FOSUN 复星

復星國際有限公司

FOSUN INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00656)

创·竞

INNOVATION & COOPETITION

ANNUAL REPORT 2019

Profit Attributable to Owners of the Parent

RMB

14,800.9

million

Innovation & Coopetition

In 2019, Fosun formally defined the new positioning of "innovation-driven consumer group" and put forward the "Focus" strategy for the first time in early 2020. In the past decade, Fosun has made many ground-breaking attempts and explorations in terms of regions, investments and industries. Fosun has basically completed the preliminary industrial and regional expansion deployment. The next strategic focus will be on strengthening Fosun's existing industries and regional operations, and enhancing the competitiveness and efficiency of its industry operations, so as to become one of the leaders in each of the core businesses we engage in.

The theme of Fosun's annual report this year is "Innovation & Coopetition", which is also our directional action of actively implementing the "Focus" strategy. "Innovation" means Fosun always attaches great importance to innovation and we recognize that we can create world-class products only by increasing investment in innovation and R&D. "Coopetition", the combination of cooperation and competition, means cooperative competition. We hope to utilize a coopetition incentive mechanism to realize the continuous evolution and iteration of the organization and ensure the smooth implementation of the top-level planning and strategies of the Group.

Since the start of 2020, the coronavirus epidemic suddenly broke out and spread globally. The global crisis brought great challenges to the entire world. Fosuners around the world reacted swiftly, fully demonstrating the strengths of our global network and our effective coordination capability within the business ecosystem of Fosun. Fosun has been giving full support to the fight against the epidemic, ensuring people's daily needs are met, and tiding over the difficulties together with the society.

Looking forward, we will continue to strengthen our foothold in the industry, step up innovation, foster evolution and enhance our capabilities. We will stick to the three post-outbreak strategic directions of "healthcare", "family" and "online", so as to accelerate the transformation and upgrade of our businesses. Meanwhile, as an enterprise with global vision, Fosun will continue to leverage its worldwide resources, and will actively pursue asset optimization and integration of its businesses, with a view to developing into a world-class consumer group and creating more values for shareholders.

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Financial Summary

In RMB million	For the year ended 31 December 2019	2018 (restated)
Revenue	**142,982.1**	109,351.6
Health	**33,133.0**	29,093.3
Happiness	**67,557.5**	44,936.4
Wealth	**43,370.0**	36,097.4
Insurance	**31,261.9**	23,668.5
Finance	**2,492.6**	2,482.7
Investment	**9,615.5**	9,946.2
Eliminations	**(1,078.4)**	(775.5)
Profit attributable to owners of the parent [note]	**14,800.9**	13,406.4
Health	**1,561.4**	1,484.7
Happiness	**2,826.7**	2,276.5
Wealth	**10,412.8**	9,645.2
Insurance	**2,606.8**	2,382.7
Finance	**1,501.0**	1,245.2
Investment	**6,305.0**	6,017.3
Earnings per share – basic *(in RMB)*	**1.73**	1.57
Earnings per share – diluted *(in RMB)*	**1.73**	1.56
Dividend per share *(in HKD)*	**0.40**	0.37

Note: Unallocated expenses are allocated to profit attributable to owners of the parent by ratio.

We are incredibly grateful to have our shareholders' long-term trust and support throughout these years that has allowed us to pursue our ambitions and achieved today's success.

GUO GUANGCHANG
Chairman
Fosun International Limited

Dear distinguished shareholders,

During the Reporting Period, the Group's operating revenue reached RMB143.0 billion, representing a 31% growth as compared to the previous year. Profit attributable to owners of the parent amounted to RMB14.8 billion, representing a 10% growth as compared to the previous year, marking the eighth consecutive year of growth and another new record high. We are grateful to have our shareholders' long-term trust and support throughout these years. To extend our sincere gratitude to our shareholders, all Fosuners will continue to work even harder and devote ourselves to achieving better results.

In early 2020, Coronavirus Disease 2019 ("**COVID-19**") broke out and spread globally. The global crisis brought great challenges to the entire world, leaving no individual and enterprise unaffected. As soon as the outbreak took place, Fosun leveraged its global resources advantage and emergently deployed protective resources to help China fight against the epidemic on the frontline. However, as the COVID-19 eventually evolved into a global pandemic affecting all countries, we have now put great emphasis on helping more countries fight against the viruses. Fosun's action to fight the outbreak has won high recognition and great support from Chinese and foreign governments as well as all walks of life, in particular, Fosun's capacity in deploying our global resources is highly recognized.

The virus-borne global crisis threatens everyone's life and health and hits hard the societies, economies and livelihoods of all countries. Fosun instantly studies the potential risks and opportunities faced by all industries in the midst of the crisis. In addition to protecting ourselves from the risks through various means, we also promptly capture the opportunities available for strengthening our businesses by fully leveraging our advantages in global industrial integration and investments. Fosun has experienced numerous economic cycles in the past 28 years of operation since its establishment, we weathered every crisis we faced and grew stronger, so we are confident that we will be able to overcome the crisis again and emerge as an even more resilient global enterprise.

Grasp opportunity arising from China's family consumption industry upgrade in the post-outbreak era

In view of the current situation, China would hopefully be the first to ride out the crisis among all major economies in the world. As a global company rooted in China, Fosun always insisted on its "glocalization" (Global + Local) strategy and has pioneered in introducing many world-class industries into China. Having experienced the outbreak, China will mainly drive economic growth by stimulating domestic demands. This approach coincides with Fosun's aspiration of becoming an innovation-driven consumer group, therefore, Fosun will make greater efforts to promote the family consumption industries with particular emphasis placed on its products customized for "family", "healthcare" and "online", so as to provide better services and high-quality products to more families worldwide.

For instance, parent-child tours and family tours are always the most prominent features of FTG. Atlantis Sanya offers a series of family resort experience such as Aquaventure Waterpark, Dolphin Cay, the Lost Chambers Aquarium and C Shows, creating a new benchmark of Hainan tourism destination as an icon of upgrading v3.0. In 2019, Atlantis Sanya posted business volume of RMB1.31 billion, representing more than 74.2% growth as compared to the previous year, with occupancy rate increased to 68.5%. In 2019, the number of visitors reached around 5.2 million.

Another example is the distinctive health insurance, which Fosun has been always developing for its insurance segment, leveraging its industrial resources in the health business. Fosun United Health Insurance, which was established only three years ago, achieved a premium revenue of more than RMB1.81 billion in 2019, representing a growth of around 250% as compared to the previous year. As a new and distinctive health insurance company, Fosun United Health Insurance endeavors to create a business ecosystem with digital and smart healthcare services. The company earned premium revenue of RMB714 million in 2019 from Internet insurance, representing a growth rate of 154% as compared to the previous year and a share of 39.5% in the company's total premium revenue.

Furthermore, Fosun has been stepping up its online marketing. For instance, Yuyuan, Fosun's Happiness flagship which also plays an important role in drawing customer traffic, has been strengthening its online membership marketing in 2019. Its registered online members increased by 103% to 8.75 million in total, of which, the number of online buyers has increased by 136% to 1.89 million with a total member repurchase amount of RMB500 million. "Laomiao", a brand under Yuyuan, worked with Fosun's online platform Baihe Jiayuan, launching the hot-selling product package of the year which included Mak Ling Ling's "Good Luck Charms for Love" pure gold accessory and Baihe Jiayuan's matchmaking services.

Optimize asset allocation and focus on core businesses

Early this year, Fosun proposed an important keyword for its growth in 2020 – Focus. In the past decade, Fosun has made many ground breaking attempts and explorations in terms of regions, investment and industries. That stage of development has been completed and we are about to enter the new stage of optimizing our asset allocation and focusing on core industries. Our objective is to become one of the leaders in each of the core businesses we engage in. As such, we have launched the Fosun Business System (FBS) for further empowering and supporting the development of our core businesses.

First of all, we rely on meticulous management to increase operational efficiency. It is always our belief that absolute scale should not be an enterprise's target. In fact, many enterprises which pursue scale expansion through endless leverages at the expense of profitability eventually fail to survive in times of crisis. On the contrary, meticulous management is one of the essential keys to success of many outstanding enterprises. Therefore, highest employee productivity, highest operational efficiency and maximum profitability are what we should pursue. For instance, steel output per capita and profits per capita of Nanjing Iron & Steel, ranked the second and the third respectively among steel enterprises in China. It may not be the largest steel enterprise in China, but it is surely one of the best.

Secondly, we shall increase investment in research and development ("**R&D**") of technology innovation to create world-class products. Always maintaining competitiveness of products is the key factor for securing industrial leadership, and greater investment in R&D of technology innovation is essential in this regard. Taking our Health business as an example, Fosun has accumulated extensive experience and resources in the industry, and Fosun Pharma is one of the top ten pharmaceutical enterprises in China. Yet, we still continue to invest more in technology innovation of our Health business and make greater efforts in proprietary R&D. Through our global network, we have also cooperated with different leading research institutes to enhance our technology innovation capacity. As such, facing the coronavirus outbreak, Fosun Pharma's subsidiary has cooperated with BioNTech SE to jointly develop vaccines against the COVID-19 through the world-leading mRNA platform. Meanwhile, Fosun Pharma's self-developed COVID-19 nucleic acid test kit was granted CE certification from the European Union and received emergency approval from the National Medical Products Administration ("**NMPA**") of China.

Thirdly, we shall strengthen our vertical industrial integration capability to create market entry barriers. Every industry leader must have its signature or hot-selling products, but what is more important is the capacity of integration. Fosun never ceases to look for investment opportunities that can strengthen and complement the development of our industrial businesses through our global investment capacity. In May 2019, the funds managed by the Group completed acquisition of FFT, the benchmark enterprise of German Industry 4.0. FFT is a provider of automated and flexible turn-key solutions for production systems to world-class manufacturers such as Daimler, BMW, Volkswagen, Boeing, Airbus and COMAC C919. The acquisition of FFT has further enhanced Fosun's intelligent manufacturing capacity.

Fourthly, we shall emphasize the synergistic advantages within our ecosystem and strive to create hot-selling products through internal business development (BD). As a group which engages in various businesses, Fosun can achieve the result of 1+1>2 through its ultimate advantage in creating synergy across its different business sectors. For instance, Fosun's IDERA platform in Japan, by utilizing its years of experience in real estate investment and asset management, not only facilitated the launch of the Tomamu Ski Resort in Hokkaido, Japan, but also completed property construction and renovation and introduced Club Med, a brand under the FTG to Japan. Through meticulous management and Fosun's global marketing capabilities, Tomamu Ski Resort saw a 50% increase in its number of guests per year and a 300% increase in its gross operating profit compared to the time prior to the acquisition.

Emphasize the importance on the evolution of organizational structure in times of crisis

In the face of the challenge brought by the once-in-a-century global crisis, Fosun will look for opportunities and pursue innovations and breakthroughs in its businesses. We will also look squarely at the challenge which the entire organizational structure faces under the crisis. To deal with the unexpected COVID-19, Fosun has promptly formulated a wartime mechanism and deployed global resources to support the fight against the epidemic. During the course of the action, Fosun has improved its organization, gained a deeper understanding of our advantages in globalization and ecological organization, and realized the extent of strength the Group is able to unlock under the wartime mechanism. In order to further concentrate on developing each core business into one of the leading enterprises in the sector, this year, Fosun will continue to evolve our organizational structure, increase our operational efficiency and optimize our asset allocation.

Not long ago, management role adjustment took place among Fosun's senior executives, Wang Qunbin was re-designated as Co-Chairman, and Chen Qiyu and Xu Xiaoliang were appointed as Co-Chief Executive Officers (Co-CEOs). Our business frontline senior executives Gong Ping and Pan Donghui were re-designated as the Group's Chief Financial Officer (CFO) and Chief Human Resources Officer (CHO) respectively, and Tang Bin was appointed as the Group's Chief Investment Officer (CIO). Such move has marked our first round of management evolution and could further enhance our top-level planning, while we could also consolidate and strengthen our existing businesses and segments, so that Fosun will become more energetic and competitive. In addition, the wartime mechanism has also forced the organization to step out of its comfort zone, as a result, helping enhance the operational efficiency of the headquarters and all businesses. Particularly, we can further intensify the talent competition management mechanism through the "271 management model", so every Fosuner can give their best on the Fosun platform.

During the 28 years of operation since its establishment, Fosun has always stayed vigilant in peacetime and made stable yet bold progress for sustainable growth. In the past few years, we continued to reduce the debt-to-asset ratio. As at the end of the Reporting Period, our total debt to total asset ratio was 53.5%. We also continue to optimize and develop various financing channels. In 2019, we successfully issued our first Chinese high-yield public offering bond denominated in euros, demonstrating the implementation of our financing principles of diversification, internationalization and decentralization. Such high-yield euro bond provided our global investors an opportunity for subscribing a high-quality asset investment with long-term and stable return.

In the face of the once-in-a-century global crisis, we believe Fosun can deal with all possible issues calmly and even turn crisis into opportunity by stepping up innovation, fostering evolution and enhancing capabilities. As an enterprise with global vision, Fosun will be able to leverage its worldwide resources to identify more opportunities in this crisis. It will also actively pursue asset optimization and integration of its businesses, with a view to developing into a world-class consumer group.

Once again, I would like to extend my sincere gratitude to every shareholder and everyone who has supported and helped Fosun, thank you for your trust and support. We will continue to create greater value for all shareholders!

Guo Guangchang
31 March 2020

GLOBAL CAPABILITY, GLOBAL RESPONSIBILITY, A RECORD OF FOSUN’S EFFORTS IN FIGHTING AGAINST THE EPIDEMIC

Mobilizing global resources, deploying scarce medical supplies to support the world fight against the epidemic

Since the outbreak of COVID-19, Fosun leveraged its global network and initiated a global medical supplies deployment plan on 24 January 2020. Under the direct supervision of Chairman Guo Guangchang and Co-Chairman Wang Qunbin of the Company, Fosun established a global medical supplies allocation working group, and gradually built a global procurement network covering 23 countries including: Japan, India, the United Kingdom, Germany, Spain, Portugal, Russia, Italy, France, the United States, Brazil, Israel, South Korea, Greece, and Poland. With the support of powerful supply chain and global resource coordination capabilities, Fosun’s first urgent procurement of 50 thousand protective suits from Germany took only 4 days from purchase to arrival in Shanghai.

Leading in innovation to effectively support the epidemic prevention and control

Leveraging its strengths, profound experience, and strong innovation capabilities in the healthcare industry, Fosun is able to expedite the development of a vaccine for COVID-19. On 15 March, Fosun Pharma announced that Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. (“**Fosun Pharma Industrial**”), its holding subsidiary, has been licensed by BioNTech SE to exclusively develop and commercialize COVID-19 vaccines based on its proprietary mRNA technology platform in China. According to the agreement, Fosun Pharma Industrial is responsible for the clinical trials, marketing application, and sales & marketing of the vaccine in Chinese mainland, Hong Kong, Macao, and Taiwan (“**the Region**”), and all associated overhead costs and expenses. BioNTech SE will be responsible for providing technical materials and preclinical research data required for clinical trial applications in the Region, cooperating with clinical trials in the Region, and supplying products for related clinical trials and sales & marketing.

Additionally, Breas (Shanghai) Medical Technologies Co., Ltd. and Beijing Beiling Special Automobile Co., Ltd., both member companies of Fosun Pharma, have contributed to front-line epidemic control and prevention efforts by conducting research & development, production, and donations of urgent and scarce supplies such as non-invasive ventilator and negative pressure ambulance.

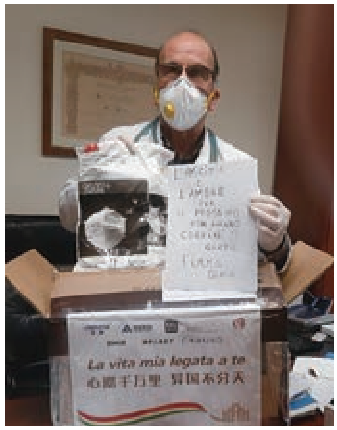
Supporting the front line to fight against the epidemic, through organizing medical professionals and patient care resources

Fosun also has leading medical and healthcare personnel resources on both national and provincial levels. On 23 January, the Group's Wuhan Jihe Hospital was appointed the "Infectious Disease Ward of Caidian District in Wuhan City", served as the designated hospital for centralized treatment of patients with fever in Caidian District of Wuhan City. On 22 January, Chancheng Hospital, ranked first in consecutive years among private hospitals in the country, was appointed the only designated point hospital for the epidemic in Foshan Chancheng District.

On 25 January, the management and experts of Fosun Healthcare Holdings arrived at the front line of Wuhan and devoted themselves into the prevention and control of the epidemic. On 6 February, Fosun Medical Group's first wave of Hubei bound medical teams gathered on the front lines of Caidian, Wuhan. The team consisted of nearly 30 professionals hailing from: Xuzhou Mining General Hospital, Foshan Chancheng Central Hospital, Shenzhen Hengsheng Hospital, Yueyang Guangji Hospital, Suqian Zhongwu Hospital, and Wenzhou Geriatric Hospital, covering from specialists in hospital infection management, internal medicine, ICU, integrated traditional Chinese and western medicine, as well as a material and logistics support team.

