Qualified Retirees to whom the Former SOEs had an obligation to pay a fixed amount on a monthly basis until their death, where the Group is required to continue paying such monthly payments to these Qualified Retirees. The post retirement benefits of Qualified Retirees were calculated based on the monthly pension multiplied by an estimated life expectancy of Qualified Retirees.

The Group recognises the liability taken over as a non-current liability at initial recognition, and subsequent payments of the retirement benefits to Qualified SOE Employees and Qualified Retirees are debited against the non-current liability. Payments are made by the Group to Qualified SOE Employees and Qualified Retirees, but the use of the fund is monitored and supervised jointly by the former parent company of the Former SOEs and the union. Except for the payment of the retirement benefits of the Qualified SOE Employees and the Qualified Retirees, the fund cannot be used for any other purpose including the transfer to the Group's income statement or reserve without the joint approval from the former parent company of Former SOEs, the union and the Municipal Labour & Social Security Bureau.

Accommodation benefits

According to the relevant PRC rules and regulations, the PRC companies now comprising the Group and their employees are each required to make contributions which are in proportion to the salaries and wages of the employees to an accommodation fund administered by the government agencies in the PRC. There is no further obligation on the part of the Group except for such contributions to the accommodation fund. Contributions to an accommodation fund administrated by government agency are charged to the consolidated income statement as and when they incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all employees of the companies in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the costs of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

The functional currency of the Company and its subsidiaries incorporated outside Mainland China is Hong Kong dollars ("HKD"). The functional currency of the PRC subsidiaries is RMB. The financial statements are presented in RMB, which is the Group's presentation currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the consolidated income statement.

Non-monetary terms that are measured in items of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of the Company and its subsidiaries incorporated outside Mainland China is currency other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates ruling at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

(ii) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgment. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

If an item of any property under development becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in consolidated income statement under HKAS 40.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(iii) Deferred tax liabilities

Deferred tax liabilities are recognised for withholding corporate income taxes relating to the unremitted earnings of the Group's subsidiaries established in Mainland China that are subject to withholding taxes. Significant management judgement is required to determine the amount of deferred tax liabilities, based upon the likely distribution level of such earnings from these subsidiaries in the foreseeable future. The carrying value of deferred tax liabilities arising from the withholding tax associated with the investments in subsidiaries in Mainland China for the year ended 31 December 2011 was RMB33,577,000 (31 December 2010: RMB60,891,000). Further details are contained in note 29 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2011 was RMB1,659,425,000 (31 December 2010: RMB376,875,000). Further details are given in note 20 to the financial statements.

(ii) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. For the year ended 31 December 2011, impairment losses in the amount of RMB148,522,000 (2010: RMB87,798,000) have been recognised as set out in note 8 to the financial statements.

(iii) Impairment of available-for-sale financial investments

The Group classifies certain investments as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the consolidated income statement. For the year ended 31 December 2011, no impairment losses (2010: RMB723,000) have been recognised for available-for-sale financial assets. As at 31 December, the carrying amount of available-for-sale assets was RMB8,437,265,000 (2010: RMB7,327,045,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(iv) Estimation of fair value of investment properties

As described in note 15 to the financial statements, investment properties were revalued on 31 December 2011 on an open market value existing use basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of reporting period.

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31 December 2011 was RMB3,026,000,000 (31 December 2010: RMB2,551,167,000).

(v) Provision for bad debts of loans and receivables

The Group reviews the recoverability and aging of loans and advances and provides impairment losses if the balances are not fully recoverable. The assessments involve estimation of the recoverability of these balances. Any change in the key sources of estimations would affect the carrying amount of the loans and advances, and provision expenses in the period in which such estimate has been changed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(vi) Estimation of rehabilitation cost provision

Provisions for the Group's obligations for land rehabilitation are based on estimates of required expenditure at the mines in accordance with PRC rules and regulations. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation.

Estimates used in the provision of rehabilitation cost are subjective in nature and involve uncertainties and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

(vii) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(viii) Useful lives of intangible assets (other than goodwill)

The Group determines the estimated useful lives for its intangible assets. This estimate is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the amortisation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(ix) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2011 was RMB534,933,000 (31 December 2010: RMB184,320,000). The amount of unrecognised tax losses at 31 December 2011 was RMB2,138,306,000 (31 December 2010: RMB858,768,000). Further details are contained in note 29 to the financial statements.

(x) Net realisable value of inventories, property under development and completed properties for sale

Net realisable value of inventories, property under development and completed properties for sale is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of each reporting period.

(xi) Contingent consideration for acquisition of subsidiaries

The Group estimated the fair value of contingent consideration for acquisition of subsidiaries under the income approach which involves the expected cash flows, to be discounted to the acquisition date at an appropriately chosen discount rate. Significant management judgment is required to determine the expected cash flows and discount rate. Management reassesses these estimates at the end of each reporting periods.

4. PARTICULARS OF PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES

Particulars of the principal subsidiaries comprising the Group, associates and jointly-controlled entities of the Group at 31 December 2011 are set out below:

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Subsidiaries						
上海復星高科技(集團)有限公司 (Shanghai Fosun High Technology (Group) Co., Ltd.)	Mainland China 21 November 1994	880,000	100.0%	–	100.0%	Investment holding
上海復星工業技術發展有限公司 (Shanghai Fosun Industrial Technology Development Co., Ltd.)	Mainland China 4 August 2003	1,200,000	–	100.0%	100.0%	Investment holding
上海復星產業投資有限公司 (Shanghai Fosun Industrial Investment Co., Ltd.)	Mainland China 22 November 2001	600,000	–	100.0%	100.0%	Investment holding
Steel segment						
南京鋼鐵聯合有限公司 (Nanjing Iron & Steel United Co., Ltd.)	Mainland China 24 March 2003	900,000	–	60.0%	60.0%	Manufacture and sale of iron and steel products
南京南鋼產業發展有限公司 (Nanjing Iron & Steel Industry Development Co., Ltd.)	Mainland China 27 September 2009	1,850,000	–	83.8%	50.3%	Manufacture and sale of iron and steel products
南京南鋼鋼鐵聯合有限公司 (Nanjing Nangang Iron & Steel United Co., Ltd.)	Mainland China 20 May 2009	3,000,000	–	60.0%	60.0%	Manufacture and sale of iron and steel products
南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.)	Mainland China 18 March 1999	3,875,752	–	83.8%	50.3%	Manufacture and sale of iron and steel products
南京鋼鐵有限公司 (Nanjing Iron & Steel Limited)	Mainland China 28 June 2001	1,279,637	–	100.0%	50.3%	Manufacture and sale of iron and steel products

4. PARTICULARS OF PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES *(Continued)*

Particulars of the principal subsidiaries comprising the Group, associates and jointly-controlled entities of the Group at 31 December 2011 are set out below: *(Continued)*

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Steel segment (Continued)						
南京金騰鋼鐵有限公司 (Nanjing Jinteng Iron & Steel Co., Ltd.)	Mainland China 22 February 1993	67,484	–	100.0%	50.3%	Manufacture and sale of iron and steel products
香港金騰國際有限公司 (Hong Kong Jinteng International Company Limited)	HK 20 June 2005	HKD20,000,000	–	100.0%	50.3%	International trading
南京鋼鐵集團國際經濟貿易有限公司 (Nanjing Iron & Steel Group International Trading Co., Ltd.)	Mainland China 15 April 1998	100,000	–	100.0%	50.3%	International trading
Pharmaceuticals and healthcare segment						
上海復星醫藥(集團)股份有限公司* (Shanghai Fosun Pharmaceutical (Group) Co., Ltd.)	Mainland China 13 July 1998	1,904,392	–	48.1%	48.1%	Manufacture and sale of pharmaceutical products
上海復星醫藥產業發展有限公司 (Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.)	Mainland China 11 January 2001	653,308	–	100.0%	48.1%	Investment holding
上海復星醫藥投資有限公司 (Shanghai Fosun Pharmacy Investment Co., Ltd.)	Mainland China 1 September 2000	689,600	–	100.0%	48.1%	Investment holding
上海復星化工醫藥創業投資有限公司 (Shanghai Fosun Chemical Pharmacy Investment Co., Ltd.)	Mainland China 23 November 2003	125,000	–	96.0%	46.2%	Investment holding

4. PARTICULARS OF PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES *(Continued)*

Particulars of the principal subsidiaries comprising the Group, associates and jointly-controlled entities of the Group at 31 December 2011 are set out below: *(Continued)*

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Property segment						
復地(集團)股份有限公司 (Shanghai Forte Land Co., Ltd.)	Mainland China 13 August 1998	505,861	41.3%	57.7%	99.0%	Property development
上海復地投資管理有限公司 (Shanghai Forte Investment Co., Ltd.)	Mainland China 21 July 2006	80,000	–	100%	99.0%	Investment holding
上海柏斯置業有限公司 (Shanghai Perth Property Co., Ltd.)	Mainland China 14 November 2002	50,000	–	100%	99.0%	Property development
北京西單佳慧房地產開發有限公司 (Beijing Xidan Jiahui Property Development Co., Ltd.)	Mainland China 27 August 2002	41,379	–	100%	99.0%	Property development
浙江復地置業發展有限公司 (Zhejiang Forte Property Development Co., Ltd.)	Mainland China 20 November 2006	440,000	–	75%	74.3%	Property development
上海鼎奮房地產開發經營有限公司 (Shanghai Dingfen Real Estate Development Co., Ltd.)	Mainland China 4 December 2002	60,000	–	100%	99.0%	Property development
Mining segment						
海南礦業股份有限公司 (Hainan Mining Co., Ltd.)	Mainland China 1 September 2007	1,680,000	–	60.0%	60.0%	Mining and ore processing
安徽金安礦業有限責任公司 (Anhui Jin'an Mining Co., Ltd.)	Mainland China 24 July 2006	100,000	–	100.0%	50.3%	Mining and ore processing
Asset Management segment						
上海星浩投資有限公司 (Shanghai Star Equity Investment Co., Ltd.)	Mainland China 24 May 2011	30,000	–	80%	80.0%	Property investment and management

4. PARTICULARS OF PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES *(Continued)*

Particulars of the principal subsidiaries comprising the Group, associates and jointly-controlled entities of the Group at 31 December 2011 are set out below: *(Continued)*

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Asset Management segment (Continued)						
上海星浩股權投資中心(有限合伙) (Shanghai Star Equity Investment Limited Partnership)	Mainland China 21 December 2011	2,610,570	–	38.6%	38.4%	Property investment
上海智盈股權投資管理有限公司 (Shanghai Zhiying Equity Investment Management Co., Ltd.)	Mainland China 31 August 2009	55,800	–	90%	89.1%	Property investment and management
Associates						
國藥產業投資有限公司 (Sinopharm Industrial Investment Co., Ltd.)	Mainland China 6 May 2008	100,000	–	49.0%	23.6%	Sale of pharmaceutical products
上海豫園旅游商城股份有限公司@ (Shanghai Yuyuan Tourist Mart Co., Ltd.)	Mainland China 13 May 1992	798,512	–	17.3%	17.3%	Retail
天津建龍鋼鐵實業有限公司 (Tianjin Jianlong Iron & Steel Industrial Co., Ltd.)	Mainland China 14 September 2010	1,000,000	–	26.7%	26.7%	Manufacture and sale of iron and steel products
上海海之門房地產投資管理有限公司 (Shanghai Haizhimen Property Investment and Management Co., Ltd.)	Mainland China 26 April 2010	1,000,000	–	50.0%	50.0%	Property investment and management
上海証大房地產有限公司@ (Shanghai Zendai Property Limited)	Bermuda 28 July 2004	HKD208,188,000	–	19.5%	19.3%	Property investment and management
北京華夏建龍礦業科技有限公司@ (Beijing Huaxia Jianlong Mining Technology Co., Ltd.)	Mainland China 19 September 2003	108,750	–	18.4%	18.4%	Mining and refining of steel ores

4. PARTICULARS OF PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES *(Continued)*

Particulars of the principal subsidiaries comprising the Group, associates and jointly-controlled entities of the Group at 31 December 2011 are set out below: *(Continued)*

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Associates (Continued)						
Tongjitang Chinese Medicines Company	Cayman Islands 16 May 2006	USD100	–	32.1%	15.4%	Development, manufacture and sale of Chinese medicine
Jointly-controlled entities						
無錫復地房地產開發有限公司 (Wuxi Forte Real Estate Development Co., Ltd.)	Mainland China 28 September 2004	195,000	–	50.0%	49.5%	Property development
陝西省建秦房地產開發有限公司 (Shaanxi Jianqin Real Estate Development Co., Ltd.)	Mainland China 22 September 1992	130,000	–	50.0%	49.5%	Property development
成都鴻會置業有限公司 (Chengdu Honghui Property Co., Ltd.)	Mainland China 20 April 2010	600,000	–	51%	50.5%	Property development

The English names of the above subsidiaries, associates and jointly-controlled entities are directly translated from their Chinese names.

The above table lists the subsidiaries, associates and jointly-controlled entities of the Group which, in the opinion of the Directors of the Company, principally affected the results of the Group for the year ended 31 December 2011 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries, associates and jointly-controlled entities would, in the opinion of the Directors of the Company, result in particulars of excessive length.

Notes:

* Shanghai Fosun Pharmaceutical (Group) Co., Ltd ("Fosun Pharma") continues to be accounted for as a subsidiary by virtue of the Group's control over the board of directors as well as the operating and financial policies of this company, despite the fact that the Group's equity interest in this company was 48.1% for the year ended 31 December 2011.

@ The Group's investments in these associates are accounted for under the equity method of accounting because the Group has significant influence over these entities by way of representation on the board of directors and participation in the policy-making process, despite the fact that the Group's direct or indirect equity interest in these associates were lower than 20% for the year ended 31 December 2011.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has seven reportable operating segments as follows:

(i) the pharmaceuticals and healthcare segment engages in the research and development, manufacturing, sale and trading of pharmaceutical and healthcare products;

(ii) the property segment engages in the development and sale of properties in the PRC;

(iii) the steel segment engages in the manufacturing, sale and trading of iron and steel products;

(iv) the mining segment engages in the mining and ore processing of various metals;

(v) the asset management segment engages in the asset management business through the platform such as corporation funds, partnership funds and trusts;

(vi) the insurance segment engages in the operation and investment in insurance business; and

(vii) the retail, services, finance and other investments segment comprises, principally, the management of investments in retail, service, finance and other business.

Management monitors the results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. For the year ended 31 December 2011, as the management changes the structure of its internal organisation to match the business development strategy in a manner that causes the composition of its reportable segment to change, the "others" segment was further separated by the management into insurance segment, asset management segment and retail, services, finance and other investment segment.

Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss after tax. The adjusted profit or loss after tax is measured consistently with the Group's profit or loss after tax except that head office and corporate expenses are excluded from such measurement.