27 hospitals under Fosun have been designated hospitals to treat COVID-19 patients. Fosun has over 240 medical personnel fighting in the front line of Hubei. Since 14 March, Wuhan Jihe Hospital no longer served as a designated hospital. It accounted for 515 cured and discharged patients in 51 days. In addition, the mortality and infection rate of medical staff were both zero.

Utilizing global capability, and assuming global responsibility to help prevent and control the epidemic



In the face of the ever-escalating risk of the pandemic overseas, Fosun quickly organized and established 24 Anti-COVID-19 working committees covering 10 provinces and regions in China, as well as 14 overseas countries & regions. They ensured the normal operations of local member companies of Fosun, promoted the collaboration of local resources, and strengthened care towards employees' health and families. At the same time, Fosun has also issued multiple epidemic resistance and resumption of work guidelines for employee, as well as produced "Fosun Global Employee Care and Protection Manual" in multiple languages, and has insisted on the continual health status self-reporting of all global employees.

On 1 March, Fosun officially launched the second phase of its fighting against COVID-19 by urgently deploying global resources to support the overseas countries to fight against the epidemic. As at 31 March, Fosun has deployed 2.523 million medical supplies including masks, protective suits, nucleic acid test kits, etc., to key countries with rapid epidemic outbreak, including Italy, the United States, France, Germany, the United Kingdom, Portugal, Japan, South Korea and India.

On 5 March, Fosun Foundation and Fosun's member company donated 5,000 "red-zone" masks to Milan's municipal government on behalf of Fosun Foundation, and received a thank you letter from Giuseppe Sala, the mayor of Milan. Fosun has donated 4 batches of medical supplies to Italy. On 24 March, Clemens von Goetze, Ambassador of Germany to China wrote a "Letter of appreciation" to particularly extend its gratitude to Fosun, for the kind donation of protective supplies at such a critical time to Germany. On 30 March, Fosun's first chartered flight carrying over one million pieces of medical supplies weighing over 120,000 tons from Shanghai landed at Lisbon Airport. This batch of supplies includes 50,000 medical supplies and 20,000 nucleic acid test kits donated by Fosun Foundation and Fosun's member companies in Portugal, as well as one million KN95 masks purchased by Fosun member company, Luz Saúde. Fosun will continue to deploy medical protection supplies and nucleic acid test kits to overseas countries through its global procurement network and help the world to fight against the epidemic.

Business Overview

As an innovation-driven consumer group, the Group continued to focus on expanding its three business lines – Health, Happiness and Wealth, and enhancing its operational capabilities and product competitiveness, in order to maintain a sustainable and healthy growth across its global business.

REVIEW ON FINANCIAL HIGHLIGHTS

In 2019, the Group reported its best ever a year with a new record high for revenue of RMB142.98 billion, representing a year-on-year growth of 31%. Specifically, 55% of the revenue came from Chinese mainland, and 45% came from overseas countries and regions. Profit attributable to owners of the parent was RMB14.80 billion, representing a year-on-year growth of 10%. Profit attributable to owners of the parent of Happiness business increased significantly by 24%. Industrial operating profit was RMB11.13 billion, representing a year-on-year growth of 21%. Over the past eight years, the compound annual growth rate of profit attributable to owners of the parent reached 23%, and the compound growth rate of book value per share reached 16%.

The revenue of the top five industrial companies accounted for 81%, with an average year-on-year growth rate of 22%. Among them, Fosun Pharma (representing 20% of total revenue) increased by 15% year-on-year, Yuyuan (representing 30% of total revenue) increased by 26% year-on-year, FTG (representing 12% of total revenue) increased by 7% year-on-year, Fosun Insurance Portugal (representing 13% of total revenue) increased by 40%[1] year-on-year, and Peak Reinsurance (representing 6% of total revenue) increased by 31%[1] year-on-year.

As at the end of the Reporting Period, the Group's total debt to total capital ratio was 53.5%, compared to 53.7% as of 31 December 2018. The Group's average cost of debt was 5.06% during the Reporting Period compared to 4.97% in 2018.

The Group's ROE of the Reporting Period was 12.8% which remained the same as in 2018. The average ROE from 2014 to 2019 is 13.3%.

As at the end of the Reporting Period, the management-adjusted net asset value (NAV) per Share was HKD24.0.

Following the strong financial results in 2019, the Board proposed to declare a final dividend of HKD0.27 per Share for the year ended 31 December 2019. Together with the interim dividend, the total dividends for the year are HKD0.40 per Share, representing a dividend payout ratio of 20.3% with a compound growth rate of 24% during the past 4 years and a dividend yield of 3.5%, based on the stock price as at the end of 2019.

REVIEW ON BUSINESS HIGHLIGHTS

Health Business

The Group's Health business focuses on innovation-driven pharmaceutical manufacturing and health services, leading the innovation of technology and ecological mode. In terms of innovation, the Group adheres to the strategies of innovation, internationalization, integration and intelligence. At present, the Group has formed an interactive and integrated R&D system in China, the United States, India, and Israel, and created an international R&D platform for biopharmaceutical drugs, small molecule chemistry drugs, cell-mediated immunity, and high-value generic drugs. The Group has also created a blockbuster product through multi-level docking of a global team of outstanding scientists, leading technology and high-value products, and through supporting domestic and foreign professional, branded, and digital marketing modes. The Group also relies on ecological layout and synergy to build a core business of health services. The Group strengthened the construction of intelligent medical/internet technology through the deployment of high-quality race tracks such as health insurance, high-quality medical services, and healthcare to improve scale and operational efficiency, and explored innovative business modes.

During the Reporting Period, the total revenue of Health business was RMB33.13 billion, representing an increase of 14% from RMB29.09 billion in 2018. Revenue of pharmaceutical manufacturing and R&D, medical and health services, and medical equipment and diagnosis under Health business represented 65%, 24% and 11% of the total Health business revenue of the Group, respectively. Profit attributable to owners of the parent was RMB1.56 billion, representing an increase of 5% from RMB1.48 billion in 2018.

Note 1: The revenue of 2018 and 2019 are translated using the average exchange rate of the respective year.

- ► With the development of existing cutting-edge products and technologies, Fosun Pharma will establish and consolidate its leading position in biopharmaceutical. Through independent R&D and diversified cooperation models (international cooperation, innovation incubation, and VC investment), Fosun Pharma connects with global teams of outstanding scientists to create leading technologies and high-value products. Through continuous R&D efforts, Fosun Pharma's innovation capabilities have been further enhanced. In 2019, R&D investment reached RMB3.46 billion, accounting for 12% of revenue. Important progress has been made in the development of innovative drugs:

  i. Fosun Kite, submitted the new drug application in February 2020 and was included in the priority review, and has become a leading industrialization platform of T-cell therapy in China.

  ii. Leading biotechnology company Shanghai Henlius developed Hanlikang® which was approved to register and market in February 2019 and was launched for sale in May 2019. Shanghai Henlius' New Drug Applications of two products have been accepted by the NMPA of China, and Marketing Authorisation Application of one product has been submitted and accepted in the European Union and several antibody products are currently under development.

  iii. Fosun Orinove's innovative target project, Orin1001, was approved clinically in the United States and obtained fast-track certification, and was approved clinically in China in January 2020.

  iv. A small-molecule innovative drug of Chongqing Fuchon Pharmaceutical Research Co., Ltd. for the treatment of hyperuricemia and gout has been approved for clinical use. As at the end of 2019, a total of nine projects were in clinical stage.

- ► The development of Wanbang Pharma, has accelerated and achieved a ten-fold rapid growth in ten years by integrating state-owned enterprise resources, marketing reform, and R&D leadership. Among them, YouLiTong, the star product created by the synergy of Fosun's ecosystem, has achieved continuous growth in sales revenue since 2014.

- ► During the Reporting Period, Luz Saúde, a leading private healthcare provider group in Portugal, completed the first phase of the expansion with the construction of the new building and initiated the second phase (existing building restructuring and refurbishment) of Hospital da Luz Lisboa. In the future, Hospital da Luz Lisboa will complete the expansion by finishing the second phase and refurbishing of the existing building, thus increasing service capacity by 80% and further reinforce its market leadership position. In terms of business synergy, Luz Saúde cooperated with Fosun Insurance Portugal to build the ecology synergy of insurance + private hospital.

- ► Starcastle Senior Living, a senior living project incubated by the Group, is gradually becoming a leader in the healthcare industry through its solid operating experience in the senior living community. Relying on the real estate and medical industry capabilities to achieve a 0-1 incubation of the senior living business, in 2013, its first project, Starcastle Zhonghuan Senior Living Community (Phase I) opened, and was a great success, with a stable occupancy rate of more than 90% over two years and profitable operations. In 2016, the Starcastle Pujiang Senior Living Community pioneered the membership management pattern, which was proved after its light-asset operation made a profit. It began to promote 1-N replication and expansion, and entered Ningbo, Suzhou, Beijing, Tianjin and other cities.

Happiness Business

The Group's Happiness business targets the mid-to-high-end household customer base, focusing on contents, models, and products, and connecting online platforms with offline scenarios. The Group has laid out a number of Happiness industries to gain advantages of industrial synergies. Relying on the industrial development platform, the Group has continuously promoted the integration of industrial and urban development. Through building online member platforms such as the "Foryou Club" and "Dongjia", the Group creates rich offline scenes in Happiness industries to fully promote Fosun's Happiness business.

In 2019, total revenue of the Happiness business was RMB67.56 billion, representing an increase of 50% from RMB44.94 billion in 2018; brand consumption and tourism and culture income of Happiness business accounted for 73% and 27% of the Group's Happiness business income, respectively; profit attributable to owners of the parent was RMB2.83 billion, representing an increase of 24% from RMB2.28 billion in 2018.

- Yuyuan is committed to becoming the world's first-class group in the family entertainment and consumption industry group with roots in China that leads the trend of Chinese cultural revival. In 2019, the performance of Yuyuan jewellery and fashion business has rapidly increased. The business builds hit products including Gu Yun Jin, Wan Baobao series and Mak Ling Ling series. In 2019, there is a net increase in the number of stores from 669 to 2,759, with a 23% year-on-year growth to a revenue of RMB20.46 billion.

- FTG is one of the world's leading leisure-focused integrated tourism groups and committed to making families around the world happier. In 2019, Club Med has continued to consolidate its leading position in the resort industry with its rapid business growth, and opened four new resorts which have received nearly 1.5 million customers worldwide throughout the year. Atlantis Sanya, the first tourism destination project of FTG located in Sanya, has achieved outstanding results, with a business volume of RMB1,312.1 million in 2019, an adjusted EBITDA rate of about 43%, 5.2 million visitors throughout the year, and more than 1.8 billion user-generated contents on Tiktok.

Wealth Business

The Group's Wealth business focuses on insurance-based financial underlying assets and on the basis of achieving synergy among insurance, industry and asset allocation, it also supports innovation-driven investment layout and forms three major industry characteristics – "Insurance + Industry" (Insurance + Medical Care & Insurance + Tourism & Insurance + Senior Living & Insurance + Health Management), "Insurance + Finance + Asset Allocation" and "Finance + Technology".

The optimization of capital allocation and collaboration with overseas asset management platforms greatly improve the return on investment and significantly improve the market position of asset management platforms. Relying on flexible global asset allocation and rich choice of investment asset categories, the investment return rate and overall profit of investors (such as insurance companies) are improved. At the same time, the asset management platform has also improved its asset management scale and financing capacity, and its investment capacity has been strengthened.

In 2019, total revenue of Wealth business was RMB43.37 billion, representing an increase of 20% from RMB36.10 billion in 2018. The income from household finance, corporate finance, and investment accounted for 54%, 24%, and 22% of the Group's total Wealth business income, respectively. Profit attributable to owners of the parent was RMB10.41 billion, which was an increase of 8% compared to RMB9.65 billion in 2018.

The Insurance segment realized profit attributable to owners of the parent of RMB2.61 billion in 2019, up by 9% from RMB2.38 billion in 2018.

- Fosun Insurance Portugal is committed to building a global insurance company with stable finance and balanced business portfolio. In 2019, Fosun Insurance Portugal continued to strengthen its core businesses, with the market share of life and non-life insurance businesses accounting for 23.6% and 27.9%, respectively. By strengthening the data transformation, the operation efficiency of Fosun Insurance Portugal has been further improved. The time of health insurance compensation has been shortened by 80%, and the time of vehicle insurance compensation has been saved by more than 30%. In 2019, Fosun Insurance Portugal adhered to the international expansion strategy. Specifically, Fidelidade completed the acquisition of La Positiva's control stake, which is Peru's fourth largest insurance company. At the same time, Fidelidade has also obtained the operating license of Chile, set up a Chinese representative office and signed memoranda of cooperation with a number of domestic insurance companies.

- The premium income of Pramerica Fosun Life Insurance in 2019 was RMB4,064.6 million, representing a year-on-year increase of 222.6%. Pramerica Fosun Life Insurance has achieved excellent results in building the "Jinzhixia" insurance marketing team.

The Finance segment realized profit attributable to owners of the parent of RMB1.5 billion in 2019, up 21% from RMB1.25 billion in 2018.

- The German private bank H&A has steadily increased its ROE to the top three in the industry by promoting synergy and increasing scale. As at the end of the Reporting Period, H&A's assets under control reached EUR142.0 billion, a year-on-year increase of 14.5%, and ROE reached 11%. At the same time, H&A has also increased its investment in science and technology, aiming to create a leading platform for financial technology. Through the development of online asset management platforms, its product yield in 2019 was among the best in the industry.

The Investment segment realized profit attributable to owners of the parent of RMB6.31 billion in 2019, up 5% from RMB6.02 billion in 2018.

- ► As a first-class private equity fund manager in China, Fosun Capital managed seven funds with an asset management scale of nearly RMB16 billion as at the end of the Reporting Period. In 2019, the fund management team led the acquisition of 100% equity interest in FFT GmbH & Co. KGaA, a German Industry 4.0 benchmarking enterprise. A total of three invested enterprises managed by the fund realized initial public offering ("**IPO**"), and two invested enterprises realized merger and acquisition of listed companies.

Keyword for the growth of Fosun in 2020 – "Focus"

After its establishment in 1992 and nearly nineteen years of industrial entrepreneurship, the Group formed three major businesses, namely pharmaceutical, property and manufacturing in 2010. In the following decade, the Group adhered to "Combining China's momentum with global resources" plus "growth industry operations and Industrial investment," and formed a "glocal + 2C (to Customer) + innovation" industrial footprint. Today, Fosun's strategic deployment, regional deployment and industrial deployment have been basically in-position. In mid-2019, the Group proposed to become an "innovation-driven consumer group".

In early 2020, the Group put forward a strategic focus through which the business competitiveness and ROE will be enhanced. Strategically, we will focus on family customers, C2M, innovation and create synergy with Fosun's ecosystem; in terms of industry, we will focus on deepening industry operations, and create the good products and brands with the high ROE; in terms of investment, we will focus on strategic holding investment to strengthen the existing industrial segments and the leading scientific and technological innovation; regionally, we will further develop existing key regional markets, including China, Europe, the United States and emerging markets.

In 2020, we will also strategically focus on fundamental assets and high-growth assets to improve ROE; and allocate innovation-driven assets.

INVESTMENT CRITERIA FOR INNOVATION-DRIVEN ASSETS:

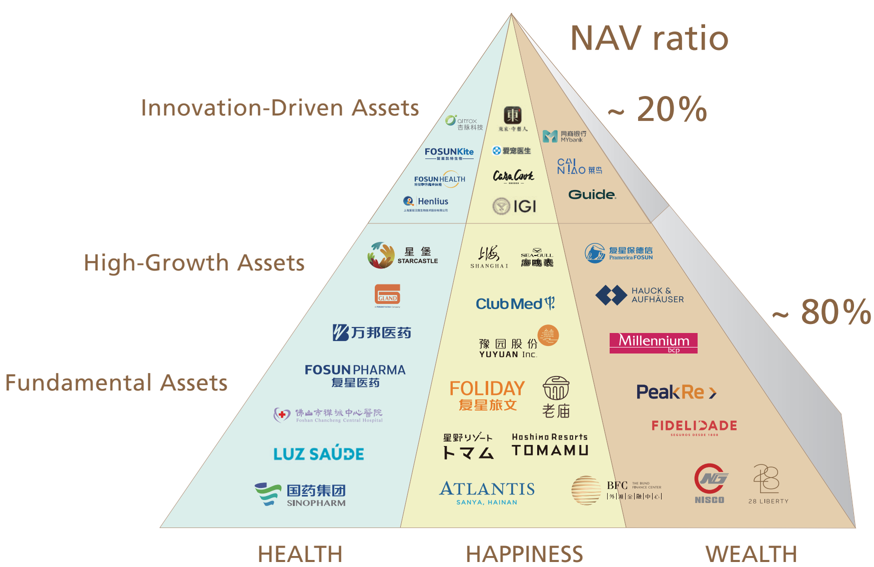
- Focus on long-term potential and competitive investments and innovation-driven sector
- Invest in excellent teams and capture frontier innovation opportunities
- High synergy among Health, Happiness and Wealth businesses

INVESTMENT CRITERIA FOR HIGH-GROWTH ASSETS:

- Continue to build superior products and brands in core sectors
- Realized or Target ROE ≥ 15% and core assets with high profit growth
- Excellent team with innovative and industrial integrating abilities

INVESTMENT CRITERIA FOR FUNDAMENTAL ASSETS:

- Industry leaders in the sector
- Contribute sustainable profits and cash flow to the Group
- High potentials in value growth



BUSINESS REVIEW

As at the end of the Reporting Period, total assets of the Group amounted to RMB715,681.2 million, representing an increase of approximately 12.0% in the end of 2018. During the Reporting Period, profit attributable to owners of the parent of the Group amounted to RMB14,800.9 million, representing an increase of approximately 10.4 % over the same period in 2018.