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

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2011

	Pharmaceuticals and healthcare RMB'000	Property RMB'000	Steel RMB'000	Mining RMB'000	Asset management RMB'000	Insurance RMB'000	Retail, services, finance and other investments RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:									
Sales to external customers	6,432,589	9,734,461	38,224,060	2,368,949	56,156	–	–	–	56,816,215
Inter-segment sales	–	8,241	–	1,529,797	–	–	–	(1,538,038)	–
Other income and gains	1,088,599	448,824	349,251	69,725	7,000	–	1,370,798	(47,676)	3,286,521
Total	7,521,188	10,191,526	38,573,311	3,968,471	63,156	–	1,370,798	(1,585,714)	60,102,736
Segment results	1,220,299	3,073,884	367,337	2,135,752	(82,777)	–	345,087	125,322	7,184,904
Interest and dividend income	97,258	30,770	309,889	30,184	39,995	–	342,613	(25,447)	825,262
Unallocated expenses									(316,227)
Finance costs	(313,978)	(333,031)	(1,041,840)	(35,765)	(15)	–	(682,566)	25,447	(2,381,748)
Share of profits and losses of									
– Jointly-controlled entities	(189)	(2,159)	34,424	–	–	–	–	–	32,076
– Associates	723,846	275,643	159,749	116,760	–	–	262,829	–	1,538,827
Profit/(loss) before tax	1,727,236	3,045,107	(170,441)	2,246,931	(42,797)	–	267,963	125,322	6,883,094
Tax	(341,819)	(1,212,344)	211,024	(459,981)	1,709	–	(14,513)	(2,446)	(1,818,370)
Profit/(loss) for the year	1,385,417	1,832,763	40,583	1,786,950	(41,088)	–	253,450	122,876	5,064,724
Segment and total assets	22,103,136	49,442,806	35,742,397	10,691,725	12,296,508	608,067	24,245,846	(17,592,867)	137,537,618
Segment and total liabilities	10,919,991	37,371,923	27,879,947	1,609,489	9,101,897	–	19,922,289	(17,754,072)	89,051,464
Other segment information:									
Depreciation and amortisation	205,333	33,825	1,720,973	277,927	1,493	–	9,205	–	2,248,756
Impairment loss for non-current assets	148,522	–	–	–	–	–	–	–	148,522
(Reversal of)/provision for impairment of current assets	(12,740)	132,413	217,831	46,240	–	–	–	–	383,744
Research and development costs	189,427	–	110,834	812	–	–	–	–	301,073
Fair value gains on fair value adjustments of investment properties	–	(97,524)	–	–	–	–	–	–	(97,524)
Fair value losses/(gains) on equity investments at fair value through profit or loss	51,550	(789)	(32,387)	–	–	–	741,509	–	759,883
Investments in jointly-controlled entities	1,954	1,310,851	93,637	–	3,295	–	–	–	1,409,737
Investments in associates	7,391,344	5,285,745	1,705,587	1,312,145	–	–	1,580,790	–	17,275,611
Capital expenditure*	920,530	30,684	1,412,097	621,419	8,328	–	13,576	–	3,006,634

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2010

	Pharmaceuticals and healthcare RMB'000	Property RMB'000	Steel RMB'000	Mining RMB'000	Asset management RMB'000	Insurance RMB'000	Retail, services, finance and other investments RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:									
Sales to external customers	4,459,332	8,846,689	29,652,180	1,685,501	–	–	–	–	44,643,702
Inter-segment sales	–	–	–	1,494,670	–	–	–	(1,494,670)	–
Other income and gains	572,641	1,318,171	307,938	92,402	–	–	1,859,574	(173,825)	3,976,901
Total	5,031,973	10,164,860	29,960,118	3,272,573	–	–	1,859,574	(1,668,495)	48,620,603
Segment results	540,382	3,829,347	1,326,120	1,767,374	(23,095)	–	1,703,904	1,864	9,145,896
Interest and dividend income	35,205	51,149	150,799	36,788	147	–	126,255	(72,370)	327,973
Unallocated expenses									(174,758)
Finance costs	(162,684)	(310,872)	(775,457)	(32,839)	–	–	(290,248)	–	(1,572,100)
Share of profits and losses of									
– Jointly-controlled entities	1,406	(25,775)	1,213	–	–	–	–	–	(23,156)
– Associates	553,358	94,519	94,131	75,575	–	–	131,854	–	949,437
Profit/(loss) before tax	967,667	3,638,368	796,806	1,846,898	(22,948)	–	1,671,765	(70,506)	8,653,292
Tax	(201,607)	(1,723,969)	(115,135)	(350,237)	–	–	(134,847)	19,205	(2,506,590)
Profit/(loss) for the year	766,060	1,914,399	681,671	1,496,661	(22,948)	–	1,536,918	(51,301)	6,146,702
Segment and total assets	16,664,358	38,227,264	37,269,303	8,501,445	646,040	608,067	18,862,224	(2,403,895)	118,374,806
Segment and total liabilities	7,426,886	24,703,688	26,953,370	1,733,971	2,579	–	14,738,917	(2,183,691)	73,375,720
Other segment information:									
Depreciation and amortisation	154,423	26,369	1,437,022	230,555	–	–	8,147	–	1,856,516
Impairment loss for non-current assets	81,298	71,483	–	723	–	–	–	–	153,504
Provision for impairment of current assets	19,244	–	10,009	23,122	–	–	–	–	52,375
Research and development costs	119,861	–	79,026	314	–	–	–	–	199,201
Fair value gains on fair value adjustments of investment properties	–	(264,578)	–	–	–	–	–	–	(264,578)
Fair value gains on equity investments at fair value through profit or loss	(46,213)	–	–	–	–	–	(866,707)	–	(912,920)
Investments in jointly-controlled entities	2,143	1,009,073	59,213	–	–	–	–	–	1,070,429
Investments in associates	6,057,859	5,115,405	1,688,692	1,174,191	–	–	1,202,502	–	15,238,649
Capital expenditure*	430,946	124,706	3,873,577	322,674	2,806	–	37,237	–	4,791,946

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, exploration and evaluation assets, mining rights and intangible assets.

5. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) *Revenue from external customers*

	2011 RMB'000	2010 RMB'000
Mainland China	56,100,117	44,015,731
Other countries	716,098	627,971
	56,816,215	44,643,702

The revenue information above is based on the location of the customers.

(b) *Non-current assets*

	2011 RMB'000	2010 RMB'000
Mainland China	54,961,975	49,186,718
Hong Kong	1,017,037	1,114,465
	55,979,012	50,301,183

The non-current assets information above is based on the location of assets and excludes financial instruments and deferred tax assets.

Information about a major customer

No revenue amounting to 10% or more of the Group's revenue was derived from sales to a single customer for the years ended 31 December 2011 and 2010.

6. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods or properties sold after allowances for returns, trade discounts and various types of government surcharges, where applicable. In addition, it includes gross rental income received and receivable from investment properties during the year.

An analysis of revenue, other income and gains is as follows:

	2011 RMB'000	2010 RMB'000
Revenue		
Sale of goods:		
Pharmaceutical and healthcare products	**6,404,858**	4,455,640
Properties	**9,805,303**	8,912,367
Iron and steel products	**38,291,473**	29,712,287
Iron concentrates	**2,524,921**	1,809,771
	57,026,555	44,890,065
Rendering of services:		
Property agency	**235,452**	234,826
Property management	**54,790**	53,162
Rental	**234,765**	153,762
Asset management fee	**60,511**	–
Others	**77,538**	45,088
	663,056	486,838
Subtotal	**57,689,611**	45,376,903
Less: Government surcharges	**(873,396)**	(733,201)
	56,816,215	44,643,702

6. REVENUE, OTHER INCOME AND GAINS *(Continued)*

	2011 RMB'000	2010 RMB'000
Other income		
Interest income	**380,574**	244,513
Dividends from available-for-sale investments	**284,434**	77,509
Dividends from equity investments at fair value through profit or loss	**160,254**	5,951
Gross rental income	**52,890**	46,755
Sale of scrap materials	**17,037**	16,545
Government grants	**132,978**	111,414
Consultancy and other service income	**71,465**	117,444
Exchange gains, net	**163,480**	116,529
Others	**107,626**	83,435
	1,370,738	820,095
Gains		
Gain on disposal of subsidiaries (note 47(b))	**59,304**	964,164
Gain on bargain purchase (note 47(a))	**33,337**	–
Gain on disposal of jointly-controlled entities	**169,416**	–
Gain on disposal of partial interests in associates	**34,696**	194,681
Gain on deemed disposal of interests in associates	**910,864**	97,849
Gain on disposal of items of property, plant and equipment	**13,710**	6,628
Gain on disposal of available-for-sale investments	**843,588**	95,890
Gain on disposal of equity investments at fair value through profit or loss	**578,606**	917,594
Gain on fair value adjustment of investment properties (note 15)	**97,524**	264,578
Gain on fair value adjustment of equity investments at fair value through profit or loss	**–**	912,920
Gain on settlement of derivative financial instruments	**–**	30,475
	2,741,045	3,484,779
Other income and gains	**4,111,783**	4,304,874
Total revenue, other income and gains	**60,927,998**	48,948,576

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2011 RMB'000	2010 RMB'000
Interest on bank and other borrowings wholly repayable within five years	**2,775,396**	1,821,138
Interest on bank and other borrowings not wholly repayable within five years	**50,805**	67,739
Incremental interest on other long term payables (note 44)	**24,926**	22,891
	2,851,127	1,911,768
Less: Interest capitalised, in respect of bank and other borrowings (notes 14 and 26)	**(577,350)**	(445,859)
Interest expenses, net	**2,273,777**	1,465,909
Interest on discounted bills	**42,089**	37,890
Interest on finance leases	**12,818**	894
Bank charges and other financial costs	**53,064**	67,407
Total finance costs	**2,381,748**	1,572,100

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2011 RMB'000	2010 RMB'000
Cost of sales	**46,249,903**	35,277,157
Staff costs (including Directors' emoluments as set out in note 9):		
Wages and salaries	**2,287,193**	1,864,740
Accommodation benefits:		
Defined contribution fund	**120,102**	111,505
Retirement costs:		
Defined contribution fund	**371,758**	342,937
Equity-settled share-based payment(note 48)	**7,712**	–
Total staff costs	**2,786,765**	2,319,182

8. PROFIT BEFORE TAX *(Continued)*

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

	2011 RMB'000	2010 RMB'000
Research and development costs	301,073	199,201
Auditors' remuneration	13,750	14,500
Depreciation of items of property, plant and equipment (note 14)	2,088,457	1,734,183
Amortisation of prepaid land lease payments (note 16)	33,400	27,324
Amortisation of mining rights (note 18)	100,468	89,743
Amortisation of intangible assets (note 19)	26,431	5,266
Provision for impairment of receivables	45,019	12,655
Provision for inventories	222,016	39,720
Provision for impairment of completed property for sale	116,709	–
Provision for impairment of items of property, plant and equipment (note 14)	473	6,500
Provision for impairment of available-for-sale investments	–	723
Provision for impairment of goodwill	–	64,983
Provision for impairment of non-current assets held for sale (note 36)	148,049	81,298
Operating lease rentals	92,903	63,590
Loss on disposal of items of property, plant and equipment	18,655	38,856
Loss of fair value change on equity investment at fair value through profit or loss	759,883	–
Loss of fair value change on derivative financial instruments (note 42)	9,228	84,566
Loss on the settlement of derivative financial instruments	52,555	–
Provision for indemnity of LAT	51	32,638

9. DIRECTORS' EMOLUMENTS

Directors' remuneration for the year, disclosed pursuant to Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2011 RMB'000	2010 RMB'000
Fees	8,462	3,416
Salaries, allowances and benefits in kind	24,269	16,236
Pension scheme contributions	280	266
	33,011	19,918

9. DIRECTORS' EMOLUMENTS *(Continued)*

There were no emoluments paid by the Group to the Directors, as bonus, as an inducement to join the Group, or upon joining the Group, or as compensation for loss of office during the year.

(a) Independent non-executive Directors

The fees paid to independent non-executive Directors during the year were as follows:

	2011 RMB'000	2010 RMB'000
Andrew Y. Yan	331	348
Chen Kaixian	400	400
Zhang Shengman	331	348
	1,062	1,096

There were no other emoluments payable to the independent non-executive Directors during the year (2010: Nil).

(b) Executive Directors and a non-executive Director

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2011				
Executive Directors:				
Guo Guangchang	1,000	3,947	40	4,987
Liang Xinjun	1,000	3,907	40	4,947
Wang Qunbin	1,000	3,907	40	4,947
Fan Wei	1,000	3,907	40	4,947
Ding Guoqi	1,000	2,887	40	3,927
Qin Xuetang	1,000	2,847	40	3,887
Wu Ping	1,000	2,867	40	3,907
	7,000	24,269	280	31,549
Non-executive Director:				
Liu Benren	400	–	–	400
	7,400	24,269	280	31,949

9. DIRECTORS' EMOLUMENTS *(Continued)*

(b) Executive Directors and a non-executive Director *(Continued)*

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2010				
Executive Directors:				
Guo Guangchang	300	2,508	38	2,846
Liang Xinjun	300	2,508	38	2,846
Wang Qunbin	300	2,508	38	2,846
Fan Wei	300	2,508	38	2,846
Ding Guoqi	240	2,068	38	2,346
Qin Xuetang	240	2,068	38	2,346
Wu Ping	240	2,068	38	2,346
	1,920	16,236	266	18,422
Non-executive Director:				
Liu Benren	400	–	–	400
	2,320	16,236	266	18,822

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

(c) Five highest paid employees

The five highest paid employees of the Group include five Directors for the years ended 31 December 2011 and 2010. Information relating to their emoluments is disclosed above.

10. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The provision for Mainland China current income tax is based on a statutory rate of 25% (2010: 25%) of the assessable profit of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, which are taxed at preferential rates of 12.5% to 24%.

The major components of tax expenses for the years ended 31 December 2011 and 2010 are as follows:

	2011 **RMB'000**	2010 RMB'000
Group:		
Current – Hong Kong	**21,594**	47,808
Current – Mainland China		
– Income tax in Mainland China for the year	**1,762,162**	1,570,876
– LAT in Mainland China for the year	**587,825**	708,366
Deferred tax (note 29)	**(553,211)**	179,540
Tax expenses for the year	**1,818,370**	2,506,590

10. TAX *(Continued)*

A reconciliation between the tax expenses and the product of profit or loss before tax excluding share of profits and losses of associates and jointly-controlled entities multiplied by the applicable statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled is as follows:

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
2011 Group			
Profit/(loss) before tax excluding share of profits and losses of associates and jointly-controlled entities	(190,576)	5,502,767	5,312,191
Tax at applicable tax rate	(31,445)	1,375,692	1,344,247
Lower tax rate for specific entities	–	(126,649)	(126,649)
Tax effect of:			
Income not subject to tax	(17,714)	(163,287)	(181,001)
Expenses not deductible for tax	74,400	137,772	212,172
Tax losses not recognised	7,250	338,933	346,183
Tax losses utilised	(8,417)	(31,050)	(39,467)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries (note 29)	–	33,577	33,577
Over provision in prior years	(534)	(51,018)	(51,552)
Tax incentives on eligible expenditures	–	(13,048)	(13,048)
Subtotal	23,540	1,500,922	1,524,462
Additional LAT provision for the year	–	245,480	245,480
Prepaid LAT for the year	–	320,807	320,807
Deferred tax effect of additional LAT provision (note 29)	–	(61,370)	(61,370)
Tax effect of prepaid LAT	–	(80,202)	(80,202)
Tax effect of LAT indemnity (note 29)	–	(109,270)	(109,270)
Deferred LAT (note 29)	–	(21,537)	(21,537)
Tax expenses	23,540	1,794,830	1,818,370

10. TAX *(Continued)*

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
2010 Group			
Profit before tax excluding share of profits and losses of associates and jointly-controlled entities	1,982,909	5,744,102	7,727,011
Tax at applicable tax rate	327,180	1,436,025	1,763,205
Lower tax rate for specific entities	–	(180,606)	(180,606)
Tax effect of:			
Income not subject to tax	(274,413)	(11,849)	(286,262)
Expenses not deductible for tax	2,543	162,661	165,204
Tax losses not recognised	–	232,588	232,588
Tax losses utilised	(6,234)	(55,051)	(61,285)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries (note 29)	–	60,891	60,891
(Over)/under provision in prior years	(1,268)	35,567	34,299
Tax incentives on eligible expenditures	–	(4,136)	(4,136)
Subtotal	47,808	1,676,090	1,723,898
Additional LAT provision for the year	–	443,540	443,540
Prepaid LAT for the year	–	264,826	264,826
Deferred tax effect of additional LAT provision (note 29)	–	(110,885)	(110,885)
Tax effect of prepaid LAT	–	(66,207)	(66,207)
Tax effect of LAT indemnity (note 29)	–	36,954	36,954
Deferred LAT (note 29)	–	214,464	214,464
Tax expenses	47,808	2,458,782	2,506,590

10. TAX *(Continued)*

According to the tax notices issued by the relevant local tax authorities, the Group commenced to pay LAT at rates ranging from 0.5% to 5% on proceeds from the sale and pre-sale of properties from 2004. Prior to 2007, except for this amount paid to the local tax authorities, no further provision for LAT had been made. The Directors considered that the relevant tax authorities would be unlikely to impose additional LAT levies other than the amount already paid based on the relevant percentages of the proceeds from the sale and pre-sale of the Group's properties.