ASSET ALLOCATION OF THE GROUP

Unit: RMB million

Segment	Total assets as at 31 December 2019	Total assets as at 31 December 2018 (restated)	Change from the end of 2018
Health	**91,740.1**	86,877.6	5.6%
Happiness	**178,393.9**	145,825.6	22.3%
Wealth	**461,507.4**	422,080.1	9.3%
Insurance	**209,784.5**	185,550.3	13.1%
Finance	**77,278.8**	76,530.8	1.0%
Investment	**174,444.1**	159,999.0	9.0%
Eliminations	**(15,960.2)**	(15,899.5)	N/A
Total	**715,681.2**	638,883.8	12.0%

CORPORATE STRUCTURE[1 2 3] (AS OF 31 DECEMBER 2019)

Health

Pharmaceutical	Medical Services & Health Management	Health Products
Fosun Pharma[4] 38.10%	Fosun United Health Insurance 20%	Silver Cross 90.11%
Shanghai Henlius	Luz Saúde[5] 99.85%	Sanyuan Foods[6] 20.45%
Sisram Med	Starcastle Senior Living 100%	St Hubert[7] 98.12%
Gland Pharma	Chancheng Hospital	
Sinopharm		

Happiness

Tourism & Leisure	Fashion	Consumer & Lifestyle
FTG 80.97%	FFG 83.40%	Yuyuan 68.53%
Club Med	LANVIN[8] 70.36%	Tsingtao Brewery[13] 15.67%
Atlantis Sanya	Tom Tailor[9] 77.83%	AHAVA[14] 100%
	Wolford[10] 58.45%	Baihe Jiayuan 69.18%
	Caruso[11] 73.79%	Wolves 100%
	St. John[12] 68.9074%	

Wealth

Insurance	Finance	Investment	Investment
Fosun Insurance Portugal[15] 84.9884%	H&A 99.91%	Fosun Capital 100%	Nanjing Nangang 60%
AmeriTrust 100%	BCP 27.25%	IDERA 98%	Hainan Mining 51.57%
Peak Reinsurance 86.51%	Fosun Hani Securities 100%	Cainiao 5.81%	FFT[16]
Pramerica Fosun Life Insurance 50%	Mybank 15.22%	Bund Finance Center 50%	
Yong'an P&C Insurance 40.68%	Guide 70.9%	28 Liberty 100%	

Notes:

1. This simplified corporate structure illustrates the key investments of the Group only. The equity percentage reflects the total direct shareholdings held by the Group, associates, joint ventures and funds managed by the Group as at 31 December 2019.

2. The companies marked in the dotted-line borders are invested by Fosun Pharma. For specific information, please refer to the disclosure of Fosun Pharma.

3. The companies marked in the shaded boxes are invested by FTG. For specific information, please refer to the disclosure of FTG.

4. As of 31 March 2020, the equity interest held by the Group in Fosun Pharma increased to 38.15% through purchasing the shares of Fosun Pharma from the secondary market.

5. The Company and Fidelidade held 49% and 50.85% equity interest in Luz Saúde, respectively. Therefore, the Group held 92.22% effective equity interest in Luz Saúde.

6. The Company through its wholly-owned subsidiary and a fund under management of the Group, held 16.67% and 3.78% equity interest, respectively, in Sanyuan Foods. The Group held 37.25% effective equity interest in such fund. Therefore, the Group held 18.08% effective equity interest in Sanyuan Foods.

7. St Hubert SAS was held 98.12% by an associate of the Group in which the Group held 51% equity interest.

8. Jeanne Lanvin SAS was held 70.36% by an associate of the Group in which the Group held 83.40% equity interest.

9. The Company and a wholly-owned subsidiary of Yuyuan held 47.83% and 29.99% equity interest in Tom Tailor respectively. Therefore, the Group held 68.38% effective equity interest in Tom Tailor.

10. Wolford was held 58.45% by an associate of the Group in which the Group held 83.40% equity interest.

11. Raffaele Caruso S.p.A. was held 73.79% by an associate of the Group in which the Group held 83.40% equity interest.

12. St. John Knits International, Incorporated was held 68.9074% by an associate of the Group in which the Group held 83.40% equity interest.

13. Tsingtao Brewery was held 11.64% by two wholly-owned subsidiaries of the Company, 1.64% and 0.25% by Fidelidade and Peak Reinsurance, respectively, and 2.14% by a fund managed by the Group. Therefore, the Group held 13.25% effective equity interest in Tsingtao Brewery.

14. The Company through its subsidiary held 100% equity interest in AHAVA. Such subsidiary was owned 84.28% effective interest by the Group. Therefore, the Group held 84.28% effective equity interest in AHAVA.

15. The Company through its wholly-owned subsidiary held 84.9884% equity interest in Fidelidade, 80% equity interest in Multicare and 80% equity interest in Fidelidade Assistência.

16. FFT was 100% held by an associate of the Group which was invested through the funds managed by the Group.

Health

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

Unit: RMB million

	For the 12 months ended 31 December 2019	For the 12 months ended 31 December 2018	Change over the same period of last year
Revenue	**33,133.0**	29,093.3	13.9%
Profit attributable to owners of the parent	**1,561.4**	1,484.7	5.2%

During the Reporting Period, the increase in revenue of the Health business was mainly attributable to the continuous and steady growth of Fosun Pharma's revenue. The increase in profits attributable to owners of the parent was mainly due to the increase in profits of Fosun Pharma, which was partly offset by the decrease of the health investment gain.

HEALTH PRODUCTS

MEDICAL SERVICES &
HEALTH MANAGEMENT

PHARMACEUTICAL

Fosun Pharma

Adhering to the brand philosophy of "Innovation for Good Health", Fosun Pharma and its subsidiaries ("**Fosun Pharma Group**") are striving to become a first-tier enterprise in the global mainstream pharmaceutical and healthcare market. In 1994, the predecessor of Fosun Pharma was founded, and was listed on the SSE four years later. In 2004, its predecessor formally changed name to Shanghai Fosun Pharmaceutical (Group) Co., Ltd. In 2005, Fosun Pharma was among the first group of Chinese A-share listed companies included in CSI 300 Index. At the same year, the research center of Fosun Pharma was nominated as national-level research center. In 2012, Fosun Pharma was listed on the Main Board of the Hong Kong Stock Exchange. As at the end of the Reporting Period, the Group held 38.10% equity interest in Fosun Pharma.

Under the guidance of "4 IN" strategies (Innovation, Internationalization, Integration, Intelligentization), Fosun Pharma Group has all along adhered to the development pattern of "internal organic growth, external expansion and integrated development". Focusing on unmet medical needs, Fosun Pharma Group continuously strengthens its product competitiveness and brand strength, improves its innovation, integration and internationalization capabilities, as well as operates efficiently.

Fosun Pharma Group's business covers all key segments of healthcare industry chain, including pharmaceutical manufacturing and R&D, healthcare services, medical devices and medical diagnosis, as well as pharmaceutical distribution and retail, with pharmaceutical manufacturing and R&D as the core, and healthcare services as the development focus.

During the Reporting Period, the revenue of Fosun Pharma Group increased by 14.87% to RMB28,389 million as compared to 2018. Revenue from pharmaceutical manufacturing and R&D segment amounted to RMB21,609 million, representing an increase of 16.81% as compared to 2018. Revenue from medical devices and medical diagnosis amounted to RMB3,728 million, representing an increase of 2.78% as compared to 2018 and an increase of 28.7% on the same basis. Revenue from healthcare service segment amounted to RMB3,038 million, representing an increase of 18.90% as compared to 2018 and an increase of 15.9% on the same basis.

During the Reporting Period, net profit, net profit attributable to shareholders and net profit (after extraordinary gain or loss) attributable to shareholders amounted to RMB3,744 million, RMB3,322 million and RMB2,234 million, respectively, representing a respective increase of 23.96%, 22.66% and 6.90%, as compared to 2018. During the Reporting Period, the main reasons for the increase in profits were: (1) revenue from pharmaceutical manufacturing and R&D segment maintained stable growth, and segment revenue increased by 16.81% as compared to 2018. Revenue from products such as febuxostat tablets (You Li Tong), pitavastatin calcium tablets (Bang Zhi), enoxaparin sodium injection, daptomycin, quetiapine fumarate tablets (Qi Wei) recorded rapid growth. Rituximab injection (Han Li Kang), as the first biosimilar approved in the PRC, commenced sales in mid-May 2019 and quickly gained market recognition, with annual sales of approximately RMB150 million. In 2019, the Fosun Pharma Group had 35 formulation items or series each recorded sales of over RMB100 million, increasing by 6 formulation items or series as compared to last year. Due to the contribution of revenue growth, the segmental revenue contributed by the pharmaceutical manufacturing and R&D segment increased by 18% year-on-year, of which the core enterprise Gland Pharma's net profit increased by 52.2% year-on-year during the Reporting Period (based on the financial statements of Gland Pharma and not taking into account the effects of amortization of appreciation from assets evaluation); the net profit of the core enterprise Jiangsu Wanbang Biopharmaceutical Company Limited (江蘇萬邦生化醫藥集團有限責任公司) increased by 44.8% year-on-year during the Reporting Period (taking into account the effects of amortization of appreciation of asset evaluation); (2) the installation volume and surgical volume of Da Vinci surgical robotic system of Intuitive Fosun, a joint venture in the medical devices and medical diagnosis segment, both increased rapidly. In 2019, 60 Da Vinci surgical robotic system were installed, and over 40,000 surgical operations were performed in Chinese Mainland and Hong Kong; HPV diagnostic reagent and genetic testing reagent for Thalassemias experienced faster growth; (3) the profit contribution from the disposal of equity interest in Healthy Harmony Holdings L.P. (whose main asset is United Family Hospital) held by the Fosun Pharma Group during the Reporting Period.

During the Reporting Period, the Fosun Pharma Group continued to increase its R&D expenditures. The total R&D expenditures for the year amounted to RMB3,463 million, representing an increase of 38.15% year-on-year.

Fosun Pharma Group will continue to optimize its operation and improve asset operation efficiency. Specific strategies and actions including: (1) The pharmaceutical manufacturing business will continue to focus on the existing six disease treatment areas and promote the transformation to professional, branded and digital marketing teams. At the same time, Fosun Pharma Group will increase investment in R&D to create strategic product lines and a new pharmaceutical R&D system that meets international standards. (2) Fosun Pharma Group will continue to promote development and introduction of medical devices and diagnostic products, strengthen construction of domestic and foreign sales networks and professional marketing teams, and focus on mainstream technology platforms and innovative technologies, in order to become a leading comprehensive supplier of products and services. (3) Fosun Pharma Group will promote the integrated operation mode and seek new opportunities for medical service mergers and acquisitions. Medical institutions invested in holding shares will further strengthen discipline construction and quality management to improve operation efficiency. Through centralized procurement and information construction, all member hospitals will efficiently reduce cost and accelerate business development. (4) Fosun Pharma Group will continue to promote the integration and rapid growth of Sinopharm in pharmaceutical and medical device distribution to consolidate its leading edge.

SHANGHAI HENLIUS

Shanghai Henlius is a leading biopharmaceutical company in China with the vision to offer high-quality, affordable, innovative biopharmaceuticals to patients worldwide. It has products for oncology, auto-immune diseases, and other fields. Shanghai Henlius was established in 2010 and listed on the Main Board of the Hong Kong Stock Exchange in September 2019. As at the end of the Reporting Period, the Group held 53.33% equity interest in Shanghai Henlius through its subsidiaries.

In order to achieve the vision of "be the most trusted and admired biotech company providing innovative and affordable medicines for all patients", Shanghai Henlius has implemented the following strategies: 1. Further strengthening Shanghai Henlius' leading position in continuous biosimilar development and grasping first-mover advantages; 2. Developing innovative product portfolios centered on immune-oncology combination therapy by making use of its powerful and comprehensive biopharmaceutical pipeline and mature monoclonal antibody development platform; 3. Expanding production capacity and improving cost-effectiveness while maintaining high quality standards; 4. Improving commercialization capabilities through internal sales and marketing teams and partnerships; 5. Expanding its global footprints through selective strategic cooperation.

Shanghai Henlius is principally engaged in biopharmaceutical research, biopharmaceutical service and biopharmaceutical production. Since its inception, Shanghai Henlius has established, and continued to expand a comprehensive pipeline of biosimilar and bio-innovative drugs.

During the Reporting Period, Shanghai Henlius' total revenue was RMB90.9 million, an increase of RMB83.5 million compared with 2018, mainly due to the growth in sales from commercialization of Shanghai Henlius' core products. Gross profit was RMB19.1 million. However, the loss expanded during the Reporting Period, from RMB504.8 million in 2018 to RMB875.5 million in 2019.

Benefiting from efficient biopharmaceutical industry-wide platform that integrates R&D, production and commercialization into a whole, outstanding global regulatory registration and clinical operation capability, as well as a comprehensive quality management system, Shanghai Henlius has gradually made significant progress on product R&D and commercialization during the Reporting Period: 1. Promoting a sustainable and steady growing product pipeline; 2. Forward-looking production capacity layout with high cost-efficiency; 3. Advanced commercialization strategy and layout；4. Results of internationalized layout.

In 2020, Shanghai Henlius will further expand its biopharmaceutical pipeline covering oncology, auto-immune diseases and more fields, capitalize the achieved first-entrant advantages to further advance the implementation of its internationalization strategy, improve the production base construction, expand production capacity and accelerate the commercialization of more high-quality biological products to benefit more patients worldwide.

GLAND PHARMA

Gland Pharma is a pharmaceutical company primarily engaged in the manufacture of Small Volume Parenterals (SVPs). Gland Pharma was founded in 1978. In 1996, Gland Pharma became the first company to set up pre-filled syringe facility in India. In 2003, its plant became the first Liquid Injectable Plant approved by the U.S. Food and Drug Administration ("**FDA**") in India and it introduced Heparin, its flagship product, in the U.S. market in 2010. Gland Pharma entered the Australian and European markets in 2011 and 2013, respectively. In October 2017, Fosun Pharma Group acquired 74% equity interest in Gland Pharma. In November 2019, Gland pharma intended to publicly issue shares and list on the National Stock Exchange of India and the Mumbai Stock Exchange. As at the end of the Reporting Period, Fosun Pharma Group held 74% equity interest in Gland Pharma.

Gland Pharma is committed to implementing corporate values of teamwork and innovation. In the spirit of being responsible for its customers, Gland Pharma instills ethics, excellence and efficacy in every product, and strives to be a world-class injectables player.

The core business of Gland Pharma is development and manufacture of injectable products. Its key products include: vancomycin, caspofungin, daptomycin, heparin sodium, enoxaparin sodium injection, etc..

Gland Pharma's revenue in 2019, was equivalent to RMB2.51 billion, a year-on-year increase of 31.0%. Taking into account the assessment of value-added amortization, the net profit was RMB513 million, a year-on-year increase of 81.1% (according to Gland Pharma's local currency financial statements, excluding the assessment of value-added amortization affecting net profit growth of 52.2%).

In 2019, Gland Pharma adhered to the international R&D strategy, and a total of 15 generic pharmaceutical products were approved for launching by the U.S. FDA. The pace of product introduction into the Chinese market was accelerated. As of 30 March 2020, Gland Pharma had a total of two products (dexrazoxane for injection and zoledronic acid injection) for import registration and listing application (IDL), four products (zoledronic acid concentrated solution for injection, caspofungin acetate for injection, irinotecan hydrochloride injection and tigecycline for injection) for import registration for clinical trial (CTA). At the same time, Gland Pharma continued to strengthen its international production capacity. During the Reporting Period, multiple aseptic production lines in 4 pharmaceutical production sites have passed the Good Manufacturing Practices (GMP) audit/certification in United States, European Union, Japan, Australia, and Brazil.

Happiness

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

Unit: RMB million

	For the 12 months ended 31 December 2019	For the 12 months ended 31 December 2018 (restated)	Change over the same period of last year
Revenue	**67,557.5**	44,936.4	50.3%
Profit attributable to owners of the parent	**2,826.7**	2,276.5	24.2%

During the Reporting Period, revenue of the Happiness business increased by 50.3%, mainly attributable to the revenue of Yuyuan consolidated into the financial statements of the Group after the completion of the reorganization in July 2018, as well as the revenue increase brought by FTG. The profit attributable to owners of the parent increased by 24.2%, mainly attributable to the improved profit of FTG and Yuyuan.

FASHION

CONSUMER & LIFESTYLE

TOURISM & LEISURE

Yuyuan

Relying on the urban cultural and commercial strength in Shanghai, Yuyuan, with the mission of creating an entertaining life for families worldwide, is determined to become the world's first-class group in the family entertainment and consumption industry group with roots in China, leading the trend of Chinese cultural revival. Yuyuan was formerly known as Shanghai Yuyuan Shopping Mall (上海豫園商場), which was transformed into Shanghai Yuyuan Shopping Mall Co., Ltd. (上海豫園商場股份有限公司) in June 1987. In May 1992, Shanghai Yuyuan Tourist Mart Co., Ltd. (上海豫園旅遊商城股份有限公司) was established, and its shares were listed on the SSE in September of the same year. In November 2002, the Group became the largest shareholder of Yuyuan. In July 2018, Yuyuan completed the asset reorganization. Subsequently, the Group further increased its holding of shares in Yuyuan through the secondary market. In July 2019, the company officially changed its name to Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司). As at the end of the Reporting Period, the Group held approximately 68.53% equity interest in Yuyuan.

Yuyuan insists to implement the two-pronged strategy of "Industry Operations + Industrial Investment", adheres to the concept of enjoyment and fashion, and continues to develop the "1 + 1 + 1" strategy of "happiness consumption industry + offline industry landmarks + online access to family", gradually forming an industrial cluster with unique competitive advantages targeted to the main emerging consumers. The businesses of Yuyuan mainly comprise of several sectors such as culture commerce and smart retail, jewellery and fashion, cultural catering, cultural food and beverage, Chinese fashion watches, beauty and health, and real estates with composite functions.

During the Reporting Period, Yuyuan's operating income reached RMB42,912 million, representing an increase of 26.47% from the adjusted operating income of the same period of last year; net profit attributable to shareholders was RMB3,208 million, representing an increase of 5.79% from the adjusted data of the same period of last year.

In 2019, Yuyuan jewellery and fashion business achieved revenue of RMB20,457 million, representing a year-on-year increase of 22.66%. Jewellery & fashion outlets expanded significantly throughout the year, with a net increase of 669 stores to 2,759 stores. Its brand "Laomiao" launched a series of top products centered on the theme of good luck: launching three phases of the "Gu Yun Jin" product series by grasping the market boom for retro gold products; developing the "Shi Lai Yun Zhuan" series by centering on the culture of the five fortunes and integrating the five fortunes symbols; collaboration with Wan Baobao, an internationally renowned jewellery designer, to launch the "Laomiao × Wan Baobao" series; partnership with Mak Ling Ling, a widely renowned Hong Kong-based metaphysics master, to launch the "Laomiao × Mak Ling Ling" series, which combines good luck culture with traditional culture. These marketing events have run throughout the year. Based on the strategy of rebranding itself and expanding sales channels, "Yayi" restarted its development landscape through a high-profile press conference; it launched new "five loves" themed products to upgrade its product structure; the "Oath" ring series won Bazaar Jewellery's "Light Luxury Fashion" Award; the brand repositioning and product upgrade efforts have gained initial recognition in the market. During the Reporting Period, the gross profit margin of the jewellery and fashion business of Yuyuan was increased by 1.47 percentage points year-on-year to 8.40%.

During the Reporting Period, Yuyuan I renovation project continued to advance, and planning and design of Yuyuan II has also started. The Yuyuan business district underwent a large-scale renovation and transformation. Yuyuan has been making full use of its advantages from long-established brand resources. As part of its cultural and catering business, Songhelou Catering (松鶴樓餐飲) successfully launched the Songhelou Noodle Restaurant, a milestone in its chain development. Lvbolang Restaurant (綠波廊) was renovated and upgraded. Shanghai Classical Hotel (上海老飯店) and Nanxiang Steamed Bun Restaurant (南翔饅頭店) began offering many new dishes; many new cultural food products were introduced: Red Li Gao Lu was upgraded, having less sugar content and a fresher taste; relying on the heritage of Shanghai traditional culture, it creatively launched "Chenghuang Kui 5", a herbal liquor; Qiao's sesame pills and brown sugar jujube pills were also introduced in May 2019. Yuyuan beauty health business, Tonghanchuntang (童涵春堂) achieved a zero-to-one breakthrough in the development of medicinal and food homologous functional foods, and built eight product series including ginseng products, health tea bags, health soup bags, health meal powder, and health cream. At present, a total of 13 SKUs have been launched, such as the health tea bag series, the health new cream series, and the ginseng jelly series. At the beginning of 2019, the pet business unit of beauty health business officially obtained the exclusive agency right of Hill's, a global high-end pet food brand, in the Chinese mainland market, marking a major step in the pet industry.

Yuyuan resolutely implements strategic transformation and integrates the Group's high-quality resources to expand the happy fashion-themed offline landmark business. Yuyuan's business focuses on core cities and advantageous industries. It adopts different policies in light of the different characteristics of each city and steps up expansion of new projects while actively carrying out existing projects. Newly acquired projects, including Changchun Kalun Lake Project, Kunming Wanda Double Tower Area Project, Tianjin Binhai High-speed Railway East Project, Chongqing Central Park Project, Nantong Rudong Project, Zhuhai Doumen Project, are progressing steadily.

In 2019, outward investment and mergers and acquisitions (M&A) accelerated pace. During the Reporting Period, Yuyuan successfully completed the acquisition of 80% equity interest in International Gemological Institute (IGI) and established a joint venture with Xingguangda, which has been successfully put into production. While extending the industrial chain, this has provided a foundation for the rapid development of subsequent diamond jewellery and setting business. Yuyuan has also completed its investment in the domestic pet industry's one-stop service platform, Pet Doctor, to further strengthen its presence in the pet industry. Through the newly established subsidiary, Yuyuan completed the acquisition of Seagull Watches and Shanghai Watches, achieving a dual-brand strategic presence in the watch industry. It has assumed the heavy responsibility of rejuvenating the domestic watch industry. It is confident that the watch industry equipped with Chinese movements can go better and farther. In the cultural food & beverage business, it actively deployed the upstream supply chain by completing the acquisition of the controlling stake of Ruyiqing Biotechnology Co., Ltd. (如意情生物科技股份有限公司), one of the leading domestic edible fungus companies to further strengthen its footprint in the food industry chain.

In 2020, Yuyuan will continue to be driven by two engines of "Industry Operations + Industrial Investment". "Laomiao" and "Yayi" brands under jewellery and fashion business will continue to launch good products, and further improve the quality of channels while increasing the number of stores. Cultural catering business will promote the development of chain restaurants, and its long-established brands such as Songhelou Noodle Restaurant will continue to expand new stores. Food and beverage business, and beauty and health business will give full play to the advantages of long-established brands to launch more products. At the same time, Yuyuan will enhance its competitive advantage and enrich happy and fashion industry through industrial investment. Real estates with composite functions will accelerate the development and implementation of benchmarking projects to truly create offline happy fashion landmarks.

FTG

FTG is one of the world's leading leisure-focused integrated tourism groups, and the largest leisure tourism resorts group worldwide in terms of revenue in 2019 according to Frost & Sullivan Report. In 2009, the Group established the commercial business department, the predecessor of FTG, with a focus on the tourism and commerce sectors. In 2015, the Group acquired the controlling stake of Club Med and subsequently transferred it to FTG upon reorganization. FTG was officially established in 2016, and was spun off from the Group and successfully listed on the Main Board of the Hong Kong Stock Exchange in December 2018. As at the end of the Reporting Period, the Group held approximately 80.97% equity interest in FTG.

Through FTG's lifestyle proposition, "Everyday is FOLIDAY", FTG seeks to infuse concepts of tourism and leisure into everyday living, and provide tailor-made, one-stop solutions through FOLIDAY global ecosystem.

FTG provides a wide range of tourism and leisure services which comprise its three main business sectors: (i) resorts, including brands like Club Med, Club Med Joyview, as well as Casa Cook and Cook's Club acquired in 2019; (ii) tourism destinations, which FTG develops, operates and manages, including Atlantis Sanya, and Lijiang FOLIDAY Town, Taicang FOLIDAY Town, which are developed and operated under self-owned brand "FOLIDAY Town"; and (iii) services and solutions in various tourism and leisure settings.

FTG has made encouraging progress during the Reporting Period. Its total revenue increased by RMB1,067.4 million to RMB17,337.2 million in 2019, compared with RMB16,269.8 million in 2018. Gross profit increased by RMB262.7 million to RMB5,538.7 million in 2019, compared with RMB5,276.0 million in 2018. Adjusted EBITDA increased to RMB3,729.4 million in 2019, compared with RMB2,073.0 million in 2018. Profit attributable to owners of shareholders increased to RMB608.7 million in 2019, compared with RMB308.4 million in 2018.

FTG offers premium resort services in an all-inclusive package that includes accommodations, sports and leisure activities, entertainment, childcare, meals and open bars in a wide range of resorts around the world under the Club Med brand, and offer, in China, both Club Med and Club Med Joyview resorts. As of 31 December 2019, FTG has conducted sales and marketing businesses in more than 40 countries and regions across six continents, and has operated 66 resorts. Its resort business volume under Club Med brand has increased by 5.2% in 2019 as compared with that in 2018 as a result of popularity on the winter ski products and the increased capacities of 4&5 Trident resorts. The recurring EBITDA of resort operation increased to RMB2,363.5 million at a constant exchange rate for 2019.

Atlantis Sanya, is located on the Haitang Bay National Coast of Sanya in Hainan province, China. As the first tourism destination project of FTG located in Sanya, it has approved to be an icon of tourism upgrading v3.0 of Sanya, Hainan Province. Atlantis Sanya was commenced construction in 2014, had its soft opening in February 2018 and officially opened in April 2018. In 2019, the business volume of Atlantis Sanya reached RMB1,312.1 million, increased by more than 74.2% compared with last year, in particular, in comparable period from May to December, it increased by 22.6%. In 2019, customers visiting Atlantis Sanya increased from 3.2 million to approximately 5.2 million as compared with the same period of 2018, and the number of visitors to the Waterpark and the Aquarium reached approximately 1.1 million and 1.2 million respectively. In addition, Tang Residence (saleable residential vacation units of Atlantis Sanya) including 190 villas and 794 apartments presold, has delivered 764 apartments to clients in 2018 and 176 villas and 28 apartments in 2019.

Foryou Club, FTG's proprietary loyalty program, has accumulated approximately 5 million members as at the end of the Reporting Period.

FTG will accelerate the expansion of the resort business, including a resort on the Sainte Anne Island, Seychelles, a mountain resort La Rosiere in French Alps, a seaside resort in Marbella, Spain, and a mountain resort in Quebec Charlevoix, Canada, which will open in 2020 and thereafter. In addition, FTG has also signed several contracts to open new resorts in China in the next few years, including Club Med and Club Med Joyview Resorts in Lijiang and Taicang FOLIDAY Town. The construction of Lijiang FOLIDAY Town and Taicang FOLIDAY Town is expected to be completed in stages starting from either late 2020 or early 2021. FTG is also in discussion with other developers to explore the opportunities to provide tailor-made tourism destination design, technical support and management services. FTG will continue to focus on the enhancement of business brands and products, further strengthen globalization and C2M ecosystem, develop contents and distribution platforms, and seize investment, acquisition or strategic alliance opportunities to further supplement the FOLIDAY ecosystem.

Wealth

The Group's Wealth business includes three major segments: **Insurance, Finance and Investment.**

INVESTMENT

FINANCE

INSURANCE

INSURANCE

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

Unit: RMB million

	For the 12 months ended 31 December 2019	For the 12 months ended 31 December 2018	Change over the same period of last year
Revenue	**31,261.9**	23,668.5	32.1%
Profit attributable to owners of the parent	**2,606.8**	2,382.7	9.4%

During the Reporting Period, the revenue of Insurance segment increased by 32.1% year-on-year mainly because Fidelidade consolidated the Peru's insurance market leader La Positiva's revenue by completing the acquisition of its 51% equity interest in early 2019 and the organic growth in the revenue of Fidelidade and Peak Reinsurance as a result of business expansion. Profit attributable to owners of the parent increased by 9.4% compared with the same period of last year, mainly attributable to the profit increase of Peak Reinsurance and the fair value gain on secondary market investment of Insurance segment.

Note: Financial data of individual insurance portfolio companies presented in this section are based on local general accounting standards applicable to respective regulatory territories, and all quoted numbers are unaudited management information.

Fosun Insurance Portugal

In 2014, the Group acquired a controlling stake in Fosun Insurance Portugal, consisting of Fidelidade, Multicare and Fidelidade Assistência. As of 31 December 2019, the Group owned 84.9884% equity interest in Fidelidade and 80% equity interest in Multicare and Fidelidade Assistência, respectively. This platform is a leading player in the Portuguese insurance market and facilitates further business development of the Group in Europe, Africa and Latin American countries.

Fosun Insurance Portugal is a global operator in the Portuguese insurance market, selling products in all key lines of business and benefiting from the largest and most diversified insurance sales network in Portugal, including exclusive and multi-brand agents, brokers, own branches, internet and telephone channels and a strong distribution system with the post office and Caixa Geral de Depósitos S.A., the leading Portuguese bank. It also has an international presence in 11 countries, with products distributed on four continents (Europe, Asia, Africa and America).

In the beginning of 2019, Fidelidade completed the acquisition of 51% equity interest in La Positiva, a leading player in the Peruvian insurance market and also with a presence, through its subsidiaries, in Bolivia and Paraguay and, additionally, obtained the authorization for a new non-life insurance company in Chile and also for a new life insurance company in Macau.

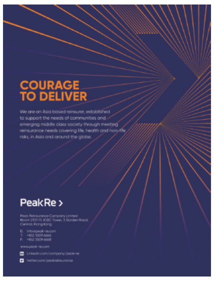
During the Reporting Period, Fosun Insurance Portugal achieved a total market share in Portugal of 25.5%, being the market leader in both life and non-life businesses with market shares of 23.6% and 27.9%, respectively.

As the Eurozone entered a period of low interest rates and was not expected to rebound in the short term, in order to allocate capital more effectively, Fosun Insurance Portugal adjusted its business structure, reduced the proportion of life insurance products and further expanded its business outside the Portuguese market.

During the Reporting Period, Fosun Insurance Portugal recorded total premium income of EUR4,082.8 million, non-life business combined ratio of 96.5%, net earned premium of EUR2,458.4 million (2018: EUR1,732.9 million), net profit of EU230.4 million. As at the end of the Reporting Period, it recorded net assets of EUR3,524.1 million, net investable assets of EUR17,574.6 million and total investment return of 2.5%.

During the Reporting Period, Fosun Insurance Portugal's international business recorded overall premiums of EUR974 million, an increase of 259% compared to the same period of last year, benefiting from both the favorable performance in all international operations and also from the acquisition of La Positiva control stake by Fidelidade at the beginning of 2019. The international business represents 23.9% of total premiums.

Recently, Fosun Insurance Portugal won several distinguished awards, such as the "Portugal Digital Awards 2019", "Superbrands Portugal 2019", "Marca de Confiança 2019" (Most Trusted Brand in 2019), "Escolha do Consumidor 2019" (Consumer's Choice in 2019) in the categories of "Excellence", "Insurance Companies" and "Health System". In 2020, Fosun Insurance Portugal will continue innovating its product offerings, improving service quality and promoting its global strategy.



Peak Reinsurance

Peak Reinsurance is a privately-owned global reinsurer headquartered in Hong Kong. The Group and International Finance Corporation established Peak Reinsurance in 2012. In April 2018, a wholly-owned subsidiary of U.S.–headquartered Prudential Financial, Inc., completed the acquisition of a minority stake in Peak Reinsurance Holdings Limited ("**Peak Reinsurance Holdings**"). As of the end of the Reporting Period, the Group held 86.51% of Peak Reinsurance via Peak Reinsurance Holdings.

Based at the heart of the Asia Pacific region in Hong Kong and authorized by the Insurance Authority of Hong Kong, Peak Reinsurance is one of the few locally established reinsurance companies in Asia Pacific, underwriting both life and non-life reinsurance business. It was established with the clear purpose to support the needs of communities and emerging middle-class society through meeting their reinsurance needs. It strives to provide innovative and forward-looking reinsurance services for customers in the regions of Asia Pacific, Europe, Middle East, Africa and the Americas. It tailors risk transfer and capital management solutions to best fit clients' needs.

Since launched, Peak Reinsurance has a track record of year-on-year premium growth. During the Reporting Period, it generated premium income of USD1, 664.6 million (2018: USD1,381.9 million) and net earned premium income of USD1,238.6 million (2018: USD982.3 million), reflecting a stable growth despite a difficult period for the reinsurance industry. Peak Reinsurance continues to make consistent profit since the commencement of its operations. During the Reporting Period, net profit of Peak Reinsurance reached USD37.7 million.

As of 31 December 2019, Peak Reinsurance's total investment return was 2.5% with investable assets and net assets growing to USD2.1 billion and USD1.1 billion, respectively. Solvency remains very strong with solvency adequacy ratio of 348%. Peak Reinsurance continues to deliver stable and sustainable returns since its establishment.