For the year ended 31 December 2011, based on the latest understanding of the LAT regulations from the tax authorities, the Group made an additional LAT provision in the amount of RMB245,480,000 (2010: RMB443,540,000) in respect of the properties sold in 2011 in accordance with the requirements set forth in the relevant PRC tax laws and regulations.

In 2004, Shanghai Fosun High Technology (Group) Co., Ltd. ("Fosun Group") and Shanghai Forte Land Co., Ltd. ("Forte") entered into a deed of tax indemnity ("LAT indemnity arrangement") whereby Fosun Group has undertaken to indemnify Forte in respect of the LAT payable attributable to Forte and its subsidiaries ("Forte Group") in excess of the prepaid LAT based on 0.5% to 3% of sales proceeds, after netting off potential income tax savings, in consequence of the disposal of the properties owned by Forte Group as at 30 November 2003. On 1 July 2011, the LAT indemnity arrangement was terminated by Fosun Group and Forte whereby no LAT indemnity will be provided by Fosun Group to Forte from the date of termination and the indemnity provided before 1 July 2011 amounting to RMB441,952,000 was also cancelled. As a result, the deferred tax liability amounting to RMB109,270,000 recognised for the LAT indemnity provided as set out in note 29 to the financial statements was reversed to the consolidated income statements.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2011 includes a loss of RMB458,139,000 (2010: profit of RMB1,664,813,000) which has been dealt with in the financial statements of the Company (note 46).

12. DIVIDENDS

	2011 RMB'000	2010 RMB'000
Proposed final – HKD0.157 (2010: HKD0.17) per ordinary share	**817,340**	928,936

The proposed final dividend of HKD0.17 per ordinary share for the year ended 31 December 2010 was declared payable and approved by the shareholders at the annual general meeting of the Company on 23 June 2011.

On 27 March 2012, the board of directors of the Company resolved to propose a final dividend for the year ended 31 December 2011 of HKD0.157 per ordinary share, subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

13. EARNINGS PER SHARE

Earnings per share attributable to owners of the parent are as follows:

	Year ended 31 December	
	2011	2010
Profit attributable to owners of the parent (RMB thousands)	**3,403,605**	4,227,092
Weighted average number of ordinary shares in issue (thousands)	**6,421,595**	6,421,595
Earnings per share basic and diluted (RMB)	**0.53**	0.66

The calculation of basic earnings per share amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of shares of 6,421,595,000 (2010: 6,421,595,000) in issue during the year.

Diluted earnings per share amount is equal to basic earnings per share amount for the years ended 31 December 2011 and 2010, as there were no diluting events existed during these years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:								
At 1 January 2010	8,536,638	12,964,847	308,985	323,596	2,065	425,912	2,494,884	25,056,927
Additions	63,808	412,152	18,605	43,627	4,224	59	4,088,160	4,630,635
Transferred from construction in progress	1,649,962	2,729,218	19,841	354	–	–	(4,399,375)	–
Acquisition of subsidiaries	181,115	35,770	21,643	3,726	969	–	10,499	253,722
Disposal of subsidiaries	(2,280)	(3,326)	–	(5,231)	–	–	–	(10,837)
Disposals	(120,756)	(438,941)	(16,313)	(7,794)	–	(34)	(486)	(584,324)
At 31 December 2010 and 1 January 2011	10,308,487	15,699,720	352,761	358,278	7,258	425,937	2,193,682	29,346,123
Additions	49,764	207,418	55,380	55,063	8,513	154,562	2,302,245	2,832,945
Transferred from construction in progress	8,457	407,455	114,635	21,501	–	–	(552,048)	–
Acquisition of subsidiaries (note 47(a))	106,574	71,965	13,854	8,717	–	–	158,872	359,982
Disposal of subsidiaries (note 47(b))	(37,548)	(10,845)	(514)	(1,968)	–	–	(60)	(50,935)
Disposals	(78,537)	(205,480)	(15,905)	(14,009)	(5,246)	–	(16,310)	(335,487)
Included in assets of a disposal group classified as held for sale (note 36(ii))	(24,441)	(23,751)	(2,400)	(1,042)	–	–	(1,882)	(53,516)
Reclassification	(122,789)	122,789	–	–	–	–	–	–
At 31 December 2011	10,209,967	16,269,271	517,811	426,540	10,525	580,499	4,084,499	32,099,112
Accumulated depreciation:								
At 1 January 2010	1,651,104	5,085,881	154,794	140,395	801	121,149	–	7,154,124
Charge for the year	462,244	1,171,163	52,957	34,154	267	13,398	–	1,734,183
Disposal of subsidiaries	(2,280)	(3,132)	–	(3,280)	–	–	–	(8,692)
Disposals	(29,372)	(181,820)	(12,194)	(5,462)	–	(16)	–	(228,864)
At 31 December 2010 and 1 January 2011	2,081,696	6,072,092	195,557	165,807	1,068	134,531	–	8,650,751
Charge for the year	517,085	1,428,250	66,125	44,220	1,920	30,857	–	2,088,457
Disposal of subsidiaries (note 47(b))	(11,909)	(8,113)	(427)	(1,507)	–	–	–	(21,956)
Disposals	(38,535)	(176,325)	(10,834)	(12,659)	–	–	–	(238,353)
Included in assets of a disposal group classified as held for sale (note 36(ii))	(8,020)	(13,176)	(1,865)	(120)	–	–	–	(23,181)
At 31 December 2011	2,540,317	7,302,728	248,556	195,741	2,988	165,388	–	10,455,718

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Impairment loss:								
At 1 January 2010	61,008	74,012	138	335	–	–	75	135,568
Charge for the year	–	–	–	–	–	–	6,500	6,500
Disposals	(18)	(19)	–	–	–	–	–	(37)
At 31 December 2010 and 1 January 2011	60,990	73,993	138	335	–	–	6,575	142,031
Charge for the year	–	422	–	51	–	–	–	473
Disposals	–	(811)	(2)	–	–	–	(6,500)	(7,313)
Included in assets of a disposal group classified as held for sale (note 36(ii))	(4,389)	(581)	(68)	(6)	–	–	–	(5,044)
At 31 December 2011	56,601	73,023	68	380	–	–	75	130,147
Net book value:								
At 31 December 2011	7,613,049	8,893,520	269,187	230,419	7,537	415,111	4,084,424	21,513,247
At 31 December 2010	8,165,801	9,553,635	157,066	192,136	6,190	291,406	2,187,107	20,553,341

(1) The net book values of property, plant and equipment pledged as security for interest-bearing bank loans granted to the Group are as follows (note 37):

	2011 RMB'000	2010 RMB'000
Buildings	**744,219**	888,973
Plant and machinery	**1,785,795**	844,578
	2,530,014	1,733,551

(2) Capitalised interest expenses included in construction in progress of the Group are as follows (note 7):

	2011 RMB'000	2010 RMB'000
Interest expenses capitalised	**26,782**	20,407

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

(3) As at 31 December 2011, the Group was in the process of applying for property certificates for plant and office buildings with a net book value of approximately RMB2,746,000 (2010: RMB5,689,000).

(4) The net carrying amount of the Group's property, plant equipment held under finance leases included in the total amounts of plant and machinery at 31 December 2011 amounted to RMB175,163,000 (2010: RMB217,172,000).

15. INVESTMENT PROPERTIES

	2011 **RMB'000**	2010 RMB'000
Carrying amount at 1 January	**2,551,167**	2,057,400
Acquisition of a subsidiary	**–**	2,400,000
Additional development cost	**377,309**	239,189
Transfer to properties under development	**–**	(2,410,000)
Gain from fair value adjustments (note 6)	**97,524**	264,578
Carrying amount at 31 December	**3,026,000**	2,551,167

The Group's investment properties are situated in Beijing and Hangzhou, the PRC.

The Group's investment properties were revalued on 31 December 2011 by DTZ International Property Advisers (Shanghai) Co., Ltd., an independent professionally qualified valuer at RMB3,026,000,000 on an open market basis. The investment properties are leased to third parties under operating lease arrangements, with leases negotiated for terms ranging from one to ten years.

At 31 December 2011, the Group's investment properties with a net carrying amount of approximately RMB3,026,000,000 (2010: RMB2,551,167,000) were pledged to secure bank loans, as set out in note 37 to the financial statements.

16. PREPAID LAND LEASE PAYMENTS

	2011 RMB'000	2010 RMB'000
Cost:		
At 1 January	**1,387,075**	1,244,340
Additions	**83,757**	41,868
Acquisition of subsidiaries (note 47(a))	**148,382**	100,867
Disposal of subsidiaries (note 47(b))	**(5,317)**	–
Disposals	**(3,616)**	–
Included in assets of a disposal group classified as held for sale (note 36(ii))	**(2,668)**	–
Other changes	**(60,535)**	–
At 31 December	**1,547,078**	1,387,075
Accumulated amortisation:		
At 1 January	**109,009**	81,685
Amortisation for the year	**33,400**	27,324
Disposal of subsidiaries (note 47(b))	**(725)**	–
Disposals	**(527)**	–
Included in assets of a disposal group classified as held for sale (note 36(ii))	**(16)**	–
At 31 December	**141,141**	109,009
Net book value:		
At 31 December	**1,405,937**	1,278,066
At 1 January	**1,278,066**	1,162,655
Net book value pledged as security for bank loans (note 37)	**407,954**	171,886

The leasehold land is held under long term leases and is situated in Mainland China.

As at 31 December 2011, the Group was in the process of applying for the land use certificates for leasehold land with a net book value of approximately RMB176,672,000 (2010: RMB205,888,000).

17. EXPLORATION AND EVALUATION ASSETS

	2011 RMB'000	2010 RMB'000
Cost:		
At 1 January	**437,762**	420,689
Additions	**23,960**	17,073
Included in assets of a disposal group classified as held for sale (note 36(ii))	**(5,000)**	–
At 31 December	**456,722**	437,762

18. MINING RIGHTS

	2011 RMB'000	2010 RMB'000
Cost:		
At 1 January	**1,277,371**	1,203,534
Additions	**4,349**	73,837
Included in assets of a disposal group classified as held for sale (note 36(ii))	**(280,568)**	–
At 31 December	**1,001,152**	1,277,371
Accumulated amortisation:		
At 1 January	**293,129**	203,386
Amortisation for the year	**100,468**	89,743
Included in assets of a disposal group classified as held for sale (note 36(ii))	**(596)**	–
At 31 December	**393,001**	293,129
Impairment loss:		
At 1 January	**266,562**	266,562
Included in assets of a disposal group classified as held for sale (note 36(ii))	**(80,000)**	–
At 31 December	**186,562**	266,562
Net book value:		
At 31 December	**421,589**	717,680
At 1 January	**717,680**	733,586
Net book value pledged as security for bank loans (note 37)	**–**	131,061

19. INTANGIBLE ASSETS

	Medicine licenses RMB'000	Trademark RMB'000	Business Network RMB'000	Patent and technical know-how RMB'000	Others RMB'000	Total RMB'000
Cost:						
At 1 January 2010	–	–	–	622	42,199	42,821
Additions	–	–	–	17,974	10,559	28,533
Acquisition of subsidiaries	64,000	106,672	–	226	16,124	187,022
Disposals	–	–	–	–	(3,832)	(3,832)
At 31 December 2010 and 1 January 2011	64,000	106,672	–	18,822	65,050	254,544
Additions	–	1,363	–	29,779	30,481	61,623
Acquisition of subsidiaries (note 47(a))	201,000	8,000	206,000	567,058	–	982,058
Disposals of subsidiaries (note 47(b))	–	–	–	–	(5,829)	(5,829)
Disposals	–	–	–	–	(11,710)	(11,710)
At 31 December 2011	265,000	116,035	206,000	615,659	77,992	1,280,686
Accumulated amortisation:						
At 1 January 2010	–	–	–	–	7,241	7,241
Provided during the year	–	–	–	1,930	3,336	5,266
Disposals	–	–	–	–	(35)	(35)
At 31 December 2010 and 1 January 2011	–	–	–	1,930	10,542	12,472
Provided during the year	–	2,293	4,578	17,914	1,646	26,431
Disposal of subsidiaries (note 47(b))	–	–	–	–	(1,749)	(1,749)
Disposals	–	–	–	–	(6,434)	(6,434)
At 31 December 2011	–	2,293	4,578	19,844	4,005	30,720
Impairment loss:						
At 1 January 2010, at 31 December 2010 and at 31 December 2011	–	–	–	622	472	1,094
Net book value:						
At 31 December 2011	265,000	113,742	201,422	595,193	73,515	1,248,872
At 31 December 2010	64,000	106,672	–	16,270	54,036	240,978

20. GOODWILL

	2011 RMB'000	2010 RMB'000
Cost:		
At 1 January	**619,683**	304,754
Acquisition of subsidiaries (note 47(a))	**1,282,550**	314,929
At 31 December	**1,902,233**	619,683
Accumulated impairment:		
At 1 January	**242,808**	177,825
Charge for the year	**–**	64,983
At 31 December	**242,808**	242,808
Net book value:		
At 31 December	**1,659,425**	376,875

Impairment testing of goodwill

Goodwill acquired through business combinations has been primarily allocated to the cash-generating units ("CGUs") within the following reportable segments for impairment testing:

- Manufacture and sale of pharmaceuticals and healthcare products;
- Property; and
- Retail, services, finance and other investments

The carrying amounts of goodwill are as follows:

	Manufacture and sale of pharmaceuticals and healthcare products RMB'000	Property RMB'000	Retail, services, finance and other investments RMB'000	Total RMB'000
Carrying amount of goodwill				
2011	**1,585,136**	**70,526**	**3,763**	**1,659,425**
2010	302,586	70,526	3,763	376,875

The recoverable amount of each CGU is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The discount rates applied to the cash flow projections range from 11% to 15% (2010: 12% to 15%). Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The growth rates do not exceed the projected long term average growth rates for the pharmaceutical and property development industries in Mainland China.

20. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Key assumptions were used in the value-in-use calculation of the CGUs for 31 December 2011 and 2010. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – Management determined budgeted gross margin based on past performance and its expectations for the development of the market.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the respective industries.

Raw materials price inflation – The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year.

21. INVESTMENTS IN SUBSIDIARIES

	Notes	**2011** RMB'000	2010 RMB'000
Unlisted shares, at cost	*(1)*	**3,478,315**	1,093,000
Shares listed in Hong Kong, at cost	*(2)*	**–**	651,290
Loan to a subsidiary	*(3)*	**162,140**	170,186
		3,640,455	1,914,476
Market value of listed shares		**–**	692,827

(1) Investment in unlisted shares of a subsidiary represents the investment in Forte and the cost of acquisition of the entire interest in Fosun Group, which is the immediate holding company of the other subsidiaries now comprising the Group.

(2) According to the announcement dated 20 January 2011, the Company made a voluntary conditional offer to acquire all of the issued H shares of Forte (other than those already held by the Company and parties acting in concert with it) (the "H share offer"); and subject to the H share offer becoming unconditional in all respects, the Company made a voluntary conditional offer to acquire all of the issued domestic shares of Forte (other than those already held by the Company and parties acting in concert with it). The H share offer is made on HKD3.50 in cash for each H share. The equivalent in RMB of HK$3.50 per H share is made for each domestic share in cash.