Upholding the mission of supporting the reinsurance needs of emerging Asia, Peak Reinsurance developed the first trade credit ecosystem in Pakistan that allows client companies to access high-quality information and Peak Reinsurance's professional advice. This unique platform fosters a distinctive ecosystem that equips medium-size local insurers with ample accurate and quality information, and allows them to retain control of the customer relationship and empowers them with the ability to offer protection for their customers.

In March 2019, Peak Reinsurance created Cancer Multi-pay, the first simplified and multi-pay cancer coverage solution for Vietnam. Beyond Vietnam, Peak Reinsurance is also actively engaging in developing similar bespoke solutions for other emerging Asian markets, including China, India, Thailand, the Philippines and Cambodia.

With its outstanding performance, Peak Reinsurance was awarded "Asian Reinsurer of the Year" for the fourth consecutive year by Asian Banking and Finance in 2019 and ranks the 30th Global Reinsurance Group by Standard & Poor in terms of gross written premium.

Lion Rock Re Ltd., an ILS (Insurance Linked Securitization), Asia's first sidecar transaction launched by Peak Reinsurance, was shortlisted by the *Insurance Insider* magazine as the "Best Reinsurance Transaction of the Year 2019".

Peak Reinsurance believes a swift claims process is vital in offering security to its clients in the face of severe natural catastrophes and other difficult situations. It takes pride in keeping an unmatched record in the industry by paying more than 91% of claims in less than five days.

Peak Reinsurance pays more attention to risk control in the underwriting segment, actively allocates investment portfolio and steadily enhances the level of profitability. Meanwhile, taking advantage of its professional skills, Peak Reinsurance actively carried on vertical acquisition on top of its organic growth.

Pramerica Fosun Life Insurance

Pramerica Fosun Life Insurance is a joint venture between the Group and The Prudential Insurance Company of America. With the approval of the regulatory authority, it was formally established in September 2012 and both shareholders hold 50% of the joint venture shares. The establishment of Pramerica Fosun Life Insurance marked the Group's first entry into the domestic life insurance market.

With "Safeguard the Future You Want" as its mission, Pramerica Fosun Life Insurance has formulated the strategy of "Long-term Value Management" and thus forms a four-pronged path of "Focusing on the Team, Focusing on the Regular-pay Business, Focusing on the Technology and Focusing on Business Ecosystem".

Pramerica Fosun Life Insurance offers 1. life insurance, health insurance, and accident insurance; 2. reinsurance business of the abovementioned businesses to customers.

During the Reporting Period, Pramerica Fosun Life Insurance recorded premium income of RMB4,064.6 million with a growth of 222.6% compared with the same period of last year. Total net asset was RMB1,673.9 million, representing a decrease of 10.8% from the beginning of 2019. Pramerica Fosun Life Insurance recorded net loss of RMB214.0 million, indicating an increase of 92.7% compared with same period of last year, solvency adequacy ratio of 193.8%, investable assets of RMB10,396.6 million, total investment return of 5.8%.

Pramerica Fosun Life Insurance established a customer-oriented sales model through multiple distribution channels, such as agent channel, bancassurance, intermediary and Internet channel, to provide risk protection for customers.

The agent channel takes the business group as the core to enlarge and strengthen. By establishing a model of high-performing salesmen, building a "Three High" team with high income, high production capacity and high retention, to cast core competitiveness for long-term value operation. In 2019, the clearance of agent channel was strengthened, and the team's excellent performance atmosphere was strong. At the same time, the construction of perspective training course system and ecological system has helped the customer servicing and management. The activity rate of agents, the excellent performance rate and the retention rate of new employees have been significantly improved. The original premium income of the whole year reached RMB395.3 million, increased by 56.6% year-on-year.

The bancassurance channel deepens the operation of bank outlets, especially on those which are developing regular premium business. Through establishing three distinctive platforms of health, retirement, and wealth, the bancassurance channel will meet the needs of high-net-worth individuals for health management and wealth inheritance. In the whole year, the regular payment activity rate of the team exceeded 70%, and the original premium income reached RMB2, 975.1 million, increased by 245.4% year-on-year.

The intermediary and Internet channel maintains steady development by providing the "Product + Service" to enhance attractiveness of products, and by utilizing the scientific and technological means, such as big data risk control, to control risks in the underwriting terminal. While ensuring value contribution, the company provides assistance of corporate customers' accumulation and renewal of premium. The channel realized the original premium income reached RMB618.5 million, increased by 510.8% year-on-year.

Pramerica Fosun Life Insurance will implement the "Long-term Value Management" strategy and the "Four Focus" strategic path to establish the comprehensive development structure, and support the stable and rapid movement of the organization. The company will continuously focus on "Three High" team building and ecological service linking, to serve customers with high-quality teams and services. The company will continuously build organizational capabilities with talent and technology upgrades, create competitiveness with "Products + Services", enhance development strength with two-wheel drive of "assets + liabilities", and improve the risk control capability. The company will have a stable and sustainable development in the future.

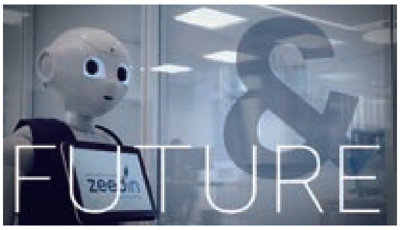
FINANCE

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

Unit: RMB million

	For the 12 months ended 31 December 2019	For the 12 months ended 31 December 2018	Change over the same period of last year
Revenue	**2,492.6**	2,482.7	0.4%
Profit attributable to owners of the parent	**1,501.0**	1,245.2	20.5%

During the Reporting Period, the revenue of Finance segment remains basically flat. The profit attributable to owners of the parent mainly came from the core portfolio companies of H&A and BCP; meanwhile, the increase in profit attributable to owners of the parent was mainly due to the performance improvement of Mybank and returns of the secondary market investment of Finance segment.



Hauck & Aufhäuser Privatbankiers AG (H&A)

Founded in 1796, H&A is headquartered in Frankfurt-on-Main. In September 2016, Fosun acquired 99.91% equity interest in H&A. With Fosun's support, H&A acquired the Luxembourg-based company Sal. Oppenheim jr. & Cie. in December 2017, reaching an important strategic milestone in its growth strategy. The acquisition also gave H&A the opportunity to expand its products and services in the European Union.

H&A is aiming to rank among the top three private banks with focus on managing, preserving, servicing and trading client assets in Germany. In its strategy H&A follows a clear growth strategy with a diversified and capital-light business model along the four core business areas such as asset servicing, private banking, asset management and investment banking.

As at the end of the Reporting Period, H&A's assets under control reached EUR142.0 billion, representing an increase of 14.5% compared with the same period of last year, and the total assets grew to EUR5,702 million. H&A also recorded a gross income of EUR184.3 million during the Reporting Period, representing a decrease of 0.9% compared with the same period of last year. Profit before tax during the Reporting Period stood at EUR28.6 million, representing an increase of EUR11.6 million compared with the same period of last year.

In October 2019, H&A completed the acquisition of a majority stake in Crossroads Capital Management Limited ("**CCM**") through its subsidiary in Luxembourg. CCM is a well-established Alternative Investment Fund Manager (AIFM) and an Undertakings for Collective Investment in Transferable Securities (UCITS) Management Company based in Dublin, Ireland. The transaction adds a further international component to the product portfolio of the asset servicing segment.

Furthermore, H&A's investment banking division is leading for IPOs and capital increases in the small and mid-cap segment[2] in Germany. The growth of new capital of H&A was above the market average, which showed synergies with the Group gradually. The bank has received several awards for its performance and service quality in 2019, such as "best German private bank" by the leading medium *Handelsblatt* and the "Golden bull" for the discretionary portfolio management of 2019.

Together with the majority shareholder Fosun, H&A intends to further internationalize its product range in the future, expand new customer base and thus further strengthen its own market position. An important element of the H&A future growth strategy is its role as a bridge for Chinese investors and companies to step into Germany and Europe as well as to help German companies gain access to the Chinese market and other Asian growth markets. As a gateway for Chinese customers for their investments in Europe, H&A established a subsidiary called Hauck Investment Managing (Nanjing) Co. Ltd. (灝科投資管理(南京)有限責任公司) in China in May 2019. For the coming period, H&A targets an increased focus on product innovation and enhancement, a deeper customer centricity in the private banking business as well as additional purchases in the German-speaking region. Targeted internationalization efforts with cross-border business to China and with asset servicing in Ireland will supplement the above mentioned measures.

2 Market Capitalization ≤ EUR750 million

BCP

In 1985, a group of over 200 shareholders and a team of experienced banking professionals incorporated BCP, the first Portuguese private bank after the privatization of the banking sector, aiming to modernize the Portuguese financial market. During the period from 1995 to 2000, BCP solidified its position in the Portuguese market through a series of strategic acquisitions, and became one of the largest banks in Portugal. Since 2000, BCP started to expand into emerging markets in Europe and Africa, especially Poland, Mozambique and Angola, which have a close historical connection to Portugal or that have large communities of Portuguese origin, and also established a wholly-owned subsidiary in Switzerland driven to private banking. Since 2010, BCP entered the Chinese mainland market through its Guangzhou representative office and relaunched its activity in Macau Special Administration Region with an onshore full banking license. By operating around 35 years, BCP has grown to become the largest private bank in Portugal with leading market positions in Poland and Mozambique as well. In November 2016, the Group invested in BCP. As at the end of the Reporting Period, Fosun's shareholding in BCP was 27.25%.

BCP operates and acts with respect for people and institutions, pursuing a mission of excellence, trust, ethics and responsibility, being committed to serving the individuals and corporates on the geographies where it is present with comprehensive financial solutions. Based on its three distinctive competences, the customer-oriented relationship model, market-leading efficiency and the competitive international portfolio, BCP has embarked in a transformational process driven by a mobile-centric digitization aiming to provide customers with convenient and superior user experience, and securing a sustainable position through a new cycle of growth with profitability. BCP provides products and financial services to individuals and corporates, complemented by investment banking and private banking. BCP also owns a leading digital bank called "ActivoBank".

During the Reporting Period, the net profit attributable to the shareholders of BCP was EUR 302.0 million, having maintained a stable profit level as in year 2018, with a 29% improvement of activity-related earnings year-on-year and the profit before income tax growing 12.4% year-on-year. Segmented by business markets, the net income contribution from Portugal achieved EUR144.8 million, showing a year-on-year increase of 25.4%; the net income contribution from the international operations totalled EUR143.8 million, slightly dropped from 2018, which is mainly determined by the integration costs and additional loan provisions in Poland from the acquisition of Euro Bank S.A. in May 2019. The overall core income growth and significant improvement on the assets' quality were key factors supporting the performance of BCP in 2019. The core income increased by 6.9% year-on-year to EUR2,252.0 million in 2019, in which the net interest income grew by 8.8% year-on-year to EUR1,548.5 million and the net fees and commission income grew by 2.8% year-on-year to EUR703.5 million. The improvement of asset quality was marked by a reduction of EUR1,341.0 million of the non-performing exposure (NPE) during 2019, which led the NPE ratio decreased by 3.2 percentage points to 7.7%. The cost of risk in 2019 dropped from 92 base points in 2018 to 72 base points.

As at the end of Reporting Period, BCP's total assets reached EUR81,643.4 million and its total equity attributable to the bank's shareholders reached EUR6,119.7 million. The business volume has grown remarkably during the Reporting Period, with performing loans increased by 11.1% and total customer deposits increased by 10.1%. The number of active customers reached 5.6 million with an increase of 705,000 since the end of 2018, among which the number of mobile customers has increased by 577,000 to 2.2 million, confirming BCP's effective strategy in mobile. In consideration of BCP's improving performance, Dominion Bond Rating Service Morningstar upgraded BCP's senior debt rating to investment grade in June 2019 and Moody's upgraded BCP's deposits rating to investment grade in July 2019. S&P and Fitch also adjusted the BCP's issuer outlook to Positive in October 2019. In addition, for the second year running, DATA E considered BCP as the main bank for companies, the bank with the most suitable products, as well as the most innovative bank. ActivoBank was distinguished by customers as the 2019 Consumer's Choice in the category digital banks in Portugal and *Global Finance* awarded BCP as best consumer digital bank and best information security and fraud management in Portugal.

In the future, BCP will continue to promote the five overarching strategic priorities which were defined for the future, which are talent mobilization, mobile-centric digitization, growth and leadership in Portugal, growth in international footprint, and business model sustainability, to enable BCP to accomplish the strategic objectives for 2021.

INVESTMENT

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

Unit: RMB million

	For the 12 months ended 31 December 2019	For the 12 months ended 31 December 2018 (restated)	Change over the same period of last year
Revenue	**9,615.5**	9,946.2	-3.3%
Profit attributable to owners of the parent	**6,305.0**	6,017.3	4.8%

During the Reporting Period, the increase in profit attributable to owners of the parent compared to last year was mainly attributable to the increase in fair value gain from the investments year-on-year.

Fosun Capital

Fosun Capital is an equity investment and management company, established in April 2007 and wholly owned by the Group. As a first-class private equity fund manager in China, Fosun Capital provides high-quality equity investment management services to investors such as well-known family funds, insurance companies, listed companies, large investment institutions and high net worth individuals domestically and internationally.

Given its strong foothold in the Group's global presence and industrial depth, Fosun Capital sticks to the concept of "profession creating value" and follows the unique investment pattern of "combining China's growth momentum with global resources", in an effort to integrate high-quality resources with industrial advantages. That is how it can capture investment opportunities benefited from China's growth momentum. With the high-quality post-investment services and the Group's strong global industry integration capabilities, Fosun Capital is able to empower the investees from business resources and industrial depth, to achieve deep industrial integration and interaction.

In the past 13 years since its establishment, Fosun Capital launched and managed a number of assets, including fund of funds, private equity investment funds, industry funds of listed companies and other types of equity investment funds. As at the end of the Reporting Period, Fosun Capital managed seven funds and the assets under management were nearly RMB16 billion. Fosun Capital is specialized in investment in six fields including intelligent manufacturing, new environmental protection energy, fashion consumption, TMT (Telecommunication, Media and Technology), healthcare as well as automotive and industrial services.

During the Reporting Period, the fund management team led the acquisition of 100% equity interest in FFT GmbH & Co.KGaA, a benchmarking enterprise of the German Industry 4.0; a total of three investment enterprises under the management of the fund achieved IPO and went public (namely YG TAPE (永冠新材), Keboda (科博達) and Sinotec (華培動力)), and two investment enterprises achieved withdrawal from mergers and acquisitions of listed companies (namely Zhongce Rubber Group Co., Limited (中策橡膠集團有限公司) and IRO SAS). In 2019, it was selected as one of the "Top 50 Chinese Private Equity Investment Institutions" by Zero2IPO Group.

In the future, Fosun Capital will pay more attention to areas such as science and technology R&D, import substitution and consumption upgrade. At the same time, Fosun Capital will also seek foreign currency asset management opportunities to transform from a RMB fund management company to an international asset management company.

Fosun RZ Capital

Fosun RZ Capital is the only globalized venture capital (VC) investment platform under Fosun, and it is one of the most active Corporate Venture Capital (CVC) platforms in the world. Fosun RZ Capital's vision is to become a top investment institution that exploits its advantages as both part of an industrial platform and an independent fund to take root in China and covers major growing economic regions globally, generating excellent investment returns and long-term strategic value for Fosun.

Fosun RZ Capital is specialized in three investment areas namely intelligent technologies, industrial internet and innovative consumption. Through investment, Fosun RZ Capital promotes the upgrading of Fosun's various industrial sectors, helps Fosun deepen its understanding of cutting-edge technologies and explore new industry directions. With China at its core, on the one hand, Fosun RZ Capital is bridging the United States and Israel to capture the opportunities of cutting-edge technology from a global perspective; on the other hand, it also deploys India and Southeast Asia to seize the opportunity of copying mature market experience of China and United States to emerging markets. Currently, Fosun RZ Capital has more than 45 employees in 7 offices around the world.

Fosun RZ Capital's global core team has an average of more than 10 years' investment experience worldwide. As at the end of the Reporting Period, Fosun RZ Capital has billions of Renminbi in total assets under management, two portfolio companies achieved IPO and went public in the United States, and over ten projects have exited successfully with outstanding performance.

During the Reporting Period, Molecular Data, the leading technology-driven platform of chemical industry in China, achieved its IPO on the NASDAQ stock market, and over ten portfolio companies gained financing from subsequent rounds of fundraising. Fosun RZ Capital has also been selected as one of the "Top 100 Best Chinese Venture Capital Institutions 2018" and "Top 10 Best Chinese New Consumption Venture Capital Institutions 2018" by ChinaVenture, "2019 China's Top 100 Venture Capital voted by Entrepreneurs" by 36Kr, "Top 30 Venture Firms in China 2019" by financial media of Jiemian and "Best CVC 2019" by *National Business Daily*.

In the future, Fosun RZ Capital's investment will focus more on technological innovation and capture more technology-driven opportunities. Fosun RZ Capital will broaden and deepen its industrial layout, continue to improve its VC investment capability and actively help Fosun develop innovative business sectors.

Nanjing Iron & Steel

Nanjing Iron & Steel is a leading whole-process iron & steel combined company with high efficiency. With advanced technical equipment, it has the capacity to produce 10 million tons of crude steel per year.

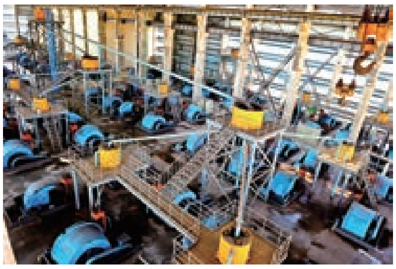
Nanjing Iron & Steel was listed on the SSE in 2000. In 2003, the Group, indirectly held the equity interest in Nanjing Iron & Steel through an entity which was established by Fosun and the controlling shareholder of Nanjing Iron & Steel at that time. Subsequently, through assets reorganization and improved production efficiency and competitiveness of products enhanced by constant scientific and technological innovation, Nanjing Iron & Steel has formed its unique competitive strength of "high-efficiency production and low-cost intelligent manufacturing". As at the end of the Reporting Period, the Group held a total of approximately 25.96% effective equity interest in Nanjing Iron & Steel through Nanjing Nangang.

Nanjing Iron & Steel is committed to becoming an advanced material intelligent manufacturer with global competitiveness and constructing a new steel material oriented industrial chain ecosystem in which the segments empower each other and achieve compound increase with insisting on the concept of "scientific and technological innovation drives the development of the industry". As one of the largest single media-plates production bases worldwide, possessing two production systems of sheet materials and long steel plates, it provides high-quality steel plates for the domestic and international major projects and establishes cooperation with the world famous bearing manufacturer. Adhering to customer-centricity, Nanjing Iron & Steel continues to improve its customer service system to enhance customer dependency and re-consumption expectation, and provides customers with complete and personalized solutions. Nanjing Iron & Steel's businesses related to the iron and steel include the production, sales and processing and delivery of steel products, which was also accompanied by intelligent purchase, information technology, e-commerce, modern logistics and new material ecosystem.

During the Reporting Period, Nanjing Iron & Steel gave full play to its "high-efficiency production and low-cost intelligent manufacturing" capability, focused on the strategically advanced iron and steel materials and advantageous products, and enhanced the competitiveness of special sheet materials and special steel products. The operating revenue increased by RMB4,323.7 million from RMB43,646.8 million in 2018 to RMB47,970.5 million in 2019, representing a year-on-year increase of 9.91%. The gross profit decreased by RMB2,408.6 million from RMB8,778.2 million in 2018 to RMB6,369.6 million in 2019. The net profit attributable to shareholders decreased from RMB4,008.2 million in 2018 to RMB2,606.2 million in 2019, representing a year-on-year decrease of 34.98%.

During the Reporting Period, Nanjing Iron & Steel's output of pig iron, crude steel, and steel products were 9,900.2 thousand tons, 10,971.3 thousand tons, and 9,920.6 thousand tons, respectively, representing a year-on-year increase of 8.94%, 9.17%, and 8.17%, respectively. The sales volume of advanced iron and steel materials was 1,372.6 thousand tons.

Looking forward, in terms of operations, Nanjing Iron & Steel will, with focus on energy-saving process, smart production line, high-quality products, experience-base service, and win-win value, advance the construction of digital plants and continuously improve the quality of smart operations. It will push the construction of iron district intelligent centralized control centers, smart energy dispatch centers, and financial sharing centers to achieve centralized, intelligent, and efficient management and control. To develop world-class R&D capabilities, Nanjing Iron & Steel with focus on cutting-edge and key technologies, is committed to creating core technologies with independent intellectual property rights, driving the development of the company from iron and steel manufacturer to materials service provider, advancing the construction of high-end R&D platforms and boosting digital R&D capabilities. Oriented by customer needs, it will provide high-end products and integrate solutions by means of "enhancing product competitiveness" and "structure optimization". In terms of ecology, Nanjing Iron & Steel will continue to advance the transformation of ultra-low-emission projects. It will promote ecological restoration and integration of production and city to achieve the goal of "Green ecology + Garden".



Hainan Mining

Hainan Mining, a joint-stock enterprise with iron ore mining as its principal business, was jointly established by the Group and Hainan Iron & Steel Company (now renamed as Hainan Haigang Group Co., Ltd.) in August 2007. In August 2010, it was changed to a joint stock company. In December 2014, Hainan Mining was listed on the SSE. Upon the completion of the acquisition of 51% equity interest in Roc Oil Company Pty Limited ("**ROC**") in June 2019, the industrial depth of Hainan Mining was further consolidated, with its principal business expanding from a single segment of iron ore production to the segment of oil and gas, which is conducive to hedging the risk of performance fluctuations brought by the periodicity of single resource product. As at the end of the Reporting Period, the percentage of equity interest in Hainan Mining held by the Group was 51.57%.

With China's development as its driving force, the integration of global resources as its mission, and exploring mineral resources as its core, Hainan Mining strives to become a professional service provider of mineral resources with global investment and financing capabilities, and is committed to building a globally renowned and China's first-class mineral resource group.

As at the end of the Reporting Period, the total assets of Hainan Mining amounted to RMB8,634.8 million, representing a decrease of 12.75% from the end of the previous period. The total liabilities amounted to RMB3,540.1 million, representing an increase of 3.60% from the end of the previous period. The net asset attributable to the shareholders was RMB3,886.4 million, representing a decrease of 27.13% from the end of the previous period. The gearing ratio was 41%, representing an increase of 6.47 percentage points from the end of the previous period. During the Reporting Period, total revenue amounted to RMB3,718.3 million, representing an increase of 47.84% from the corresponding period of last year. The net profit attributable to the shareholders was RMB127.7 million and achieved turnaround.

Hainan Mining takes iron ore business and oil and gas business as its principal businesses. In terms of iron ore business, the products of Hainan Mining are iron ore product, including lump ore, fine ore and iron powder. The Shilu mining area in Changjiang County, Hainan Province is one of the most well-known large-scale high-quality iron-rich mineral deposits in China. Hainan Mining's iron ore is the first choice for the rational combination of blast furnace charge structure. In terms of oil and gas business, ROC is one of the leading independent companies engaged in exploration and development of upstream oil and gas in Australia. ROC operates across the full range of upstream business activities from oil and gas exploration and appraisal to development and production delivery. The major assets of ROC are located in Bohai and Beibu Gulf of China, Malaysia and Australia. In addition, ROC is a company with over 20 years of experience in oil and gas operation.

Looking forward, Hainan Mining will have solid presence in Hainan, focusing on resource development and placement of industrial chain integration and adjustment to asset structure. In terms of the ferrous metal segment, the first goal is to consolidate its main business in order to ensure the mining operation in Shilu Iron Mine to meet its targeted production; the second goal is to develop and utilize comprehensively the surrounding waste rock from the mining area so as to realize diversified value creation; then to make full use of the unique advantage of its resources to build an iron ore production base. Hainan Mining actively seeks for suitable projects externally according to its development strategy with iron ore resources as its priority, meanwhile explores investment and development opportunities for other minerals. In terms of energy segment, Hainan Mining will give full play to the geographical advantages of marine mineral resources in Hainan. Hainan Mining takes oil and gas development in South China Sea as its key strategy in order to further cooperate with local companies in Hainan, at the same time, it makes key investment in oil and gas exploration in South China Sea area in Hainan so as to build an oil and gas industrial group in Hainan. Hainan Mining will seize industry cycle opportunities externally to merge and acquire high quality assets, distribute natural gas and stretch the industrial chain, ultimately realizing the balance between oil and gas.

The key production of iron ore of Hainan Mining during the Reporting Period was as follows:

	Finished iron ore output (thousand tons)	Iron ore reserves Note (million tons)
2019	**2,567.5**	**238**
2018	2,211.7	261
Year-on-year change	16.09%	

Note: According to the "Solid Minerals Geological Prospecting Standards" of the PRC, the figures in 2019 were estimated figures.

The Bund Finance Center ("BFC")

Located in the core district of the Bund in Shanghai at 600 Zhongshan No.2 Road (E), Shanghai 200010, China, BFC is a benchmarking project of Fosun's "Hive City", the only large ecological commercial complex located in the heart of the Bund. It formally commenced its construction in November 2011 and embraced its grand opening on 12 December 2019. The gross floor area of BFC is over 420,000 square meters. It covers integrated ecology with office, retail, catering, entertainment, art, tourism and health, expanding the commercial patterns along the Bund in depth, and opening a brand-new field for life in Shanghai.

BFC has embraced a river view as long as 418 meters. It consists of twin towers with height of 180 meters, Fosun Foundation Art Center (Shanghai), shopping center and several detached buildings. BFC was designed to establish a model of "1+N Happiness Ecosystem", introducing excellent industry resources of "Health · Happiness · Wealth" to the platform of the Bund and providing deep-level services to each family group to meet their desires for a better life. In respect of retail, the project regards "Fashion · Art · Design" as three core factors, and commits to creating "all-round business mode and new retail and immersive style" shopping experience, leading the reform of consumption trend.

In 2019, BFC recorded total revenue of approximately RMB525.2 million; EBITDA of approximately RMB301.0 million; and profit attributable to owners of the parent of approximately RMB33.2 million.

BFC introduces "first store", "flagship store", "concept store" in Shanghai and in China to consumers for their better life demands, which includes LANVIN Asia flagship store, the first international one-stop mini creative learning club in Shanghai – Miniversity, the first crossover experience store in Shanghai – Mercedes Me, the first store in China – Galia Lahav and the first flagship store in Chinese mainland – Silver Cross, etc..

BFC adheres to its theme of "Design" and has established an avant-garde conceptual product center, setting "crossover", "limited" and "customized" as the entry criteria for brands. Among them, a multi-brand boutique, with selecting about 60 designer brands from international and domestic designers, aiming to be the bridge connected independent designers and consumers, and be the voice of the originality brands and design. In addition to featured stores, BFC also creates interactive experience space for family groups elaborately. It attracts trendy by "Culture and Fair" and the "Artisan Hub", which is a collection of more than 50 original design shops and more than 100 brands built from the perspective of lifestyle and ingenuity, aiming to become the iconic cultural and creative public space of the Bund.

BFC will consolidate its construction of a "Happiness Ecosystem" and be committed to building BFC as the new commercial landmark in Shanghai and China by improving the synergies of resources and the empowerment of ecology. Furthermore, it is only a few hundred meters distance between BFC and Yuyuan, a representing of Shanghai traditional culture. BFC will achieve two-way functions with Yuyuan in the future, becoming a "Big Yuyuan" business district with integration of culture, art, tourism, consumption, finance, commerce and natural landscape. BFC upgrades its overall regional image and industrial ecology to become the most representative landmark in Shanghai.

During the Reporting Period, the particulars of the project are as follows:

Name of project	Floor	Area (sq.m.)
GFA		425,591
Grade A offices	S1	107,079
	S2	103,138
	N1	21,425
	N2	25,462
	N4	10,410
Shopping center		117,520
Boutique hotel		36,346
Fosun Foundation Art Center (Shanghai)		4,211

Name of project	Usage	Land area (sq.m.)	Total GFA (sq.m.)	Ownership ratio	Land cost (RMB million)	Development progress	Construction and installation costs (RMB million)
The Bund Finance Center	Office, commercial, hotel	45,472	425,591	50%	9,865.8	Completed	4,540

FFT

Founded in 1974, FFT is one of the world's largest provider of intelligent manufacturing solutions. In July 2018, the funds managed by the Group established Shanghai FFT Automation Technology Co., Ltd. (上海愛夫迪自動化科技有限公司). In May 2019, Shanghai FFT Automation Technology Co., Ltd. completed the acquisition of 100% equity interest in FFT.

FFT provides automated and flexible turn-key solutions for production systems to first-tier suppliers in the automotive industry, such as Daimler, BMW, and Volkswagen, as well as final assembly solutions and partial assembly integration for Airbus, Boeing and COMAC C919 globally. Through continuous R&D together with customers, FFT is leading the industry in the development of intelligent manufacturing technologies and is setting global standards. At the same time, FFT is using its capabilities to enter new industries such as the battery as well as the automotive electronics industry, extending existing proprietary technologies and its standard product offerings such as lasers, vision systems, and lightweight fixtures, and continuously building outstanding intelligent equipment through endogenous R&D and exogenous acquisitions. Moreover, FFT is facilitating the development of industrial digitalization and industrial software business and providing customers with digital engineering solutions with full-scale coverage.

During the Reporting Period, FFT recorded revenue of EUR665 million. (This is the report data of the management.)

FFT's global business includes automated and flexible turn-key solutions, industrial digital services and vocational and educational training.

The segment automated and flexible turn-key solutions is based on FFT's accumulated experience of nearly 50 years in the automotive industry. In the past two years, FFT has successfully expanded its business to industries with a strong demand such as the metal processing and battery industries. The construction of the first electric vehicle production platform of BMW and Volkswagen has laid a solid foundation for the steady development of subsequent business.

Industrial digitalization services are a growth business that FFT has spared no effort to develop in recent years. FFT strives to provide manufacturing customers with full-scale digital services from product design, production line debugging to production management. FFT digital twin software has been successfully applied to the customer's production line debugging field, and will continue to be expended upstream and downstream in the industrial chain. In 2019, FFT successfully launched customer applications in India and Russia.

FFT's Education and Training Academy was established in 1976. The training business is based on the complete German vocational education and training system. It provides short-term skills certification training and three-year postgraduate education. The courses cover electrical automation, mechanical processing, mobile programming, medical escort and other majors. In 2019, the training business trained more than 1,800 students for FFT and external customers. In the future, it will try to meet the needs of China and Germany for the dual system teaching.

FFT will continue to invest into R&D, localize the supply chain and reduce costs, enhance the profitability and competitiveness of the main business in the automotive industry, and expand the scale of the performance and market share. FFT makes full use of its accumulated automation know-how, as well as digests and absorbs continuously the skills from different industries, and actively enters into the automation business in the new energy battery, automotive electronics, metal processing, etc.. At the same time FFT expands its intelligent equipment and industrial digital business, to provide customers with complete smart factory solutions.

FAST-GROWING BUSINESS

Fosun United Health Insurance

Fosun United Health Insurance was established in January 2017 with a registered capital of RMB500 million. Fosun United Health Insurance, as a professional health insurance company, was sponsored by the Group together with 5 other companies. As at the end of the Reporting Period, the Group held 20% equity interest in Fosun United Health Insurance. Fosun United Health Insurance is committed to providing high-quality health insurance products to customers. In the meantime, Fosun United Health Insurance actively probes the possibility to set up a health insurance pattern that can be operated with Chinese characteristics and devotes itself into the building of a digital and smart health service environment where the diversified health insurance and services can serve the needs of the clients.

Taking advantage of the resources from its shareholders with determination to be the pioneer and an exemplary company in China's managed care service, Fosun United Health Insurance has established a top-notch healthcare service system which provides Chinese families with cover-all solutions composed of whole-process health management, medical service, and financial protection. Fosun United Health Insurance actively operates in medical insurance, illness insurance, disability income insurance, healthcare insurance and accident insurance of all types in the PRC market, providing high-quality life cycle products and the whole-process service system for Chinese families. Presently, Fosun United Health Insurance has successively launched over 100 products in place. Among them, long-term critical illness insurance, and managed healthcare insurance are well accepted by the market and customers, thus premium has been on the increase.

As at the end of the Reporting Period, Fosun United Health Insurance has expanded its operations into Guangdong Province, Beijing, Shanghai, Sichuan and Jiangsu Provinces, and set up branches in Foshan, Dongguan, Jiangmen, Zhongshan and Huizhou in Guangdong Province. Its nationwide insurance income increased from RMB520.13 million in 2018 to RMB1,819.38 million in 2019, among which RMB166 million was from long period insurances, resulting in a short-term overall cost ratio of 129% (calculated based on the pre-audit financial statements). As at the end of the third quarter of 2019, the latest comprehensive risk rating of Fosun United Health Insurance stayed B rated by China Banking and Insurance Regulatory Commission.

Fosun United Health Insurance insists in "playing the insurance provider role" by concentrating on offering health and accident insurance policies. Revenue from health insurance was RMB1,691.61 million in 2019, accounting for 93% of the total insurance income; revenue from accident insurance was RMB127.77 million, accounting for 7% of the total insurance income.

Looking forward, Fosun United Health Insurance will continue to rely mainly on the high-quality health business of the shareholders, with a view to connecting all major health resources while creating ecological products to provide one-stop insurance and health services for healthy, and sub-healthy people and people who are suffering.

Starcastle Senior Living

Established in July 2012, Starcastle Senior Living is a joint venture formed by the Group and US-based Fortress Investment Group. With more than ten years of US senior living investment and operation experience and 8 years of localization experience in China, the team successfully launched and operated 5 projects and manages about 4,500 beds. With the mission of "improving the lifestyle of the elderly in China," Starcastle Senior Living is committed to becoming a leading elderly care service provider in China. In March 2019, the Group became the sole shareholder of Starcastle Senior Living.