On 19 May 2011, being the latest time for acceptance of the H Share Offer to be lodged, valid acceptances under the H Share Offer had been received in respect of 709,228,772 H Shares, representing approximately 67.19% in nominal value of the H Shares of Forte. Together with the H Shares already owned by the Company, this results in the Company holding approximately 98.05% in nominal value of the H Shares of Forte. Listing of the H Shares of Forte has been withdrawn from the Hong Kong Stock Exchange with effect from on 13 May 2011 in accordance with the Rule 6.12 of Rules Governing the Listing of Securities on Hong Kong Stock Exchange.

As at 31 December 2011, the individual share holders, who held 25,284,636 H shares of Forte has not accepted the above offer made by Forte to acquire the issued H shares. representing approximately 1% of the total issued capital of Forte.

(3) The amounts advanced to a subsidiary included in the investments in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's Directors, these advances are considered as quasi-equity loans to the subsidiary. The carrying amounts of the balances due from a subsidiary approximate to their fair values.

Particulars of the Group's principal subsidiaries are set out in note 4 to the financial statements.

22. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	2011 RMB'000	2010 RMB'000
Share of net assets	1,053,737	434,219
Loans to jointly-controlled entities	356,000	636,210
	1,409,737	1,070,429

Loans to jointly-controlled entities of RMB356,000,000 are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, these loans are considered as quasi-equity investments in jointly-controlled entities.

The Group's amounts due from jointly-controlled entities and amounts due to jointly-controlled entities are disclosed in note 35 to the financial statements.

Particulars of the Group's principal jointly-controlled entities are set out in note 4 to the financial statements.

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2011 RMB'000	2010 RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	3,987,963	2,403,519
Non-current assets	515,549	1,010,443
Current liabilities	(2,908,267)	(2,498,375)
Non-current liabilities	(541,508)	(481,368)
Net assets	1,053,737	434,219
Share of the jointly-controlled entities' results:		
Revenue	538,195	112,195
Other income	5,969	2,782
	544,164	114,977
Total expenses	(496,925)	(138,823)
Tax	(15,163)	690
Profit/(loss) after tax	32,076	(23,156)

23. INVESTMENTS IN ASSOCIATES

Group

	2011 **RMB'000**	2010 RMB'000
Share of net assets	**13,833,987**	11,834,691
Goodwill on acquisitions	**407,459**	369,793
	14,241,446	12,204,484
Loan to an associate	**3,035,050**	3,035,050
Provision for impairment	**(885)**	(885)
	17,275,611	15,238,649

Particulars of the Group's principal associates of the Group are set out in note 4 to the financial statements.

The Group's amounts due from associates and amounts due to associates are disclosed in note 35 to the financial statements.

Company

	2011 **RMB'000**	2010 RMB'000
Unlisted shares, at cost	**82,421**	82,421

The Company's interest in an associate represents a 26.67% (2010: 26.67%) interest in Janeboat Holdings Ltd., a company incorporated in the British Virgin Islands.

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	2011 **RMB'000**	2010 RMB'000
Assets	**166,456,681**	114,027,298
Liabilities	**(109,447,790)**	(74,977,499)
Revenues	**147,949,739**	115,435,472
Profit	**4,087,839**	2,984,074

23. INVESTMENTS IN ASSOCIATES *(Continued)*

(i) On 21 April 2011, Tongjitang Chinese Medicines Company ("Tongjitang"), an invested company of the Group, completed its privatisation process and was delisted from New York Stock Exchange. After the completion of privatisation, the Group indirectly still held 32.1% of the issued share capital of Tongjitang through Fosun Pharma. From 9 May 2011, the Group commenced to account for Tongjitang as an associate under the equity method because the Group started to exercise significant influence over Tongjitang by way of presentation on the board of directors and participation in the policy-making process.

The changes in fair value of RMB58,283,000 in respect of the previously held equity interests in Tongjitang were reversed against other comprehensive income during the year.

(ii) On 4 May 2011, Sinopharm Group Co. Ltd. ("Sinopharm"), a subsidiary of an associate of the Group, completed its placement of 138,056,825 H shares. After the completion of the placing, the Group's indirect equity interest in Sinopharm through Fosun Pharma was diluted from 34.00% to 32.05%. The gains on deemed disposal of Sinopharm amounting to RMB672,688,000 were credited to other gains during the year as set out in note 6 to the financial statements.

24. HELD-TO-MATURITY INVESTMENTS

	2011	2010
	RMB'000	RMB'000
Debt investments	**–**	14,312

25. AVAILABLE-FOR-SALE INVESTMENTS

	2011	2010
	RMB'000	RMB'000
Listed equity investments, at fair value		
Hong Kong	**98,914**	300,478
United States	**218,400**	670,656
Mainland China	**2,767,589**	2,077,166
	3,084,903	3,048,300
Unlisted equity investments, at cost	**5,352,362**	4,278,745
	8,437,265	7,327,045

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB569,121,000 (2010: RMB2,474,233,000), of which RMB835,022,000 (2010: RMB7,505,000) was recycled from other comprehensive income to the consolidated income statement for the year on the date of disposal.

The unlisted equity investments are stated at cost less any accumulated impairment losses because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

26. PROPERTIES UNDER DEVELOPMENT

	2011 **RMB'000**	2010 RMB'000
Land costs	**23,009,062**	12,482,724
Construction costs	**5,456,516**	3,838,183
Capitalised financial costs	**848,326**	466,730
	29,313,904	16,787,637
Portion classified as current assets	**(22,428,345)**	(9,856,198)
	6,885,559	6,931,439

The properties pledged to banks to secure bank loans and other borrowings are as follows:

	2011 **RMB'000**	2010 RMB'000
Net book value pledged (note 37)	**6,693,504**	5,778,577
Additions to properties under development include:		
Interest expense capitalised in respect of bank and other borrowings (note 7)	**550,568**	425,452

The Group's properties under development are all situated in Mainland China.

27. LOANS RECEIVABLES

	Notes	**2011** **RMB'000**	2010 RMB'000
Loans receivables		**2,366,682**	1,713,432
Portion classified as current	*(1)*	**(132,250)**	(220,000)
Long term portion	*(2)*	**2,234,432**	1,493,432

(1) As at 31 December 2011, the current portion of loans receivables represented entrusted bank loans with total amount of RMB132,250,000 provided to a third party. These loans are unsecured, bears interest at a fixed interest rate of 10.0% per annum and are repayable in 2012.

(2) As at 31 December 2011, the non-current portion of loans receivables comprised of:

- an entrusted bank loan of RMB500,000,000 provided to a jointly-controlled entity, which is unsecured, bears interest at a fixed interest rate of 13.0% per annum and is repayable on 20 May 2013;
- a shareholders' loan of RMB1,674,432,000 provided to Shanghai Haizhimen Property Investment and Management Co., Ltd. ("Haizhimen"), which is unsecured, bears interest at a fixed interest rate of 13.80% per annum and has no fixed terms of repayment; and
- an entrusted bank loan of RMB60,000,000 provided to a third party. This loan is unsecured, interest-free and is repayable on 30 April 2013.

28. PREPAYMENTS

	Note	2011 RMB'000	2010 RMB'000
Prepayments for the proposed acquisition of equity interests in			
– Shanghai Dijie Real Estate Limited ("Dijie")	*(i)*	**616,313**	616,313
– Chengdu Meijili Business Service Co., Ltd.		**–**	65,000
– Neimenggu New Land Construction Group Co., Ltd.		**–**	45,000
– Ningbo Baolai Property Co., Ltd. and Ningbo Xucheng Property Co., Ltd.		**60,000**	–
Other receivables			
Chongqing Yukaifa Co., Ltd.		**–**	30,435
		676,313	756,748

(i) On 20 December 2007, Shanghai Forte Investment Co., Ltd. ("Forte Investment") entered into a cooperative agreement with Shanghai Vanke Real Estate Co., Ltd. ("Shanghai Vanke") in respect of the joint development of a property development project in Shanghai, at a total consideration of RMB2,430,690,000, pursuant to which (i) Shanghai Vanke and Forte Investment will jointly acquire 60% and 40% equity investments in Dijie, respectively, and (ii) Forte Investment will contribute 40% of the total consideration in proportion to its shareholding in Dijie in the amount of RMB972,276,000.

As at 31 December 2011, the Group had advanced RMB616,313,000 (31 December 2010: RMB616,313,000) to Shanghai Vanke. The remaining capital commitment not paid as at 31 December 2011 amounting to RMB587,959,000 (31 December 2010: RMB355,963,000) is set out in note 50 to the financial statements.

29. DEFERRED TAX

Movements in deferred tax assets and liabilities are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Accruals and provisions RMB'000	Post-employment benefits RMB'000	Repairs and maintenance RMB'000	Additional LAT provisions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2010	244,156	142,142	3,387	10,042	303,552	97,787	801,066
Disposal of a subsidiary	–	–	–	–	(6,431)	(650)	(7,081)
Acquisition of subsidiaries	1,326	–	–	–	–	–	1,326
Deferred tax credited/ (charged) during the year	(61,162)	51,095	(81)	(8,002)	110,885	117,763	210,498
Gross deferred tax assets at 31 December 2010 and 1 January 2011	184,320	193,237	3,306	2,040	408,006	214,900	1,005,809
Acquisition of subsidiaries (note 47(a))	–	2,541	–	–	–	578	3,119
Deferred tax credited/ (charged) during the year	350,613	91,117	(2,533)	1,482	61,370	10,154	512,203
Gross deferred tax assets at 31 December 2011	534,933	286,895	773	3,522	469,376	225,632	1,521,131

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Fair value adjustments arising from available-for-sale investments RMB'000	Revaluation of investment properties RMB'000	LAT indemnity RMB'000	Deemed disposal of associates RMB'000	Deferred LAT RMB'000	Withholding taxes RMB'000	Others RMB'000	Total RMB'000
At 1 January 2010	204,536	162,894	21,299	72,316	651,402	–	101,261	28,265	1,241,973
Deferred tax charged/(credited) to the consolidated income statement during the year	(15,225)	–	66,145	36,954	18,096	214,464	60,891	8,713	390,038
Deferred tax charged to reserve during the year	–	554,046	–	–	–	–	–	–	554,046
Acquisition of subsidiaries	290,588	–	–	–	–	–	–	–	290,588
Gross deferred tax liabilities at 31 December 2010 and 1 January 2011	479,899	716,940	87,444	109,270	669,498	214,464	162,152	36,978	2,476,645
Deferred tax charged/(credited) to the consolidated income statement during the year	4,127	(272,718)	24,381	(109,270)	227,086	(21,537)	33,577	73,346	(41,008)
Deferred tax charged to reserve during the year	–	241,808	–	–	–	–	–	–	241,808
Disposal of subsidiaries (note 47(b))	(1,020)	–	–	–	–	–	–	–	(1,020)
Acquisition of subsidiaries (note 47(a))	266,312	–	–	–	–	–	–	–	266,312
Gross deferred tax liabilities at 31 December 2011	749,318	686,030	111,825	–	896,584	192,927	195,729	110,324	2,942,737

29. DEFERRED TAX *(Continued)*

Deferred tax liabilities *(Continued)*

Deferred tax assets have not been recognised in respect of the following items as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the following items can be utilised:

Group

	2011 RMB'000	2010 RMB'000
Tax losses	2,138,306	858,768
Deductible temporary differences	275,322	148,699
	2,413,628	1,007,467

Company

	2011 RMB'000	2010 RMB'000
Tax losses	43,938	–

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding corporate income tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding corporate income tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable withholding rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries, jointly-controlled entities and associates established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequent attaching to the payment of dividends by the company to its shareholders.

30. CASH AND BANK BALANCES

Group

	Notes	2011 RMB'000	2010 RMB'000
Cash on hand		44,521	11,420
Cash at banks, unrestricted		13,863,862	16,815,172
Cash and cash equivalents		13,908,383	16,826,592
Pledged bank balances	(1)	841,103	2,291,849
Time deposits with original maturity of more than three months	(2)	1,645,610	2,216,536
Restricted presale proceeds of properties	(3)	382,657	–
		16,777,753	21,334,977

Notes:

It mainly comprises as follows:

		2011 RMB'000	2010 RMB'000
(1)	Pledged bank balances to secure notes payable	538,105	1,721,805
	Pledged bank balances to secure bank loans (note 37)	160,691	179,091
	Bank balances as various deposits	124,115	284,927
(2)	Time deposits with original maturity of more than three months pledged to secure bank loans (note 37)	1,411,452	1,968,873

(3) In accordance with relevant documents issued by the PRC State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of presale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and the payments of construction fee of the relevant property projects when approval from PRC State-Owned Land and Resource Bureau is obtained.

In the preparation of the consolidated statement of cash flows, pledged bank balances, time deposits with original maturity of more than three months and restricted presale proceeds of properties have been excluded from cash and cash equivalents.

30. CASH AND BANK BALANCES *(Continued)*

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Company

	2011 **RMB'000**	2010 RMB'000
Cash at banks, unrestricted	**2,223,886**	1,786,810

31. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	2011 **RMB'000**	2010 RMB'000
Listed equity investments, at market value		
Hong Kong	**3,286,557**	1,141,171
United States	**3,256,871**	4,534,183
Mainland China	**103,070**	351,024
Europe	**760,229**	452,270
	7,406,727	6,478,648

Company

	2011 **RMB'000**	2010 RMB'000
Listed equity investments, at market value		
Hong Kong	**1,275,537**	1,138,757
United States	**3,018,330**	4,344,704
Europe	**391,874**	–
	4,685,741	5,483,461

The above equity investments at 31 December 2011 and 2010 were classified as held for trading and were upon initial recognition, designated by the Group as financial assets as at fair value through profit or loss.

32. TRADE AND NOTES RECEIVABLES

	2011 RMB'000	2010 RMB'000
Trade receivables	**1,959,313**	1,394,348
Notes receivable	**4,546,799**	4,102,187
	6,506,112	5,496,535

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

	2011 RMB'000	2010 RMB'000
Outstanding balances with ages:		
Within 90 days	**1,721,241**	1,064,682
91 to 180 days	**94,314**	150,930
181 to 365 days	**163,317**	141,513
1 to 2 years	**17,718**	40,640
2 to 3 years	**4,885**	5,796
Over 3 years	**32,173**	50,613
	2,033,648	1,454,174
Less: Provision for impairment of trade receivables	**(74,335)**	(59,826)
	1,959,313	1,394,348

The movements in the provision for impairment of trade receivables are as follows:

	2011 RMB'000	2010 RMB'000
At 1 January	**59,826**	66,480
Amount written off as uncollectible	**(31,002)**	(16,892)
Provision for impairment losses	**30,311**	6,069
Acquisition of subsidiaries	**15,200**	4,169
At 31 December	**74,335**	59,826

32. TRADE AND NOTES RECEIVABLES *(Continued)*

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2011 RMB'000	2010 RMB'000
Neither past due nor impaired	**824,018**	326,656
Within 90 days past due	**323,403**	335,922
91 to 180 days past due	**32,458**	17,930
Over 180 days past due	**10,928**	18,025
	1,190,807	698,533

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

At 31 December 2011, the Group's trade and notes receivables with a carrying amount of approximately RMB509,613,000 (2010: RMB253,285,000) were pledged to secure bank loans, as set out in note 37 to the financial statements.

At 31 December 2011, the discounted or endorsed but undue notes of approximately RMB8,309,989,000 (2010: RMB6,465,515,000) were derecognised. Subsequent to the end of the reporting period and up to the date of the approval of financial statements, an amount of RMB5,131,969,000 of the aforementioned discounted or endorsed notes fell due.