Starcastle Senior Living aspires to gradually become a leader in the geriatric health industry through its solid experience in pension community operations. At present, the single-project profit model has proven feasible, being profitable for three consecutive years. The first-of-its-kind all-inclusive monthly fee system and the right-to-use membership system have been well accepted and reproduced by customers and individuals across the spectrum. Centering on the Yangtze River Delta, Pearl River Delta, and Beijing, Starcastle Senior Living has a development strategy of expanding to 15 cities throughout the country. In addition, it has been actively researching and developing innovative products, including a combination of medical services and senior care, insurance combinations, second residences for the elderly, and online education for seniors and marketing and service models. Starcastle Senior Living also provides senior care market consulting, planning and positioning, design consulting, strategic consulting, third-party commissioned operation management, and other senior care solutions.

During the Reporting Period, Starcastle Senior Living posted a revenue of RMB88.64 million, an increase of 28% year-on-year. NOI reached RMB20.60 million in 2019, up 67% from 2018, and net profit reached RMB17.47 million in 2019, up 222.3% year-on-year. Net profit margin reached 19.7% in 2019.

Looking forward, through becoming a Continuing Care Retirement Community (CCRC) senior living investment and operation company with top domestic operations, high household satisfaction, and industry-leading profitability, Starcaslte Senior Living will also consolidate its core pension operation capabilities and become a leader in providing healthy lifestyles for about one billion families worldwide by focusing on serving retired people.

Introduction of main projects:

STARCASTLE ZHONGHUAN SENIOR LIVING COMMUNITY (PHASE I)

Opened: May 2013
Floor area: 18,000 m^2
Starcastle Zhonghuan Senior Living Community (Phase I) adopts a lease pattern, with a total of 189 independent living rooms and 30 assisted nursing beds for double occupants. As at the end of the Reporting Period, the number of occupants was 257. Since its opening, its three-year occupancy rate has remained stable at more than 90%, and has been fully booked for a long time. NOI rate reached 22.7%.

STARCASTLE PUJIANG SENIOR LIVING COMMUNITY

Opened: June 2016
Floor area: 27,000 m^2
Starcastle Pujiang Senior Living Community adopts a membership system, with 367 pension memberships and 28 nursing beds. The service team consists of nursing, catering, room service, events, and administrative departments. It provides professional senior care, a high-end healthy diet, comprehensive support services, rich cultural and entertainment activities, and one-stop 24-hour services. NOI rate reached 23.2%, and it is expected to exceed 30% after the occupancy rate stabilizes. Membership fees have increased by more than 43% compared to 2016.

STARCASTLE ZHONGHUAN SENIOR LIVING COMMUNITY (PHASE II)

Opening: 2020 (expected)
Floor area: 104,582 m^2
Currently, Starcastle Zhonghuan Senior Living Community (Phase II) project is under internal fit-out. A new 104,582 square meter apartment complex with 897 self-care rooms is planned to open in 2020. It is next to the Starcastle Zhonghuan Senior Living Community (Phase I) project, which has successful operations and already has hundreds of elderly people living in it. Equipped with more than 8,000 square meters of more aging-friendly activity space, the second phase will maintain a consistently outstanding level of service and provide elderly care services to more than 1,500 seniors.

FINANCIAL REVIEW

Net Interest Expenditures

Net interest expenditures, net of capitalized amounts of the Group, increased to RMB9,888.0 million in 2019 from RMB6,887.6 million in 2018. The increase in net interest expenditures in 2019 was mainly attributable to the growth in scale of borrowings and the interest rates of borrowings. The interest rates of borrowings in 2019 were approximately between 0.5% and 17.65%[note], as compared with approximately between 0% and 9.8% for the same period of last year.

Tax

Tax of the Group increased to RMB7,348.0 million in 2019 from RMB4,985.1 million in 2018. The increase in tax was mainly resulted from the increase in taxable profit of the Group.

Basic Earnings Per Share Of Ordinary Shares

Basic earnings per share attributable to ordinary equity holders of ordinary shares of the parent was RMB1.73 in 2019, representing an increase of 10.2% from RMB1.57 per share in 2018. Diluted earnings per share attributable to ordinary equity holders of ordinary shares of the parent was RMB1.73 in 2019. The weighted average number of shares was 8,532.0 million shares for 2019, which was 8,560.4 million shares for 2018.

Equity Per Share Attributable To Owners Of The Parent

As at 31 December 2019, equity per share attributable to owners of the parent was RMB14.35, representing an increase of RMB1.65 per share from RMB12.70 per share as at 31 December 2018. The increase in equity per share attributable to owners of the parent was primarily due to the difference between RMB16,541.2 million, RMB2,781.9 million and RMB977.2 million, which were the total comprehensive income attributable to owners of the parent in 2019 and the dividend distributed on 16 July 2019 and 27 September 2019, respectively.

Proposed Final Dividend

The Board has recommended the payment of a proposed final dividend of HKD0.27 per ordinary share for the year ended 31 December 2019. Subject to the approval of the Company's shareholders at the Company's annual general meeting to be held on 3 June 2020, the proposed final dividend will be paid to the Company's shareholders on or around 16 July 2020. There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividends.

Capital Expenditures And Capital Commitment

The capital expenditure of the Group mainly consists of additions to property, plant and equipment, exploration and evaluation assets, mining rights, intangible assets, investment properties and oil and gas assets. We have been increasing our investment in the R&D 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. With an aim to further strengthen our leading role in the happiness industry, we have made extra efforts in the Happiness Business.

As at 31 December 2019, the Group's capital commitment contracted but not provided for was RMB9,603.8 million. These were mainly committed for property development, addition of plant and machinery and investments. Details of capital commitment are set out in note 63 to financial statements.

Note: Except the borrowings in India, the interest rates of borrowings in 2019 were approximately between 0.5% and 9.2%.

Indebtedness And Liquidity Of The Group

As at 31 December 2019, the total debt of the Group was RMB208,287.1 million, representing an increase over RMB186,140.4 million as at 31 December 2018, which was mainly due to the increase in borrowings as a result of business expansion of various segments of the Group. As at 31 December 2019, mid-to-long-term debt of the Group accounted for 60.3% of total debt, as opposed to 63.6% as at 31 December 2018. As at 31 December 2019, cash and bank balances and term deposits decreased by 10.7% to RMB94,900.5 million as compared with RMB106,316.5 million as at 31 December 2018.

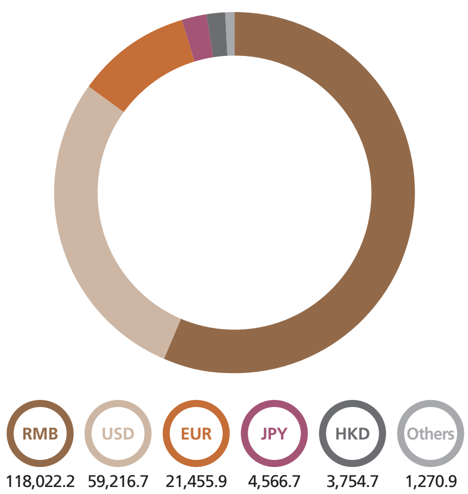
Unit: RMB million

	31 December 2019	31 December 2018
Total debt	**208,287.1**	186,140.4
Cash and bank balances and term deposits	**94,900.5**	106,316.5

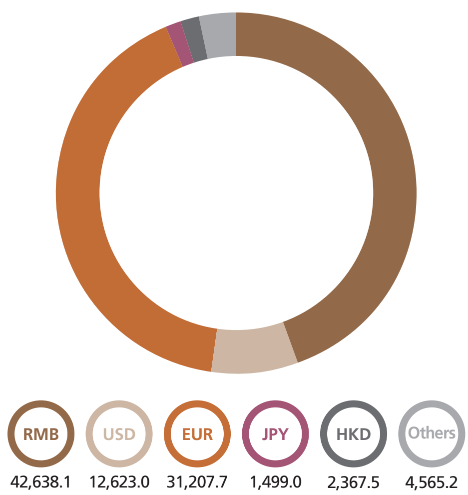
The original denomination of the Group's debt as well as cash and bank balances and term deposits by currencies, equivalent in RMB, as at 31 December 2019, is summarized as follows:

Unit: RMB million equivalent

TOTAL DEBT



CASH AND BANK BALANCES AND TERM DEPOSITS



Total Debt to Total Capital Ratio

As at 31 December 2019, the ratio of total debt to total capitalisation was 53.5% as compared with 53.7% as at 31 December 2018. This ratio has decreased as a result of the increase of the total capitalisation. Healthy debt ratios and abundant funds can reinforce the Group's ability to defend against risk exposure, and provide support to the Group in capturing investment opportunities.

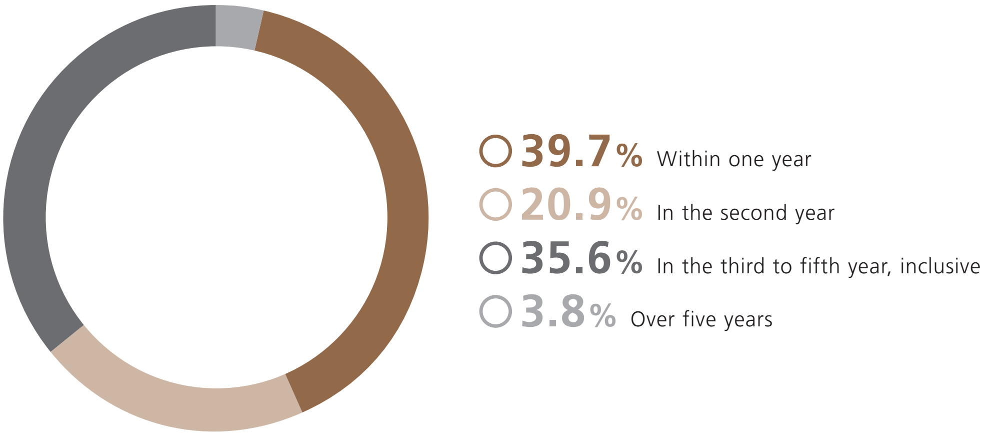
Basis of Calculating Interest Rate

To stabilize interest expenses, the Group endeavored to maintain appropriate borrowings at fixed interest rates and floating interest rates. The Group made timely adjustment to the debt structure according to the interest rate policy, seeking to optimise the interest rate level. As at 31 December 2019, 59.2% of the Group's total borrowings bore interest at a fixed 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 the outstanding borrowings of the Group 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.

Outstanding borrowings classified by year of maturity as at 31 December 2019 are as follows:



Available Facilities

As at 31 December 2019, save for cash and bank balances and term deposits of RMB94,900.5 million, the Group had unutilized banking facilities of RMB174,740.5 million. The Group has signed strategic cooperation agreements with various foreign & Chinese banks. According to these agreements, the banks committed to strengthen further on the existing relationship, and provide comprehensive financial support toward Fosun's "Health, Happiness & Wealth" businesses. 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 2019 available banking facilities under these arrangements totalled RMB302,984.6 million, of which RMB128,244.1 million was utilized.

Cash Flow

In 2019, net cash flow generated from operating activities was RMB7,833.6 million. Profit before tax for the year was RMB27,517.3 million. After making aggregate adjustment for the items such as investment gain and loss 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 flow generated from operating activities decreased by RMB8,995.5 million. However, owing to the decrease in completed properties held for sale of RMB4,789.6 million, and the increase in provision for outstanding claims and other life insurance contract liabilities of RMB3,866.5 million and RMB3,070.4 million, respectively, cash flow generated from operating activities increased. The increase in properties under development and reinsurers' share of insurance contract provisions of RMB2,727.3 million and RMB1,570.4 million, respectively, and the decrease in accrued liabilities and other payables, investment contract liabilities and contract liabilities of RMB4,675.5 million, RMB4,051.4 million and RMB2,894.6 million and the tax paid of RMB5,119.9 contributed to an decrease in the cash flow from operating activities. The decrease in completed properties held for sale was mainly due to the sales during the reporting period; the increase in provision for outstanding claims was mainly due to the expansion of reinsurance business and the European insurance business affected by the persistent low interest rates in the Eurozone; the increase in other life insurance contract liabilities was mainly due to the European insurance business affected by the persistent low interest rates in the Eurozone; the increase in completed properties held for sale was mainly due to the additional cost along with the construction progress; the increase in reinsurers' share of insurance contract provisions was mainly due to the expansion of reinsurance business; the decrease in investment contract liabilities was due to transformation on the business structure of Fosun Insurance Portugal, through adjusting the proportion of life insurance products; the decrease in contract liabilities was mainly due to the decrease in the advance payment of the hive property sales along with the revenue recognizing.

In 2019, net cash flow used in investing activities was RMB12,436.4 million, mainly used for the purchase of property, plant and equipment, purchase and construction of investment properties, purchase of intangible assets, purchase of financial assets at fair value through profit and loss, debt investments at fair value through other comprehensive income and debt investments at amortized cost, and acquisition of subsidiaries and associates, which was partly offset by proceeds from disposal of financial assets at fair value through profit and loss, debt investments at fair value through other comprehensive income, maturity of debt investments at amortized cost, disposal of subsidiaries, associates and disposal of partial interests in associates, disposal of investment properties, dividends and interests received from debt instruments and equity investments, dividends received from associates, interest received and increase in pledged bank balances and time deposits with original maturity of more than three months.

In 2019, net cash flow used in financing activities was RMB4,754.0 million, mainly used in the repayment of bank and other loans, payment of interest and dividends, decrease in loans from non-controlling shareholders and acquisition of additional interests in subsidiaries, which was partly offset by the new bank and other borrowings, as well as capital contribution from non-controlling shareholders of subsidiaries.

Pledged Assets

As at 31 December 2019, the Group had pledged assets of RMB95,475.5 million (31 December 2018: RMB79,743.6 million) for bank borrowings. Details of pledged assets are set out in note 42 to financial statements.

Contingent Liabilities

The Group's contingent liabilities of RMB8,602.8 million as at 31 December 2019 (31 December 2018 RMB5,742.3 million), Details of contingent liabilities are set out in note 64 to financial statements.

Interest Coverage

In 2019, EBITDA divided by net interest expenditures was 4.5 times as compared with 4.7 times in 2018, the increase was mainly due to the increase in EBITDA has lower proportion than that in net interest expenditures of the Group. The EBITDA of the Group increased to RMB44,103.3 in 2019 from RMB32,710.4 in 2018.

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 well monitored and financial resources are being effectively applied. To maintain multiple financing channels, the Group tries to obtain funds from different channels through banks and capital markets. Finance arrangements are organised to meet the needs of business development and match the Group's cash flow.

FOREIGN CURRENCY EXPOSURE

The functional currencies of the Company and PRC subsidiaries are HKD and RMB, respectively. The financial statements are presented in RMB. Each entity in the Group determines its own functional currency. Foreign currency-denominated assets held by the Group are exposed to foreign exchange risks. These assets include monetary assets such as deposits and bonds held in foreign currencies and non-monetary assets measured at fair value such as investment properties, stocks and funds held in foreign currencies. The Group's foreign currencies denominated liabilities are also exposed to risks as a result of fluctuations in exchange rates. These liabilities include monetary liabilities such as borrowings, customers' deposits and claim reserves denominated in foreign currencies. Financial settlement and currency conversion as at the reporting date of these foreign currency-denominated assets and liabilities may generate a certain amount of foreign exchange losses or gains, thereby affecting the Group's profits or net assets. The Group will adopt appropriate hedging methods as necessary to hedge the foreign currency risk exposure.

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 subjected to change by the lenders as required by amendments of regulations of 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 conditions, results and businesses of the Group. These forward-looking statements are the Group's expectation or beliefs on 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	2015	2016	2017	2018	2019
Total equity	99,553.1	122,873.8	136,412.3	160,441.0	**180,924.2**
Equity attributable to owners of the parent	75,744.3	92,367.0	100,960.8	108,528.8	**122,552.3**
Equity per share attributable to owners of the parent (in RMB)	8.80	10.74	11.76	12.7	**14.35**
Indebtedness					
Total debt	115,110.0	126,276.8	150,456.5	186,140.4	**208,287.1**
Total debt/Total capitalization (%)	53.6%	50.7%	52.4%	53.7%	**53.5%**
Interest coverage (times)	5.4	5.4	6.0	4.7	**4.5**
Capital employed	190,854.3	218,643.8	251,417.2	294,669.2	**302,984.6**
Cash and bank balances	47,219.2	52,156.4	82,616.1	106,316.5	**94,900.5**
Property, plant and equipment	18,023.6	20,672.0	25,413.2	36,310.4	**39,610.4**
Investment property	40,898.7	30,493.3	32,438.4	46,567.8	**59,360,4**
Property under development	35,882.4	32,068.6	41,367.6	39,520.9	**51,248.3**
Prepaid land lease payments	2,143.9	2,105.3	2,359.8	3,427.9	**–**
Mining rights	564.5	531.3	542.2	548.2	**536.0**
Interest in associates	31,579.7	44,115.6	61,721.9	84,084.1	**88,379.5**
Available-for-sale investments	118,954.6	128,175.4	136,692.5	–	**–**
Equity investments at fair value through profit or loss	10,716.2	8,328.7	17,158.2	–	**–**
Financial assets at fair value through profit or loss	–	–	–	49,015.8	**61,397.4**
Equity investments designated at fair value through other comprehensive income	–	–	–	1,645.1	**898.6**
Debt investments at fair value through other comprehensive income	–	–	–	84,149.2	**88,442.3**
Debt investments at amortized cost	–	–	–	20,123.4	**33,578.4**
Profit attributable to owners of the parent [Note 1]	8,038.3	10,268.2	13,161.3	13,406.4	**14,800.9**
Basic earnings per share (in RMB)	1.06	1.19	1.53	1.57	**1.73**
Diluted earnings per share (in RMB)	1.05	1.19	1.53	1.56	**1.73**
Profit contribution by each business segment [Note 2]					
Health	938.4	1,038.5	1,300.7	1,484.7	**1,561.4**
Happiness	149.5	468.9	2,113.4	2,276.5	**2,826.7**
Wealth	6,950.4	8,760.8	9,747.2	9,645.2	**10,412.8**
Insurance	1,796.4	2,059.1	2,792.9	2,382.7	**2,606.8**
Finance	508.8	381.2	1,100.6	1,245.2	**1,501.0**
Investment	2,089.6	4,245.3	5,853.7	6,017.3	**6,305.0**
Hive Property	2,555.6	2,075.2	–	–	**–**
EBITDA	24,422.5	23,891.3	30,789.2	32,710.4	**44,103.3**
Proposed dividend per share (in HKD)	0.170	0.210	0. 350	0.370	**0.400**

Note 1: Unallocated expenses are allocated to profit attributable to owners of the parent by ratio.