Credit terms granted to the Group's customers are as follows:

	Credit terms
Steel segment	0 to 90 days
Mining segment	0 to 90 days
Pharmaceuticals and healthcare segment	90 to 180 days
Property segment	30 to 360 days

33. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2011 RMB'000	2010 RMB'000
Group		
Prepayments consist of:		
Prepayments for purchase of raw materials of steel	758,687	759,629
Prepayments for purchase of pharmaceutical materials	212,951	144,483
Prepayments for purchase of construction materials	82,876	184,755
Prepayments for purchase of equipment and others	397,601	575,627
Deposits	577,247	669,190
Other receivables consist of:		
Funding provided to third parties	288,949	113,373
Tax recoverable	258,614	600,170
Others	1,277,039	943,309
	3,853,964	3,990,536
Company		
Interest receivables	112	115
Deposits	5,608	721
	5,720	836

34. INVENTORIES

	2011 RMB'000	2010 RMB'000
Raw materials	3,738,902	3,348,127
Work in progress	966,520	1,239,388
Finished goods	2,007,616	1,605,858
Spare parts and consumables	723,855	815,036
	7,436,893	7,008,409
Less: Provision for inventories	(317,345)	(106,800)
	7,119,548	6,901,609

	2011 RMB'000	2010 RMB'000
Net book value of inventories pledged as security for bank loans (note 37)	733,876	600,000

35. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES

	Notes	2011 RMB'000	2010 RMB'000
Group			
Due from related companies:			
Associates	(i)	860,611	571,250
Jointly-controlled entities	(ii)	962,460	1,208,042
Non-controlling shareholders of subsidiaries	(iii)	481,730	160,793
		2,304,801	1,940,085
Portion classified as current		1,856,159	1,526,292
	(i)	448,642	413,793
Company			
Due from subsidiaries	(iv)	11,244,793	10,887,527

Notes:

(i) As at 31 December 2011, the balances due from associates include the amount of RMB498,850,000 (31 December 2010: RMB459,700,000), which is interest-free, unsecured and is estimated to be repayable in 2013. Subsequent to its initial recognition, the amount due from associates is measured using the effective interest method. As at 31 December 2011, the amortised cost of the amount due from associates was RMB448,642,000 (31 December 2010: RMB413,793,000). The remaining balances due from associates are trade in nature, interest-free and repayable on demand.

(ii) As at 31 December 2011, the balances due from jointly-controlled entities include the amount of RMB961,269,000 (2010: RMB1,206,892,000), which is unsecured, interest-free and repayable on demand. The remaining balances due from jointly-controlled entities are trade in nature, interest-free and repayable on demand.

(iii) As at 31 December 2011, the balances due from non-controlling shareholders include the amount of RMB340,861,000 which is unsecured, interest-free and repayable on demand. The remaining balances due from non-controlling shareholders of subsidiaries are trade in nature, interest-free and repayable on demand.

(iv) As at 31 December 2011, the balances due from subsidiaries are unsecured, interest-free and repayable on demand.

35. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES *(Continued)*

	Notes	2011 RMB'000	2010 RMB'000
Group			
Due to the holding company	(v)	**1,431,144**	1,092,250
Due to related companies:			
Associates	(vi)	**323,077**	436,747
Non-controlling shareholders of subsidiaries	(vii)	**1,848,367**	275,001
Jointly-controlled entities	(viii)	**567,113**	242,637
		2,738,557	954,385
Portion classified as current		**1,914,420**	954,385
	(vii)	**824,137**	–
Company			
Due to the holding company	(v)	**1,431,144**	1,092,250

Notes:

(v) The balances due to the holding company are unsecured, interest-free and repayable on demand.

(vi) As at 31 December 2011, the balances due to associates include the amount of RMB275,791,000 (2010: RMB407,444,000), which is unsecured, interest-free and repayable on demand. The remaining balances due to associates are trade in nature, interest-free and repayable on demand.

(vii) As at 31 December 2011, the balance due to non-controlling shareholders of subsidiaries comprised of:

- an amount of RMB701,206,000 represented the payables for acquisition of Jinzhou Aohong Pharmaceutical Co., Ltd. ("Jinzhou Aohong") of which RMB388,570,000 is estimated to be repayable in the year of 2012 and RMB345,850,000 is contingent consideration which is estimated to be repayable during the year of 2013 to 2015. As at 31 December 2011, the fair value of the contingent consideration is RMB312,636,000. The amount is unsecured and interest free;
- an amount of RMB255,000,000 represented the payables for the acquisition of Dalian Aleph Biomedical Co., Ltd. ("Dalian Aleph") which is estimated to be repayable during the year of 2012. As at 31 December 2011, the fair value of the contingent consideration is RMB255,000,000. The amount is unsecured and interest free;
- an entrusted bank loan provided by Zhejiang Jiawen Industrial Investment Co., Ltd. of RMB357,841,000, which is unsecured, interest-bearing and is repayable in 2013;
- an entrusted bank loan provided by Jincheng Real Estate Group Co., Ltd. of RMB173,164,000, which is unsecured, interest-free and is estimated to be repayable in 2013. Subsequent to its initial recognition, the amount due to non-controlling shareholder of a subsidiary is measured using the effective interest method. As at 31 December 2011, the amortised cost of the amount due to a non-controlling shareholder of subsidiary was RMB153,660,000; and
- include an amount of RMB39,690,000 which is unsecured, interest-free and repayable on demand.

The remaining balances due to non-controlling shareholders of subsidiaries are trade in nature, interest-free and repayable on demand.

(viii) The balances due to jointly-controlled entities are unsecured, interest-free and repayable on demand.

The nature of the transactions with shareholders and related companies is disclosed in note 52 to the financial statements.

36. NON-CURRENT ASSET/ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	Notes	2011 RMB'000	2010 RMB'000
Carrying amount of investment in an associate before classification as held for sale	(i)	148,049	229,347
Carrying amount of the assets of a disposal group	(ii)	253,132	–
Less: Provision for impairment	(i)	(148,049)	(81,298)
Carrying amount after impairment		253,132	148,049
Liabilities directly associated with the assets classified as held for sale	(ii)	57,048	–

(i) As at 31 December 2010, the non-current asset held for sale represents the Group's investment in an associate, Huixin Biological Paper Co., Ltd. ("Huixin Paper").

On 28 February 2011, the Group through its subsidiaries, Shanghai Fosun Pingyao Investment Management Co., Ltd. and Shanghai Qiguang Investment Management Co., Ltd., entered into a disposal agreement with the original shareholder of Huixin Paper, which is an external third party, for the disposal of the Group's entire equity interest of 30% in Huixin Paper. The additional equity interest of 38.25% in Huixin Paper held by the original shareholder of Huixin Paper is pledged to the Group to secure the recoverability of the disposal consideration. The consideration will be received by instalments from 2012 till 2014.

For the year ended 31 December 2011, an impairment loss amounting to RMB148,049,000 (2010: RMB81,298,000) was provided for non-current asset classified as held for sale.

(ii) On 21 March 2012, the Group through its wholly-owned subsidiaries, Shanghai Fosun Industrial Investment Co., Ltd. entered into an equity transfer agreement with Jiangsu Diyuan Qiuqiuye Mining Engineering Co., Ltd. for the disposal of entire shareholding of 70% in Tuoli Hongshan Mining Co., Ltd. ("Hongshan Mining") for a consideration amounted to RMB256,200,000, of which RMB35,000,000 was for repayment of the loan provided by Fosun Industrial Investment Co., Ltd. to Hongshan Mining. Hongshan Mining is principally engaged in the exploitation and sales of iron ore.

As the disposal transaction is expected to be completed within the next 12 months from 31 December 2011, the carrying amounts of the assets and liabilities of Hongshan Mining were classified as held for sale in the consolidated statement of financial position as at 31 December 2011.

The major classes of assets and liabilities of Hongshan Mining classified as held for sale as at 31 December 2011 are as follows:

	Notes	2011 RMB'000
Assets		
Property, plant and equipment	14	25,291
Prepaid land lease payment	16	2,652
Mining rights	18	199,972
Exploration and evaluation assets	17	5,000
Cash and bank balances		127
Trade and notes receivables		1,680
Prepayments, deposits and other receivables		1,963
Inventories		16,447
Assets of a disposal group classified as held for sale		253,132
Liabilities		
Trade and notes payables		82
Accrued liabilities and other payables		56,966
Liabilities directly associated with the assets classified as held for sale		57,048

37. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	Notes	2011 RMB'000	2010 RMB'000
Bank loans:	(1)		
Guaranteed		35,000	1,313,000
Secured		11,505,854	12,124,726
Unsecured		26,358,931	21,963,487
		37,899,785	35,401,213
Corporate bonds and enterprise bonds	(2)	9,417,071	5,451,920
Senior notes	(3)	1,863,716	–
Medium-term notes	(4)	2,568,056	986,104
Other borrowings, secured	(5)	681,936	429,900
Other borrowings, unsecured	(5)	1,459,074	1,552,706
Total		53,889,638	43,821,843
Repayable:			
Within one year		23,532,459	22,026,769
In the second year		6,558,772	4,586,023
In the third to fifth years, inclusive		18,038,884	12,073,206
Over five years		5,759,523	5,135,845
		53,889,638	43,821,843
Portion classified as current liabilities		(23,532,459)	(22,026,769)
Long term portion		30,357,179	21,795,074

Notes:

(1) Certain of the Group's bank loans are secured by:

(a) the pledge of certain of the Group's buildings amounting to RMB744,219,000 (2010: RMB888,973,000), plant and machinery amounting to RMB1,785,795,000 (2010: RMB844,578,000), investment properties situated in Mainland China amounting to RMB3,026,000,000 (2010: RMB2,551,167,000), prepaid land lease payments amounting to RMB407,954,000 (2010: RMB171,886,000), properties under development amounting to RMB6,693,504,000 (2010: RMB5,778,577,000), completed properties for sale amounting to RMB281,087,000 (2010: RMB315,519,000), bank balances amounting to RMB160,691,000 (2010: RMB179,091,000), time deposits with original maturity of more than three months amounting to RMB1,411,452,000 (2010: RMB1,968,873,000), trade and notes receivables amounting to RMB509,613,000 (2010: RMB253,285,000), inventories amounting to RMB733,876,000 (2010: RMB600,000,000) and an investment in an associate amounting to RMB303,832,000 (2010: RMB865,487,000), and investment in subsidiaries.

(b) None of the Group's mining rights (2010: RMB131,061,000) was pledged to secure bank loans.

In addition, the Group's related parties have guaranteed certain of the Group's bank loans up to RMB35,000,000 (2010: RMB1,313,000,000).

The bank loans bear interest at rates ranging from 1.00% to 8.28% (2010: 0.22% to 7.31%) per annum.

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

Group *(Continued)*

Notes: *(Continued)*

(2) Corporate bonds and enterprise bonds

On 27 February 2009, Nanjing Iron & Steel United Co., Ltd. issued long-term enterprise bonds with a par value of RMB2,500,000,000 and an effective interest rate of 6.29% per annum. One half of the principal of the enterprise bonds will be repaid on 27 February 2015 and the remainder on 27 February 2016. The interest will be paid annually in arrears.

On 25 September 2009, Forte issued five-year domestic corporate bonds with a par value of RMB1,900,000,000 and an effective interest rate of 7.73% per annum. The interest will be paid annually in arrears and the maturity date is 22 September 2014.

On 24 December 2010, Fosun Group issued seven-year domestic corporate bonds with a par value of RMB1,100,000,000 and an effective interest rate of 6.17% per annum. The interest will be paid annually in arrears and the maturity date is 23 December 2017.

On 10 May 2011, Nanjing Iron & Steel United Co., Ltd. issued long-term enterprise bonds with a par value of RMB4,000,000,000 and an effective interest rate of 5.8% per annum. The principal of the enterprise bonds will be repaid on 10 May 2018. The interest will be paid annually in arrears.

(3) Senior notes

On 12 May 2011, the Company issued five-year senior notes with a par value of USD300,000,000 and an effective interest rate of 7.9% per annum. The interest will be paid semi-annually in arrears.

(4) Medium-term notes

On 8 November 2010, Fosun Pharma issued five-year medium-term notes with a par value of RMB1,000,000,000 and an effective interest rate of 5.0% per annum. The interest will be paid annually in arrears and the maturity date is 10 November 2015. On 31 March 2011, Fosun Pharma issued five-year medium-term notes with a par value of RMB1,600,000,000 and an effective interest rate of 6.26% per annum. The interest will be paid annually in arrears and the maturity date is 31 March 2016.

(5) The other borrowings represent borrowings from third parties, which bear interest at rates ranging from 2.55% to 12.18% (2010: 2.55% to 12.18%) per annum.

Company

	2011	2010
	RMB'000	RMB'000
Bank loans:		
Unsecured	**4,996,745**	3,174,250
Senior notes	**1,863,716**	–
Total	**6,860,461**	3,174,250
Repayable:		
Within one year	**441,063**	562,930
In the second year	**598,586**	463,589
In the third to fifth years, inclusive	**5,820,812**	2,147,731
	6,860,461	3,174,250
Portion classified as current liabilities	**(441,063)**	(562,930)
Long term portion	**6,419,398**	2,611,320

The bank loans bear interest at rates ranging from 1.76% to 7.5% (2010: 2.28% to 4.94%) per annum.

38. LOANS FROM RELATED COMPANIES

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Loans from				
– a jointly-controlled entity	**157,830**	86,887	**157,830**	87,722
– an associate	**10,000**	26,678	**10,000**	26,678
	167,830	113,565	**167,830**	114,400
Repayable:				
Within one year	**167,830**	26,678	**167,830**	26,678
In the second to fourth year, inclusive	**–**	86,887	**–**	87,722
	167,830	113,565	**167,830**	114,400
Portion classified as current liabilities	**(167,830)**	(26,678)	**(167,830)**	(26,678)
Non-current portion	**–**	86,887	**–**	87,722

Loans from related companies are interest-free and unsecured. The fair values of these loans as at the date of inception were estimated with reference to the then prevailing interest rates with the same repayment period published by the People's Bank of China. The difference between the amount of loans payable and their fair values as at the date of inception was credited to the consolidated income statement. Subsequent to the initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

39. TRADE AND NOTES PAYABLES

	2011	2010
	RMB'000	RMB'000
Trade payables	**9,276,590**	4,440,072
Notes payable	**2,054,392**	4,177,313
	11,330,982	8,617,385

An aged analysis of trade payables as at the end of the reporting period is as follows:

	2011	2010
	RMB'000	RMB'000
Outstanding balances with ages:		
Within 90 days	**7,843,926**	3,262,713
91 to 180 days	**416,198**	460,137
181 to 365 days	**264,919**	98,504
1 to 2 years	**624,690**	375,793
2 to 3 years	**48,344**	143,341
Over 3 years	**78,513**	99,584
	9,276,590	4,440,072

39. TRADE AND NOTES PAYABLES *(Continued)*

Credit terms granted by the Group's suppliers are as follows:

	Credit terms
Steel segment	0 to 90 days
Mining segment	0 to 90 days
Pharmaceuticals and healthcare segment	0 to 360 days
Property segment	180 to 360 days

40. ACCRUED LIABILITIES AND OTHER PAYABLES

Group

	2011 **RMB'000**	2010 RMB'000
Advances from customers	**6,870,762**	7,790,924
Payables related to:		
Purchases of property, plant and equipment	**940,102**	1,543,079
Deposits received	**656,367**	477,569
Payroll	**613,709**	424,199
Business tax	**154,773**	217,036
Accrued interest expenses	**519,342**	221,845
Value-added tax	**45,951**	70,630
Accrued utilities	**377,676**	281,634
Current portion of other long term payables (note 44)	**46,521**	80,806
Others	**2,810,023**	1,752,678
	13,035,226	12,860,400

Company

	2011 **RMB'000**	2010 RMB'000
Other payables	**49,900**	17,683

41. FINANCE LEASE PAYABLES

Nanjing Iron & Steel United Co., Ltd., a subsidiary of the Group, signed an agreement with a leasing company to lease certain machinery and equipment for its iron and steel business, which are classified as finance leases.

Total future minimum lease payments under finance leases and their present values are as follows:

	2011 RMB'000	2010 RMB'000
Repayable:		
Within one year	49,614	49,322
In the second year	47,029	48,577
In the third to fifth years, inclusive	89,910	135,370
Total minimum finance lease payments	186,553	233,269
Less: Future finance charges	(22,589)	(28,975)
	163,964	204,294
Portion classified as current finance lease payable	(43,966)	(40,116)
Long term portion	119,998	164,178

For the year ended 31 December 2011, interest was charged at a rate of 5.60% per annum (2010: 5.60%).

42. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	2011 RMB'000 Liabilities	2010 RMB'000 Liabilities
Forward currency contracts	*(i)*	9,228	37,559
Commodity derivative contracts	*(ii)*	–	47,007
		9,228	84,566

(i) The Group entered into various forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting. Changes in the fair value of such derivatives which have not been settled as at 31 December 2011 amounting to RMB9,228,000 (2010: RMB37,559,000) were debited to other expenses during the year as set out in note 8 to the financial statements.

(ii) The Group uses commodity derivative contracts to hedge its commodity price risk, which does not meet the criteria of hedge accounting. Commodity derivative contracts utilised by the Group are standardised steel futures contracts on the Shanghai Futures Exchange. As at 31 December 2011, there was no outstanding commodity derivative contracts held by the Group.

43. DEFERRED INCOME

Deferred income represents government grants received related to assets.

	2011 RMB'000	2010 RMB'000
Special purpose fund for technology improvement	213,060	144,876

44. OTHER LONG TERM PAYABLES

	2011 RMB'000	2010 RMB'000
Payables for rehabilitation:		
At 1 January	37,374	34,206
Additions	3,534	15,368
Classified as current portion (note 40)	–	(12,200)
At 31 December	40,908	37,374
Payables for retirement benefits:		
At 1 January	437,092	527,715
Additions	15,322	16,450
Interest increment (note 7)	24,926	22,891
Payments made	(136,863)	(61,358)
Classified as current portion (note 40)	(46,521)	(68,606)
At 31 December	293,956	437,092
Total	334,864	474,466

Payables for rehabilitation are in relation to the costs of the Group's obligations for land reclamation.

Payables for retirement benefits represent liabilities taken over by the Group from the former parent company of the Former SOEs, which are state-owned enterprises, in respect of the retirement benefits of the Qualified SOE Employees and the Qualified Retirees.

The long term payables are based on estimates of future payments made by management and are discounted at rates in the range of 5.70% to 7.83% (2010: 5.71% to 7.83%).

45. SHARE CAPITAL

Shares

	2011 RMB'000	2010 RMB'000
Authorised:		
100,000,000,000 (2010: 100,000,000,000) ordinary shares of HKD0.1 each	**9,746,013**	9,746,013
Issued and fully paid:		
6,421,594,500 (2010: 6,421,594,500) ordinary shares of HKD0.1 each	**621,497**	621,497

The following changes in the Company's authorised and issued share capital took place during the period from 1 January 2010 to 31 December 2011 are as follows:

	Number of ordinary shares	Nominal value of ordinary shares RMB'000
Authorised:		
As at 31 December 2010 and 31 December 2011	100,000,000,000	100,000,000,000
Issued and fully paid:		
As at 31 December 2010 and 31 December 2011 (6,421,594,500 shares of HKD0.1 each)	6,421,594,500	6,421,594,500

46. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

46. RESERVES *(Continued)*

Company

	Issued capital RMB'000 (note 45)	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Capital redemption reserve RMB'000	Retained earnings RMB'000	Proposed final dividend RMB'000 (note 12)	Total equity RMB'000
At 1 January 2010	621,497	11,785,713	(948,879)	1,465	3,188,442	927,270	15,575,508
Final dividend declared	–	–	–	–	–	(927,270)	(927,270)
Proposed final dividend	–	–	–	–	(928,936)	928,936	–
Exchange realignment	–	–	(468,904)	–	–	–	(468,904)
Total comprehensive income for the year	–	–	–	–	1,664,813	–	1,664,813
At 31 December 2010 and 1 January 2011	**621,497**	**11,785,713**	**(1,417,783)**	**1,465**	**3,924,319**	**928,936**	**15,844,147**
Final dividend declared	**–**	**–**	**–**	**–**	**–**	**(928,936)**	**(928,936)**
Proposed final dividend	**–**	**–**	**–**	**–**	**(817,340)**	**817,340**	**–**
Exchange realignment	**–**	**–**	**(916,802)**	**–**	**–**	**–**	**(916,802)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(458,139)**	**–**	**(458,139)**
At 31 December 2011	**621,497**	**11,785,713**	**(2,334,585)**	**1,465**	**2,648,840**	**817,340**	**13,540,270**

(a) Other deficits

The opening balance of other deficits as at 1 January 2009 represented the acquisition of the entire equity interest in Fosun Group pursuant to the reorganisation of the Group prior to the listing of its shares on the Hong Kong Stock Exchange, after netting off paid-up capital and capital reserve (arising from the bonus share issue of its subsidiaries) of Fosun Group.

(b) Statutory surplus reserve (the "SSR")

In accordance with the Company Law of the PRC and the respective articles of association of the subsidiaries established in Mainland China (the "PRC Subsidiaries"), each PRC Subsidiary is required to allocate 10% of its profits after tax, as determined in accordance with the applicable PRC accounting standards and regulations, to the SSR until such reserve reaches 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the SSR can be capitalised as paid-up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(c) Distributable reserves

For dividend purposes, the amount which the PRC subsidiaries can legally distribute by way of a dividend is determined by reference to the distributable profits as reflected in their PRC statutory financial statements which are prepared in accordance with the applicable PRC accounting standards and regulations.

In accordance with the Company Law of the PRC, profits after tax of the PRC subsidiaries can be distributed as dividends after the appropriation to the SSR as set out above.

47. BUSINESS COMBINATION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries

The major acquisition during the year is set out as follows:

(i) On 31 August 2011, Fosun Industrial (HK) Co., Ltd. ("Fosun Industrial") and Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. ("Fosun Pharmaceutical Industrial"), two wholly-owned subsidiaries of Fosun Pharma collectively acquired a 75% equity interest in Dalian Aleph. Dalian Aleph is mainly engaged in research, development and production of influenza vaccine. The Group acquired Dalian Aleph in order to enter into the market of influenza vaccine. The acquisition has been accounted for using the acquisition method. The total purchase consideration was in the form of cash and amounted to RMB675,000,000, of which RMB255,000,000 was contingent consideration and will be paid when certain conditions are fulfilled before 30 December 2012, or and no later than 30 December 2014. As at 31 December 2011, the purchase consideration amounting to RMB420,000,000 was paid by the Group in cash.

(ii) On 31 August 2011, Fosun Pharmaceutical Industrial, a wholly-owned subsidiary of Fosun Pharma acquired a 70% equity interest in Jinzhou Aohong. Jinzhou Aohong was principally engaged in the manufacture and sale of pharmaceutical products. The total purchase consideration was in the form of cash and amounted to RMB1,365,000,000, of which RMB345,800,000 was contingent consideration to be payable by instalments dependent on the amount of financial results of Jinzhou Aohong during the years of 2012 to 2014 subsequent to acquisition. As at 31 December 2011, the first and second instalments of purchase consideration amounting to RMB630,630,000 was paid by the Group in cash.

(iii) In December 2011, Rathnew Limited ("Rathnew"), a wholly-owned subsidiary of Forte acquired another 50% equity interest of Total Year Limited, a previously joint-controlled entity, from Wharf (Holdings) Limited ("Wharf"). After the acquisition, Total Year Limited became a wholly-owned subsidiary of the Group. The major business of Total Year Limited is the development of property in the city of Wuxi, Mainland China. The total purchase consideration was in the form of cash and amounted to HKD483,950,000 (equivalent to RMB393,338,000), of which HKD466,807,000 (equivalent to RMB378,440,000) was for the purchase of the shareholder's loan from Wharf. On the same day, as part of the acquisition, 50% equity interests of Show All Limited, which is held by China Alliance Properties Limited, a wholly-owned subsidiary of Forte, was disposed to Wharf for a total consideration amounting to HKD686,037,000 (equivalent to RMB556,170,000), of which HKD480,071,000 (equivalent to RMB389,194,000) was for the disposal of the shareholder's loan provided by China Alliance Properties Limited (the transactions collectively known as the "equity swap transaction"). As at 31 December 2011, the equity swap transaction was completed and all the cash considerations were settled by the Group and Wharf. The gain on bargain purchase amounting to RMB33,337,000 and the gain on disposal of joint-controlled entities amounting to RMB169,416,000 were credited to other income and gains of the Group for the year ended 31 December 2011.

47. BUSINESS COMBINATION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

The fair values of the identifiable assets and liabilities of all the subsidiaries acquired during the year were as follows:

	2011 Fair value recognised on acquisition RMB'000
Property, plant and equipment (note 14)	359,982
Prepaid land lease payments (note 16)	148,382
Intangible assets (note 19)	982,058
Deferred tax assets (note 29)	3,119
Properties under development	3,409,012
Cash and bank balances	151,478
Trade and notes receivables	30,006
Prepayments, deposits and other receivables	268,126
Inventories	75,719
Interest-bearing bank and other borrowings	(143,000)
Trade and notes payables	(160,227)
Accrued liabilities and other payables	(2,676,270)
Tax payable	(9,681)
Deferred tax liabilities (note 29)	(266,312)
Non-controlling interests	(841,400)
Total identifiable net assets at fair value	1,330,992
Gain on bargain purchase recognized in other income and gains in the consolidated income statements (note 6)	(33,337)
Goodwill on acquisitions (note 20)	1,282,550
	2,580,205
Satisfied by:	
Cash	1,428,352
Investments in jointly-controlled entities	164,759
Cash consideration unpaid	987,094
	2,580,205

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB29,006,000 and RMB251,745,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB44,205,000 and RMB252,447,000, respectively, of which trade receivables and other receivables of RMB15,200,000 and RMB702,000 are expected to be uncollectible, respectively.

47. BUSINESS COMBINATION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

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

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

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash consideration	(1,428,352)
Cash and bank balances acquired	116,478
	(1,311,874)
Payment of unpaid cash consideration as at 31 December 2010	(12,743)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,324,617)
Transaction costs of these acquisitions included in cash flows from operating activities	2,996
	(1,321,621)

The effect of all the acquisitions on the financial results of the Group from the respective dates of acquisition to the end of the year is as follows:

	RMB'000
Financial results:	
Revenue	259,445
Profit for the year	98,866

Since the acquisition, the acquired subsidiaries contributed RMB259,445,000 to the Group's turnover and profit of RMB98,866,000 to the consolidated profit for the year ended 31 December 2011.

Had the combinations taken place at the beginning of the year, the revenue of the Group and the net profit of the Group for the year ended 31 December 2011 would have been RMB57,063,278,000 and RMB5,157,832,000 respectively.

47. BUSINESS COMBINATION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of subsidiaries

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

On 13 April 2011, Forte Group entered into an equity transfer agreement to dispose of its 49% equity interest in Chengdu Honghui Property Co., Ltd. ("Chengdu Honghui"), at a total consideration of RMB294,000,000. Subsequent to the completion of the equity transfer on 1 June 2011, as Forte Group lost the control over the board of directors as well as the operating and financial policies of Chengdu Honghui, Chengdu Honghui was not a subsidiary of the Group any more and the remaining 51% equity investment in Chengdu Honghui was accounted for as investment in a jointly-controlled entity.

The net assets disposed of all subsidiaries disposed during the year were as follows:

	2011 RMB'000	2010 RMB'000
Net assets disposed of:		
Property, plant and equipment (note 14)	28,979	6,683
Prepaid land lease payments (note 16)	4,592	–
Intangible assets (note 19)	4,080	–
Investment in an associate	3,720	–
Available-for-sale investments	500	–
Cash and bank balances	35,191	222,289
Trade and notes receivables	69,435	741
Properties under development	753,239	434,966
Deferred tax assets	–	7,081
Prepayments, deposits and other receivables	18,489	168,575
Inventories	50,818	1,430,875
Interest-bearing bank and other borrowings	(24,000)	–
Trade and notes payables	(81,823)	(179,199)
Accrued liabilities and other payables	(118,447)	(1,931,195)
Tax payable	(46)	(64,994)
Deferred tax liabilities (note 29)	(1,020)	–
Non-controlling interests	(14,175)	(75,006)
	729,532	20,816
Fair value of the retained interests in subsidiaries disposed of	(443,064)	(68,742)
Professional fee directly attributable to the disposals	–	36,000
Net gain on disposal of subsidiaries (note 6)	59,304	964,164
	345,772	952,238

47. BUSINESS COMBINATION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of subsidiaries *(Continued)*

An analysis of the cash flows in respect of the disposal of subsidiaries is as follows:

	2011 **RMB'000**	2010 RMB'000
Satisfied by:		
Cash	**335,531**	939,717
Other receivables	**10,241**	12,521
	345,772	952,238
Cash consideration	**335,531**	939,717
Cash paid for the professional fee directly attributable to the disposals	**–**	(36,000)
Cash and bank balances disposed of	**(35,191)**	(222,289)
Net inflow of cash and cash equivalents included in cash flows from investing activities	**300,340**	681,428

(c) On 20 September 2008, the Group acquired a 55% equity interest in Zunyi Shiji Nonferrous Metal Limited Liability Company ("Zunyi Shiji") through a wholly-owned subsidiary at a total cash consideration of RMB190,000,000, of which RMB60,000,000 was contingent consideration and would be paid when certain conditions were fulfilled before 31 December 2011. Zunyi Shiji is engaged in the mining and ore processing business in Guizhou Province. A gain on bargain purchase in Zunyi Shiji arising from the acquisition was recognized in the consolidated income statement for the year ended 31 December 2008.

As at 31 December 2011, since certain conditions for the payment of contingent consideration amounting to RMB60,000,000 were not fulfilled thus the contingent consideration would not be paid by the Group. The cost of the business combination recognised in the year of 2008 was adjusted retrospectively and therefore amount of RMB60,000,000 was adjusted to gain on bargain purchase recognized in the prior year through retained earnings as an opening adjustment.

48. SHARE BASED PAYMENT

Chindex Medical Limited ("CML") was established as at 31 December 2010 whereby Ample Up Limited, an indirect subsidiary of Fosun Pharma, and Chindex Medical Holdings (BVI) Limited, a subsidiary of Chindex International Inc. ("Chindex", listed in the NASDAQ market), held 51% and 49% equity interests respectively. CML was included in the consolidated financial statements of the Group since its establishment.

Certain employees of Chindex, who operates a share option scheme to its employees provide services to CML. The services agreement between CML and Chindex provides that the full compensation cost of certain Chindex employees will be charged to CML, which will also include the cost of the share-based compensation, if applicable to the individual. In addition, certain former Chindex employees who are now employees of CML still retained the rights to vest the share options granted to them in the prior years, and the cost of these share options for the year of 2011 was charged to staff costs of CML as the incentive and reward for the services provided to CML. For the year ended 31 December 2011, the equity settled share-based payment expenses amounting to RMB7,712,000 was recognised in the consolidated income statements as set out in note 8 to the financial statements.

49. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties, as set out in note 14 to the financial statements, under operating lease arrangements, with negotiated terms ranging from one to ten years.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

Group

	2011 RMB'000	2010 RMB'000
Within one year	**70,796**	64,806
In the second to fifth years, inclusive	**91,870**	111,202
Over five years	**16,508**	28,554
	179,174	204,562

As lessee

The Group leases certain of its office properties, shop lots, land and plant buildings under operating lease arrangements, with negotiated terms ranging from one to nineteen years.

At the end of the reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	2011 RMB'000	2010 RMB'000
Within one year	**117,851**	74,799
In the second to fifth years, inclusive	**319,196**	258,080
Over five years	**529,478**	516,124
	966,525	849,003

Company

	2011 RMB'000	2010 RMB'000
Within one year	**5,760**	1,930
In the second to fifth years, inclusive	**2,638**	1,000
	8,398	2,930

50. COMMITMENTS

In addition to the operating lease commitments detailed in note 49 above, the Group and the Company had the following capital commitments at the end of the reporting period:

Group

	2011 **RMB'000**	2010 RMB'000
Contracted, but not provided for:		
In respect of:		
Plant and machinery	**2,653,036**	576,433
Properties under development	**5,421,951**	3,576,589
Intangible assets	**–**	210
Mining and exploration rights	**–**	3,780
Investments	**765,346**	624,098
	8,840,333	4,781,110
Authorised, but not contracted for:		
In respect of:		
Plant and machinery	**71,115**	13,259
Investments	**458,467**	307,821
	529,582	321,080

In addition, the Group's and the Company's share of the jointly-controlled entities' own capital commitments, which are not included in the above, is as follows:

Group

	2011 **RMB'000**	2010 RMB'000
Contracted but not provided for:		
Properties under development	**404,249**	199,999

Company

	2011 **RMB'000**	2010 RMB'000
Authorised, but not contracted for:		
Investments	**458,467**	307,821

51. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the end of the reporting period:

	2011 RMB'000	2010 RMB'000
Guaranteed bank loans of:		
Related parties (note 52)	956,800	1,026,800
Third parties	123,400	73,400
	1,080,200	1,100,200
Qualified buyers' mortgage loans*	2,511,362	3,013,599
	3,591,562	4,113,799

* The Group provided guarantees of approximately RMB2,511,362,000 (2010: RMB3,013,599,000) in favour of their customers in respect of mortgage loans provided by banks to such customers for their purchases of the Group's developed properties where the underlying real estate certificates can only be provided to the banks in a time delayed manner due to administrative procedures in the PRC. These guarantees provided by the Group will be released when the customers pledge their real estate certificates as security to the banks for the mortgage loans granted by the banks.

The Directors consider that in case of default in payments, the net realisable value of the related properties can cover the outstanding mortgage principal together with the accrued interest and penalties and therefore no provision has been made in the financial statements for the guarantees.

52. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

Name of related parties	Nature of transactions	2011 RMB'000	2010 RMB'000
Sales of goods			
Sinopharm Group Co. Ltd. (Note 4)	Sales of pharmaceutical products	316,474	182,849
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd. (Notes 2 & 4)	Sales of scrap material	64,067	–
Shanghai Lianhua Fosun Pharmacy Chain Operation Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	24,834	27,275
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	22,182	359
Shanghai Yaofang Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	12,205	7,106
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	7,694	–

52. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2011 RMB'000	2010 RMB'000
Sales of goods *(Continued)*			
Shanghai Huifeng Fomei Pharmacy Co., Ltd. (Notes 2 & 4)	Sales of pharmaceutical products	**4,651**	5,577
Shanghai Liyi Pharmacy Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	**3,386**	3,023
Guilin Auspicious Pharmaceutical Industrial Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	**1,338**	–
Zhejiang Crystal-Optech Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	**225**	–
Suzhou Laishi Transfusion Equipment Co., Ltd. (Notes 4)	Sales of pharmaceutical products	**–**	6,924
Shanghai Transfusion Technology Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	**–**	3,680
Total sales of goods		**457,056**	236,793
Purchases of goods			
Sinopharm Group Co. Ltd. (Note 4)	Purchases of pharmaceutical products	**119,350**	97,308
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd. (Notes 2 & 4)	Purchases of utility	**51,482**	–
Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd. (Notes 1 & 4)	Purchases of coking coal products	**47,498**	113,455
Hainan Iron and Steel Co., Ltd. (Notes 3, 4 & 14)	Purchases of iron ore products	**44,290**	41,504
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (Notes 1 & 4)	Purchases of pharmaceutical products	**8,136**	–
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd. (Notes 1 & 4)	Purchases of pharmaceutical products	**8,000**	–
Shanghai Yaofang Co., Ltd. (Notes 1 & 4)	Purchases of pharmaceutical products	**1,923**	2,153
Suzhou Laishi Transfusion Equipment Co., Ltd. (Notes 4)	Purchases of pharmaceutical products	**–**	3,652
Total purchases of goods		**280,679**	258,072

52. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2011 RMB'000	2010 RMB'000
Service income			
Fuyang Furun Property Co., Ltd. (Notes 2 & 5)	Consulting services provided to the related company	**5,325**	–
Wuxi Forte Real Estate Development Co., Ltd. (Notes 2 & 5)	Consulting services provided to the related company	**–**	993
Total service income		**5,325**	993
Interest income			
Shaanxi Jianqin Real Estate Development Co., Ltd. (Notes 2 & 7)	Interest income	**45,066**	23,191
Nanjing Dahua Investment Development Co., Ltd. (Notes 1 & 7)	Interest income	**–**	10,507
Total interest income		**45,066**	33,698
Interest expense			
Shanghai Yuyuan Mart Real Estate Development Co., Ltd. (Notes 1 & 7)	Interest expense	**22,027**	13,984
Other expenses			
Nanjing Xinwu Shipping Co., Ltd. (Notes 1 & 6)	Transportation fees	**105,877**	82,028
Shanghai Foreal Property Management Co., Ltd. (Notes 1, 6 & 14)	Property management services provided by the related company	**28,597**	12,765
Hainan Iron and Steel Co., Ltd. (Notes 3, 6 & 14)	Operating lease in respect of land leased from the related company	**16,971**	16,548
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (Notes 1 & 6)	Operating lease in respect of office buildings leased from the related company	**3,000**	–
Shanghai Yinping Investment Management Co., Ltd. (Notes 1 & 6)	Operating lease in respect of office buildings leased from the related company	**1,600**	–
Nanjing Iron & Steel (Group) Co., Ltd. (Notes 3, 6 & 14)	Operating lease in respect of office buildings leased from the related company	**–**	4,677
Total other expenses		**156,045**	116,018

52. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2011 RMB'000	2010 RMB'000
Underlying notional interest of loans from related companies			
Wuxi Forte Real Estate Development Co., Ltd. (Notes 2 & 9)	Notional interest	**5,943**	5,562
Tianjin Binhai Auto Parts Industry Base Co., Ltd. (Notes 1 & 11)	Notional interest	**1,322**	1,384
Yangzte Tianjin Limited	Notional interest	**–**	5,553
Total notional interest		**7,265**	12,499
Loans from related companies			
Wuxi Forte Real Estate Development Co., Ltd. (Notes 2,7 & 10)	Loan provided by the related company	**65,000**	–
Chengde Jingfukang Pharmaceutical Co., Ltd. (Notes 1,7 & 10)	Loan provided by the related company	**10,000**	–
Shanghai Yuyuan Mart Real Estate Co., Ltd. (Notes 1 & 7)	Loan provided by the related company	**–**	150,000
Total loans from related companies		**75,000**	150,000
Guarantees of bank loans			
Nanjing Iron & Steel (Group) Co., Ltd. (Notes 3, 8 & 14)	Bank loans guaranteed by the related company	**2,835,405**	3,852,500
Beijing Hehua Property Development Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	**441,000**	441,000
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd. (Notes 2 & 8)	Guarantees granted for bank loans of the related company	**160,000**	175,000
Tianjin Jianlong Iron & Steel Industrial Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	**150,000**	170,000
Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	**134,800**	110,800
Nanjing Xinwu Shipping Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	**71,000**	30,000
Beijing Yuquanxincheng Property Development Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	**–**	100,000

52. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2011 RMB'000	2010 RMB'000
Loans to related companies			
Shaanxi Jianqin Real Estate Development Co., Ltd. (Notes 2, 7 & 12)	Entrusted loan provided to the related company	**500,000**	110,000
Haizhimen (Notes 1, 7 & 12)	Shareholder loan provided to the related company	**291,000**	4,218,482
Sinopharm Industrial Investment Co., Ltd. (Notes 1, 7 & 12)	Entrusted loan provided to the related company	**98,000**	–
Chengdu Meijili Business Services Co., Ltd. (Notes 2, 7 & 12)	Shareholder loan provided to the related company	**66,000**	–
Show All Limited (Notes 1 & 7)	Shareholder loan provided to the related company	**–**	219,810
Total loans to related companies		**955,000**	4,548,292

Notes:

(1) They are associates of the Group.

(2) They are jointly-controlled entities of the Group.

(3) They are non-controlling shareholders of the subsidiaries of the Group.

(4) The Directors consider that the sales and purchases were undertaken on commercial terms similar to those offered to/by unrelated customers/suppliers in the ordinary course of business of the relevant companies.

(5) The Directors consider that the fees for consulting services and sales agency services were determined based on prices available to third party customers.

(6) The Directors consider that the fees for property management services, transportation services and leasing paid to related companies were determined based on prices available to third party customers of the related companies.

(7) The Directors consider that the loans provided by/to the related companies are unsecured, repayable on demand, and the applicable interest rates are determined in accordance with the prevailing market borrowing rates.

(8) The bank loans were guaranteed by related companies free of charge. The guarantees were given by the Group for bank loans of related companies free of charge.

52. RELATED PARTY TRANSACTIONS *(Continued)*

Notes: *(Continued)*

(9) The entrusted bank loan in the amount of RMB93,000,000 is provided by Wuxi Forte Real Estate Development Co., Ltd. and is interest-free, unsecured and repayable by 2012 as set out in note 38 to the financial statements. The corresponding notional interest for the year ended 31 December 2011 amounted to approximately RMB5,943,000 (2010: RMB5,562,000).

(10) The entrusted bank loan in the amount of RMB10,000,000 is provided by Chengde Jingfukang Pharmaceutical Co., Ltd. The entrusted loan bears interest at a rate of 6.94% per annum and the maturity date is 5 May 2012. The entrusted bank loan in the amount of RMB65,000,000 is provided by Wuxi Forte Real Estate Development Co., Ltd. The entrusted loan bears interest at a rate of 3.5% per annum and the maturity date is 28 November 2012.

(11) The loan in the amount of RMB28,000,000 was provided by Tianjin Binhai Auto Parts Industry Base Co., Ltd. and was interest-free, unsecured and has been repaid by 31 December 2011. The corresponding notional interest for the year ended 31 December 2011 amounted to approximately RMB1,322,000 (2010: RMB1,384,000).

(12) The balances of shareholders' loans provided to Shaanxi Jianqin Real Estate Development Co., Ltd. and Chengdu Meijili Business Services Co., Ltd. as at 31 December 2011 was RMB500,000,000 and RMB66,000,000 respectively as set out in note 27 and note 22 to the financial statements. The balances of shareholders' loans provided to Haizhimen as at 31 December 2011 is RMB4,509,482,000 as set out in note 23 and note 27 to the financial statements. One of the Group's subsidiaries, Shanghai Qishen Investment Management Co., Ltd. offered an entrusted loan amounting to RMB98,000,000 to an associate of the Group, Sinopharm Industrial Investment Co., Ltd. which had been received during the year of 2011.

(13) Compensation of key management personnel of the Group:

	2011 **RMB'000**	2010 RMB'000
Short term employee benefits	**32,731**	19,652
Pension scheme contributions	**280**	266
Total compensation paid to key management personnel	**33,011**	19,918

(14) These transactions constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules. They are exempted from the disclosure requirements under Chapter 14A of the Listing Rules.

53. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2011 Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading RMB'000	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Available-for-sale financial investments RMB'000	Total RMB'000
Available-for-sale investments	–	–	–	8,437,265	8,437,265
Loans receivables	–	–	2,366,682	–	2,366,682
Cash and bank balances	–	–	16,777,753	–	16,777,753
Equity investments at fair value through profit or loss	7,406,727	–	–	–	7,406,727
Trade and notes receivables	–	–	6,506,112	–	6,506,112
Financial assets included in prepayments, deposits and other receivables (note 33)	–	–	2,401,849	–	2,401,849
Due from related companies	–	–	2,304,801	–	2,304,801
	7,406,727	–	30,357,197	8,437,265	46,201,189

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	53,889,638	–	53,889,638
Loans from related companies	167,830	–	167,830
Trade and notes payables	11,330,982	–	11,330,982
Financial liabilities included in accrued liabilities and other payables (note 40)	5,963,740	–	5,963,740
Due to related companies and the holding company	4,169,701	–	4,169,701
Other long term payables	334,864	–	334,864
Financial lease payables	163,964	–	163,964
Derivative financial instruments	–	9,228	9,228
	76,020,719	9,228	76,029,947

53. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

2010 Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading RMB'000	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Available-for-sale financial investments RMB'000	Total RMB'000
Held-to-maturity investments	–	14,312	–	–	14,312
Available-for-sale investments	–	–	–	7,327,045	7,327,045
Loans receivables	–	–	1,713,432	–	1,713,432
Cash and bank balances	–	–	21,334,977	–	21,334,977
Equity investments at fair value through profit or loss	6,478,648	–	–	–	6,478,648
Trade and notes receivables	–	–	5,496,535	–	5,496,535
Financial assets included in prepayments, deposits and other receivables (note 33)	–	–	2,326,042	–	2,326,042
Due from related companies	–	–	1,940,085	–	1,940,085
	6,478,648	14,312	32,811,071	7,327,045	46,631,076

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	43,821,843	–	43,821,843
Loans from related companies	113,565	–	113,565
Trade and notes payables	8,617,385	–	8,617,385
Financial liabilities included in accrued liabilities and other payables (note 40)	4,781,810	–	4,781,810
Due to related companies and the holding company	2,046,635	–	2,046,635
Other long term payables	474,466	–	474,466
Financial lease payables	204,294	–	204,294
Derivative financial instruments	–	84,566	84,566
	60,059,998	84,566	60,144,564

53. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

2011 Company

Financial assets

	Financial assets at fair value through profit or loss – held for trading RMB'000	Loans and receivables RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	4,685,741	–	4,685,741
Cash and bank balances	–	2,223,886	2,223,886
Financial assets included in prepayments, deposits and other receivables (note 33)	–	5,720	5,720
Due from subsidiaries	–	11,244,793	11,244,793
	4,685,741	13,474,399	18,160,140

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in accrued liabilities and other payables (note 40)	49,900
Interest-bearing bank and other borrowings	6,860,461
Due to the holding company	1,431,144
	8,341,505

53. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

2010 Company

Financial assets

	Financial assets at fair value through profit or loss – held for trading RMB'000	Loans and receivables RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	5,483,461	–	5,483,461
Cash and bank balances	–	1,786,810	1,786,810
Financial assets included in prepayments, deposits and other receivables (note 33)	–	836	836
Due from subsidiaries	–	10,887,527	10,887,527
	5,483,461	12,675,173	18,158,634

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in accrued liabilities and other payables (note 40)	17,683
Interest-bearing bank loans	3,174,250
Due to the holding company	1,092,250
	4,284,183

54. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Available-for-sale investments	**8,437,265**	7,327,045	**8,437,265**	7,327,045
Loan receivables	**2,366,682**	1,713,432	**2,366,682**	1,713,432
Trade and notes receivables	**6,506,112**	5,496,535	**6,506,112**	5,496,535
Equity investments at fair value through profit or loss	**7,406,727**	6,478,648	**7,406,727**	6,478,648
Financial assets included in prepayments, deposits and other receivables (note 33)	**2,401,849**	2,326,042	**2,401,849**	2,326,042
Cash and bank balances	**16,777,753**	21,334,977	**16,777,753**	21,334,977
Due from related companies	**2,304,801**	1,940,085	**2,304,801**	1,940,085
Held-to-maturity investments	**–**	14,312	**–**	14,312
	46,201,189	46,631,076	**46,201,189**	46,631,076
Financial liabilities				
Interest-bearing bank and other borrowings	**53,889,638**	43,821,843	**53,861,337**	43,770,570
Trade and notes payables	**11,330,982**	8,617,385	**11,330,982**	8,617,385
Financial liabilities included in accrued liabilities and other payables (note 40)	**5,963,740**	4,781,810	**5,963,740**	4,781,810
Due to related companies and the holding company	**4,169,701**	2,046,635	**4,169,701**	2,046,635
Other long term payables	**334,864**	474,466	**334,864**	474,466
Financial lease payables	**163,964**	204,294	**163,964**	204,294
Derivative financial instruments	**9,228**	84,566	**9,228**	84,566
Loans from related companies	**167,830**	113,565	**167,830**	114,400
	76,029,947	60,144,564	**76,001,646**	60,094,126

54. FAIR VALUE AND FAIR VALUE HIERARCHY *(Continued)*

Company

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Equity investments at fair value through profit or loss	**4,685,741**	5,483,461	**4,685,741**	5,483,461
Financial assets included in prepayments, deposits and other receivables (note 33)	**5,720**	836	**5,720**	836
Cash and bank balances	**2,223,886**	1,786,810	**2,223,886**	1,786,810
Due from subsidiaries	**11,244,793**	10,887,527	**11,244,793**	10,887,527
	18,160,140	18,158,634	**18,160,140**	18,158,634
Financial liabilities				
Interest-bearing bank and other borrowings	**6,860,461**	3,174,250	**6,902,511**	3,210,970
Financial liabilities included in accrued liabilities and other payables (note 40)	**49,900**	17,683	**49,900**	17,683
Due to holding company	**1,431,144**	1,092,250	**1,431,144**	1,092,250
	8,341,505	4,284,183	**8,383,555**	4,320,903

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

For the financial assets and liabilities with active market, their fair values are measured using quoted market price. For the financial assets and liabilities without active market, the Group uses valuation techniques to measure their fair values.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit ratings. Derivative financial instruments include commodity derivative contracts and forward currency contracts. As at 31 December 2011, the fair value of commodity derivative contracts were measured using quoted market price of commodity future contracts while the fair value of the forward currency contracts are measured using valuation techniques similar to forward pricing models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The carrying amounts of the commodity derivative contracts and forward currency contracts are the same as their fair values.

54. FAIR VALUE AND FAIR VALUE HIERARCHY *(Continued)*

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

Group

As at 31 December 2011

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Available-for-sale investments:				
Equity investments (note 25)	**581,257**	**2,503,646**	**–**	**3,084,903**
Equity investments at fair value through profit or loss (note 31)	**7,169,861**	**236,866**	**–**	**7,406,727**
	7,751,118	**2,740,512**	**–**	**10,491,630**

As at 31 December 2010

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments:				
Equity investments (note 25)	2,310,042	738,258	–	3,048,300
Equity investments at fair value through profit or loss (note 31)	6,478,648	–	–	6,478,648
	8,788,690	738,258	–	9,526,948

54. FAIR VALUE AND FAIR VALUE HIERARCHY *(Continued)*

Fair value hierarchy *(Continued)*

Assets measured at fair value: (Continued)

Company

As at 31 December 2011

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	**4,448,875**	**236,866**	**–**	**4,685,741**

As at 31 December 2010

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	5,483,461	–	–	5,483,461

Liabilities measured at fair value:

Group

As at 31 December 2011

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial instruments	**–**	**9,228**	**–**	**9,228**

As at 31 December 2010

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial instruments	47,007	37,559	–	84,566

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2010: Nil).

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and other borrowings, finance lease and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables and trade and notes payables, which arise directly from its operations.

The Group also entered into derivative transactions, representing forward currency contracts and commodity derivative contracts during the year ended 31 December 2011. The purpose is to manage the foreign currency risks and commodity price risk arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. At 31 December 2011, approximately 37% (2010: 28%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

Group:

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2011	**75**	**(176,440)**
	(25)	**58,813**
2010	75	(140,574)
	(25)	46,858

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies.

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar and Hong Kong dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Group:

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000
2011		
If RMB weakens against United States dollar	**5**	**(195,740)**
If RMB strengthens against United States dollar	**(5)**	**195,740**
If RMB weakens against Hong Kong dollar	**5**	**(77,418)**
If RMB strengthens against Hong Kong dollar	**(5)**	**77,418**
2010		
If RMB weakens against United States dollar	5	(297,608)
If RMB strengthens against United States dollar	(5)	297,608
If RMB weakens against Hong Kong dollar	5	(58,707)
If RMB strengthens against Hong Kong dollar	(5)	58,707

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, held-to-maturity investments, available-for-sale investments, equity investments at fair value through profit or loss, amounts due from related companies, and other receivables, arises from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 51 to the financial statements.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and notes receivables are disclosed in note 32 to the financial statements.

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans. The Group's policy is that not more than 80% of the borrowings should mature in any 12-month period 44% (2010: 50%) of the Group's debts would mature in less than one year as at 31 December 2011 based on the carrying value of borrowings reflected in the financial statements.

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payment, is as follows:

2011 Group

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	1,506,290	23,632,186	25,931,819	6,175,994	57,246,289
Loans from related companies	–	–	168,000	–	–	168,000
Trade and notes payables	6,523,372	790,906	4,016,704	–	–	11,330,982
Due to related companies and the holding company	3,345,564	–	–	876,805	–	4,222,369
Financial liabilities included in accrued liabilities and other payables	5,963,740	–	–	–	–	5,963,740
Other long term payables	–	–	–	334,864	–	334,864
Financial lease payable	–	–	43,966	119,998	–	163,964
Derivative financial instruments	–	–	9,228	–	–	9,228
	15,832,676	2,297,196	27,870,084	27,263,486	6,175,994	79,439,436

2010 Group

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	1,314,961	20,980,110	19,529,372	3,788,154	45,612,597
Loans from related companies	–	–	28,000	93,000	–	121,000
Trade and notes payables	2,240,568	553,068	5,823,749	–	–	8,617,385
Due to related companies and the holding company	2,046,635	–	–	–	–	2,046,635
Financial liabilities included in accrued liabilities and other payables	4,781,810	–	–	–	–	4,781,810
Other long term payables	–	–	–	474,466	–	474,466
Financial lease payable	–	12,331	36,992	183,946	–	233,269
Derivative financial instruments	–	–	84,566	–	–	84,566
	9,069,013	1,880,360	26,953,417	20,280,784	3,788,154	61,971,728

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The disclosed derivative financial instruments in the above table are stated at net of undiscounted cash flows which approximate to their aggregate carrying amount since almost all of the amounts will be settled in net amount.

In addition, the guarantees provided by the Group will be called in case of default in payments by the guaranteed companies as set out in note 51.

2011 Company

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	–	441,063	6,587,442	–	7,028,505
Due to the holding company	1,431,144	–	–	–	–	1,431,144
Financial liabilities included in accrued liabilities and other payables	49,900	–	–	–	–	49,900
	1,481,044	–	441,063	6,587,442	–	8,509,549

2010 Company

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	–	562,930	2,611,320	–	3,174,250
Due to the holding company	1,092,250	–	–	–	–	1,092,250
Financial liabilities included in accrued liabilities and other payables	17,683	–	–	–	–	17,683
	1,109,933	–	562,930	2,611,320	–	4,284,183

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as trading equity investments (note 31) and available-for-sale investments measured at fair value (note 25) as at 31 December 2011. The Group's listed investments are listed on the Hong Kong, Shenzhen, Shanghai, United States and Europe stock exchanges and are valued at quoted market prices at the end of the reporting period.

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk *(Continued)*

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the income statement.

		Carrying amount of equity investments RMB'000	Increase in profit before tax RMB'000	Increase in equity RMB'000
2011				
Investments listed in:				
Hong Kong	– Available-for-sale	**98,914**	**–**	**4,946**
	– Held-for-trading	**3,286,557**	**164,328**	**–**
Shenzhen	– Available-for-sale	**1,704,811**	**–**	**85,241**
	– Held-for-trading	**60**	**3**	**–**
Shanghai	– Available-for-sale	**1,062,778**	**–**	**53,139**
	– Held-for-trading	**103,010**	**5,151**	**–**
United States	– Available-for-sale	**218,400**	**–**	**10,920**
	– Held-for-trading	**3,256,871**	**162,844**	**–**
Europe	– Held-for-trading	**760,229**	**38,012**	**–**
2010				
Investments listed in:				
Hong Kong	– Available-for-sale	300,478	–	15,024
	– Held-for-trading	1,141,171	57,059	–
Shenzhen	– Available-for-sale	444,319	–	22,216
	– Held-for-trading	103	5	–
Shanghai	– Available-for-sale	1,632,847	–	81,642
	– Held-for-trading	350,921	17,546	–
United States	– Available-for-sale	670,656	–	33,533
	– Held-for-trading	4,534,183	226,709	–
Europe	– Held-for-trading	452,270	22,614	–

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio between 20% and 60%. Net debt includes interest-bearing bank and other borrowings, and loans from related companies, less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests. The gearing ratios as at the ends of the reporting periods were as follows:

Group

	2011 **RMB'000**	2010 RMB'000
Interest-bearing bank and other borrowings	**53,889,638**	43,821,843
Loans from related companies	**167,830**	113,565
Less: Cash and cash equivalents	**(13,908,383)**	(16,826,592)
Net debt	**(40,149,085)**	27,108,816
Total equity	**48,486,154**	44,999,086
Total equity and net debt	**(88,635,239)**	72,107,902
Gearing ratio	**45%**	38%

56. EVENTS AFTER THE REPORTING PERIOD

(i) On 21 February 2012, the Group, through its subsidiaries Spread Grand Limited and Shanghai Star Capital Co., Ltd., participated in a bid ("Bid") for a land use right of a parcel of land located at Putuo District, Shanghai, the PRC at a bid price of RMB1,700,000,000. The Group succeeded in the Bid on 23 February 2012, and received a confirmation thereof.

(ii) On 25 March 2012, the board of directors of a non-wholly owned subsidiary of the Group, Nanjing Iron & Steel Co., Ltd ("Nanjing Iron & Steel") approved a resolution regarding to the accounting estimation change to extend the previously estimated useful lives of its property, plant and equipment. Such change is a result of technical innovations and maintenance effort on its property, plant and equipment by the management of Nanjing Iron & Steel in the past few years and substantial extension of the remaining useful lives of its property, plant and equipment. It will be applied prospectively which will decrease the depreciation charges and increase the profit of Nanjing Iron & Steel for the year ended 31 December 2012.

The directors of Nanjing Iron & Steel has made a preliminary assessment of the impact of the above estimation change on the depreciation charges and profit of Nanjing Iron & Steel for the year ended 31 December 2012 and the relevant resolution will be subject to the approval of the annual general meeting of Nanjing Iron & Steel on 20 April 2012.

57. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the presentation of certain items in the financial statements have been revised to comply with the new requirements. In addition, as stated in note 5 to the financial statements, the comparative segment information has been restated to reflect the change of the reporting segments of the Group.

58. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2012.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Guo Guangchang *(Chairman)*
Liang Xinjun *(Vice Chairman and Chief Executive Officer)*
Wang Qunbin *(President)*
Fan Wei *(Co-President)*
Ding Guoqi
Qin Xuetang
Wu Ping

NON-EXECUTIVE DIRECTOR

Liu Benren

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chen Kaixian
Zhang Shengman
Andrew Y. Yan

AUDIT COMMITTEE

Zhang Shengman *(Chairman)*
Chen Kaixian
Andrew Y. Yan

REMUNERATION COMMITTEE

Andrew Y. Yan *(Chairman)*
Liang Xinjun
Zhang Shengman

NOMINATION COMMITTEE

Wang Qunbin *(Chairman)*
Zhang Shengman
Andrew Y. Yan

COMPANY SECRETARY

Sze Mei Ming

AUTHORISED REPRESENTATIVES

Qin Xuetang
Ding Guoqi

AUDITORS

Ernst & Young

LEGAL ADVISOR AS TO HONG KONG LAW

Herbert Smith LLP

LEGAL ADVISOR AS TO PRC LAW

Chen & Co. Law Firm

PRINCIPAL BANKERS

China Development Bank
Agricultural Bank of China
Industrial and Commercial Bank of China
China Construction Bank
Bank of Communications
Bank of China
Standard Chartered Bank
China Merchants Bank
Shanghai Pudong Development Bank
Bank of East Asia
Crédit Agricole Corporate and Investment Bank
Bank of Beijing

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SHARE REGISTRAR AND TRANSFER OFFICE

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17M Floor
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Wanchai
Hong Kong

STOCK CODE

00656

WEBSITE

http://www.fosun.com

GLOSSARY

FORMULAE

EBITDA	=	profit for the year + tax + interest expenses + depreciation and amortisation
Total debt	=	current and non-current interest-bearing borrowings + interest-free loans from related parties
Total capitalisation	=	equity attributable to owners of the parent + minority interests + total debt
Interest coverage	=	EBITDA/interest expenses
Capital employed	=	equity attributable to owners of the parent + total debt

ABBREVIATIONS

Articles of Association	the current articles of association of the Company with the latest amendments made on 17 June 2008
Associate	has the same meaning ascribed thereto under the Listing Rules
the Board	the board of Directors
Carlyle-Fosun	Carlyle-Fosun Shanghai Equity Investment Fund
CG Code	the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules
Club Med	Club Méditerranée SA
the Company	Fosun International Limited
the Director(s)	the director(s) of the Company
Focus Media	Focus Media Holding Limited
Folli Follie	Folli Follie S.A.
Forte	Shanghai Forte Land Co., Ltd., a company which was delisted from the Hong Kong Stock Exchange on 13 May 2011
Forte Group	Forte and its subsidiaries
Fosun Capital	Shanghai Fosun Capital Equity Investment Fund Partnership L.P.
Fosun Chuanghong	Shanghai Fosun Chuanghong Equity Investment Fund Partnership (L.P.)
Fosun Group	Shanghai Fosun High Technology (Group) Co., Ltd.
Fosun Holdings	Fosun Holdings Limited
Fosun International Holdings	Fosun International Holdings Ltd.
Fosun Pharma	Shanghai Fosun Pharmaceuticals (Group) Co., Ltd.
GFA	gross floor area
the Group or Fosun	the Company and its subsidiaries
Hainan Mining	Hainan Mining Co., Ltd.
Haizhimen	Shanghai Haizhimen Property Investment Management Co., Ltd.
HKD	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of China
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Huaxia Mining	Beijing Huaxia Jianlong Mining Technology Co., Ltd.
Jianlong Group	Tangshan Jianlong Industrial Co., Ltd.
Jin'an Mining	Anhui Jin'an Mining Co., Ltd.
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Minsheng Bank	China Minsheng Bank Corp., Ltd.
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
Nanjing Iron & Steel	Nanjing Iron & Steel Co., Ltd.

Nanjing Nangang	Nanjing Nangang Iron & Steel United Co., Ltd.
Nanjing Steel United	Nanjing Iron & Steel United Co., Ltd.
Pramerica-Fosun China Opportunity Fund	Pramerica-Fosun China Opportunity Fund, L.P.
Pramerica Fosun Life Insurance	Pramerica Fosun Life Insurance Co., Ltd.
PRC	the People's Republic of China
Reporting Period	the year ended 31 December 2011
Resource Property	Shanghai Resource Property Consultancy Co., Ltd.
RMB	Renminbi, the lawful currency of the PRC
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shanjiaowulin	Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd.
Shares	the shares of the Company
Share Option Scheme	the share option scheme of the Company adopted on 19 June 2007
Sinopharm	Sinopharm Group Co. Ltd.
Star Capital	Shanghai Star Equity Investment L.P.
USD	United States dollars, the lawful currency of the United States
Yong'an Insurance	Yong'an Insurance Co., Ltd.
Yuyuan	Shanghai Yuyuan Tourist Mart Co., Ltd.
Zendai	Shanghai Zendai Property Limited
Zhaojin Mining	Zhaojin Mining Industry Co., Ltd.

China

Expertise Global

Capacity