Note 2: The profit contribution from hive property project companies related to Yuyuan restructuring was not reclassified for the years from 2015 to 2016, and Hive Property segment was retained.

The Board is pleased to present the corporate governance report of the Group for the year ended 31 December 2019.

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 its corporate value and accountability.

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, risk management and internal control 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 laws, 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 by the Board. The delegated functions and work tasks are periodically reviewed. Under the leadership of the Chief Executive Officer, the senior management is responsible for the daily operation of the Company.

On a monthly basis, the senior management provides the Directors with operational and financial reports of the Group's performance, position and prospects. The Board considered the monthly reports given by the senior management to the Directors are sufficient to enable the Directors to discharge their duties. All Directors are kept informed of and duly briefed of major changes and information that may affect the Group's businesses in a timely manner.

c) Board Composition

The Board for the year ended 31 December 2019 comprised the following Directors:

Executive Directors

Mr. Guo Guangchang *(Chairman)*
Mr. Wang Qunbin *(Chief Executive Officer)*[(1)]
Mr. Chen Qiyu *(Co-President)*[(2)]
Mr. Xu Xiaoliang *(Co-President)*[(2)]
Mr. Qin Xuetang
Mr. Wang Can[(3)]
Mr. Gong Ping[(4)]

Non-Executive Director

Ms. Chen Shucui[(5)]

Independent Non-Executive Directors

Mr. Zhang Shengman
Mr. Zhang Huaqiao
Mr. David T. Zhang
Mr. Yang Chao[(6)]
Dr. Lee Kai-Fu

Note:

(1) Re-designated as Co-Chairman of the Company with effect from 21 February 2020.
(2) Re-designated as Co-Chief Executive Officer of the Company with effect from 21 February 2020.
(3) Resigned as Executive Director and Senior Vice President of the Company with effect from 21 January 2020.
(4) Appointed as Chief Financial Officer of the Company with effect from 21 February 2020.
(5) Appointed as Non-Executive Director of the Company with effect from 17 December 2019.
(6) Resigned as Independent Non-Executive Director of the Company with effect from 21 February 2020.

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. There is no financial, business, family or other material/relevant relationship among the Directors. Biographical details, including offices held in public companies or organizations and other significant commitments, of the Directors are set out in the section "Biographical Details of Directors and Senior Management" of this annual report.

The Board has assessed the independence of all the Independent Non-executive Directors of the Company and considers all of them to be independent having regard to (i) their annual confirmation on independence as required under the Listing Rules, (ii) the absence of involvement in the daily management of the Company, and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgement. Throughout the year, the number of Independent Non-Executive Directors on the Board meets the one-third requirement under the Listing Rules.

The Independent 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 Independent Non-Executive Directors have made various positive contributions to the development of the Company.

d) Appointment and Re-election of Directors

The procedures of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee of the Company is responsible for reviewing the Board composition, 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.

Ms. Chen Shucui has been appointed as Non-Executive Director of the Company with effect from 17 December 2019 and has entered into service contract with the Company for a term of 2 years from the date of her appointment. All other Directors have entered into service contracts with the Company for a term of 3 years from 28 March 2018. No Director has a service contract with the Company which is not terminable by the Company within one year and without payment of compensation (other than statutory compensation).

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/herself for re-election by shareholders at the next following general meeting after appointment.

e) Continuous Professional Development of Directors

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

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internal briefings for Directors are arranged by the Company and reading materials on relevant topics are issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Reporting Period, the Company has arranged trainings and provided reading materials for the Directors at the expense of the Company. On the other hand, Directors have provided records of the trainings they received to the Company. The Board considered the trainings attended by the Directors are sufficient to discharge their duties. A summary of the trainings attended by the Directors during the Reporting Period is as follows:

	Training Matters		
Name of Directors	**Legal and Regulatory**	**Business Update**	**Corporate Governance**
Executive Directors			
Mr. Guo Guangchang	✓	✓	✓
Mr. Wang Qunbin	✓	✓	✓
Mr. Chen Qiyu	✓	✓	✓
Mr. Xu Xiaoliang	✓	✓	✓
Mr. Qin Xuetang	✓	✓	✓
Mr. Wang Can	✓	✓	✓
Mr. Gong Ping	✓	✓	✓
Non-Executive Director			
Ms. Chen Shucui(1)	✓	✓	✓
Independent Non-Executive Directors			
Mr. Zhang Shengman	✓	✓	✓
Mr. Zhang Huaqiao	✓	✓	✓
Mr. David T. Zhang	✓	✓	✓
Mr. Yang Chao	✓	✓	✓
Dr. Lee Kai-Fu	✓	✓	✓

Note:

(1) Appointed as Non-Executive Director of the Company with effect from 17 December 2019.

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 Board meetings and one other Board meeting during the Reporting Period. In respect of corporate governance matters, the Board reviewed, among others, policies on corporate governance, code of conduct and the Company's policies and practices on compliance with legal and regulatory requirements in regular meetings. The attendance records of each Director are set out below in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS".

g) Practice and Conduct of Board Meetings

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings (or such other period as agreed). 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 (or such other period as agreed) 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 managements 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 contains 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.

The agenda of each Board meeting is set by the Chairman in consultation with members of the Board such that they are given an opportunity to contemplate agenda items, draft and executed Board minutes were sent in a timely manner to all Directors for their comments and records, minutes of the Board meetings recorded in sufficient details were kept by the Company Secretary.

h) Directors and Officers Liability Insurance

The Company has arranged the directors and officers liability insurance in respect of legal action against the Directors, the insured clause and scope of coverage of year 2019/2020 have been reviewed and renewed.

i) Board Diversity Policy

The Company recognizes and embraces the benefit of having a diverse board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage and achieving long-term sustainable growth for the Group. According to the board diversity policy of the Company, all Directors appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board. The Nomination Committee reviews the implementation of the board diversity policy on an annual basis to ensure its continued effectiveness. As at the end of the Reporting Period, the Board appointed one female Director, namely Ms. Chen Shucui as a Non-Executive Director of the Company. Based on the review of the implementation of the board diversity policy during the Reporting Period, the Nomination Committee viewed that (i) the said diversity elements have substantially been included in the board composition and (ii) the appointment of Ms. Chen Shucui as a Non-Executive Director of the Company during the Reporting Period would further enrich the spectrum of skills, experience and diversity of perspectives of the Board, thereby enhancing the diversity and effectiveness of the Board.

B. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Reporting Period, the posts of Chairman and Chief Executive Officer are held by Mr. Guo Guangchang and Mr. Wang Qunbin[(1)], 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 operations. Their respective responsibilities are clearly established and set out in writing.

The Chairman's job responsibilities are to ensure all Directors are informed of the matters to be resolved or discussed in the Board meetings; to ensure that Directors receive adequate information in a timely manner, and the relevant information is accurate, detail, complete and reliable; to lead the Board; to ensure the Board operates effectively, performs its duties, and discusses all important and appropriate matters in a timely manner; to be primarily responsible to decide and approve the agenda of each Board meeting and add other items into the agenda upon request from other Directors (where applicable), this responsibility can be delegated to other Directors or the Company Secretary; to ensure the Company to adopt a sound corporate governance code and procedure; to encourage all Directors devoting themselves to the Board's matters and to ensure the Board acts in the best interest of the Company by making himself an example; to encourage Directors with different opinions to express their concerns and give adequate time to discuss and to ensure the decisions of the Board reflect consensus of the Board; to meet with the Independent Non-Executive Directors at least once annually, without the presence of other Directors; to ensure appropriate procedures to keep effective communication with the shareholders and to ensure shareholders' opinions are delivered to the whole Board; to promote open and positive culture to discuss, to facilitate Directors (especially Independent Non-Executive Directors) to make effective contribution to the Board, and to ensure constructive relationship among Executive Directors, Non-Executive Director and Independent Non-Executive Directors.

The Chief Executive Officer's job responsibilities are to lead the management to operate the daily business of the Group in line with the business plan and budget approved by the Board; to lead the management to ensure an efficient co-operation relationship with the Chairman and the Board and to meet or communicate with the Chairman regularly to review the key development, matters, opportunities and concerns; to establish and give advice on the Group's strategy and policy for the Board's consideration; to implement the strategy and policy approved by the Board or Board Committees and achieve the goal of the Group with the assistance of the management; to continuously discuss with the Chairman on those key and fundamental topics and to ensure the Board to be informed of those topics; to ensure the management to provide report to the Board in priority, including appropriate, accurate, timely and clear material to assist the Board in performing its responsibilities; to ensure the Board (especially the Chairman) to notice the complicated, controversial and sensitive matters of the Group in advance; to lead the communication plan with the equity holders (including shareholders); and to direct the Group's business in line with the common practice and procedures adopted by the Board, to encourage the Group to maintain the highest integrity, justice and corporate governance level.

Note:

(1) Mr. Wang Qunbin has been re-designated as Co-Chairman and has ceased to be the Chief Executive Officer of the Company with effect from 21 February 2020; Mr. Chen Qiyu and Mr. Xu Xiaoliang have been re-designated as Co-Chief Executive Officers of the Company with effect from the same day.

C. BOARD COMMITTEES

The Board has established the Audit Committee, Remuneration Committee, Nomination Committee and Environmental, Social and Governance 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 above-mentioned Board committees are posted on the Company's website (www.fosun.com) and the Hong Kong Stock Exchange's website (www.hkexnews.hk) 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.

Audit Committee

As at the end of the Reporting Period, the Audit Committee comprised five Independent Non-Executive Directors, namely Mr. Zhang Shengman (Chairman), Mr. Zhang Huaqiao, Mr. David T. Zhang, Mr. Yang Chao(1) and Dr. Lee Kai-Fu. 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, risk management and internal control system (including ensuring the adequacy of resources, qualification and experience of staff of the Company's accounting, internal audit and financial reporting function, their training programmes and budget) and associated procedures.

The Audit Committee held two meetings during the Reporting Period to review, among others, the financial results and reports, financial reporting and compliance procedures, internal control and risk management systems, appointment and scope of work of external auditors. The attendance records of each member of the Audit Committee are set out below in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS".

The Company's annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee.

Note:

(1) Mr. Yang Chao has resigned as Independent Non-Executive Director of the Company and member of Audit Committee with effect from 21 February 2020.

Remuneration Committee

As at the end of the Reporting Period, the Remuneration Committee comprised five Independent Non-Executive Directors, namely Mr. Zhang Huaqiao (Chairman), Mr. Zhang Shengman, Mr. David T. Zhang, Mr. Yang Chao(1) and Dr. Lee Kai-Fu. During the Reporting Period, in order to improve the independency of the Remuneration Committee, Mr. Wang Qunbin, the Executive Director of the Company, no longer acted as a member of the Remuneration Committee with effect from 17 December 2019.

The primary work of the Remuneration Committee includes making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management after assessing their performance, as well as on the remuneration policy and structure for all Directors and senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her close associates will participate in deciding his/her 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 also reviews and approves compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive. Moreover, the Remuneration Committee reviews and approves compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate and ensures that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee held three meetings during the Reporting Period to review and make recommendations to the Board on, among others, the remuneration policy and structure of the Company, the remuneration packages and terms of service contracts of the Directors and senior management with reference to the Board's corporate goals and objectives, their merits and contributions and other related matters. The attendance records of each member of the Remuneration Committee are set out below in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS".

Note:

(1) Mr. Yang Chao has resigned as Independent Non-Executive Director of the Company and member of Remuneration Committee with effect from 21 February 2020.

Nomination Committee

As at the end of the Reporting Period, the Nomination Committee comprised five Independent Non-Executive Directors, namely Mr. David T. Zhang (Chairman), Mr. Zhang Shengman, Mr. Zhang Huaqiao, Mr. Yang Chao(1) and Dr. Lee Kai-Fu. In order to improve the independency of the Nomination Committee, Mr. Wang Qunbin, the Executive Director of the Company, no longer acted as a member of the Nomination Committee with effect from 17 December 2019.

The main duties of the Nomination Committee include the following:

- To review the structure, size, composition (including the skills, knowledge and experience) and diversity 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 two meetings during the Reporting Period to review the structure, size, composition and diversity of the Board, the independence of the Independent Non-Executive Directors and make recommendations to the Board in relation to the re-appointment of retiring Directors at the 2019 annual general meeting. The attendance records of each member of the Nomination Committee are set out below in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS".

The Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company by making reference to the Company's board diversity policy, skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations.

Note:

(1) Mr. Yang Chao has resigned as Independent Non-Executive Director of the Company and member of Nomination Committee with effect from 21 February 2020.

Environmental, Social and Governance Committee

The Company established the Environmental, Social and Governance Committee on 26 March 2019. As at the end of the Reporting Period, the Environmental, Social and Governance Committee comprised seven Directors, namely Mr. Yang Chao (Chairman)[1], Mr. Qin Xuetang, Mr. Wang Can[2], Mr. Zhang Shengman, Mr. Zhang Huaqiao, Mr. David T. Zhang and Dr. Lee Kai-Fu, and the majority of them are Independent Non-Executive Directors.

The Environmental, Social and Governance Committee was established to assist the Board in providing direction on and overseeing the development and implementation of the environmental, social and governance ("**ESG**") initiatives of the Group, including (i) corporate sustainability initiatives; (ii) environmental protection initiatives; and (iii) philanthropic and community investment initiatives.

The main duties of the Environmental, Social and Governance Committee include the following:

- To oversee the development of the ESG vision, strategies and policies;
- To oversee the implementation of the ESG vision, strategies and policies;
- To oversee the funding of ESG initiatives;
- To oversee the external communications policies.

The Environmental, Social and Governance Committee held one meeting during the Reporting Period to review working optimization measures and working plans, and to approve proposals relating to the Environmental, Social and Governance Report of 2019. The attendance records of each member of the Environmental, Social and Governance Committee are set out below in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS".

Note:

(1) Mr. Yang Chao has resigned as Independent Non-Executive Director of the Company and chairman of Environmental, Social and Governance Committee with effect from 21 February 2020; Dr. Lee Kai-Fu has been appointed as the chairman of Environmental, Social and Governance Committee with effect from the same day.

(2) Mr. Wang Can has resigned as Executive Director and Senior Vice President of the Company and member of Environmental, Social and Governance Committee with effect from 21 January 2020.

D. ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committee meetings, and annual general meeting and extraordinary general meeting of the Company held for the year of 2019 is set out in the table below:

	Attendance/Number of Meetings						
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Environmental, Social and Governance Committee	Annual General Meeting	Extraordinary General Meeting
Executive Directors							
Mr. Guo Guangchang	5/5	–	–	–	–	1/1	1/1
Mr. Wang Qunbin[1]	5/5	–	3/3	2/2	–	1/1	1/1
Mr. Chen Qiyu	5/5	–	–	–	–	1/1	1/1
Mr. Xu Xiaoliang	5/5	–	–	–	–	1/1	1/1
Mr. Qin Xuetang	5/5	–	–	–	1/1	1/1	1/1
Mr. Wang Can	5/5	–	–	–	1/1	1/1	1/1
Mr. Gong Ping	5/5	–	–	–	–	1/1	1/1
Non-Executive Director							
Ms. Chen Shucui[2]	–	–	–	–	–	–	–
Independent Non-Executive Directors							
Mr. Zhang Shengman	5/5	2/2	3/3	2/2	1/1	1/1	1/1
Mr. Zhang Huaqiao	5/5	2/2	3/3	2/2	1/1	1/1	1/1
Mr. David T. Zhang	5/5	2/2	3/3	2/2	1/1	1/1	1/1
Mr. Yang Chao	5/5	2/2	3/3	2/2	1/1	1/1	1/1
Dr. Lee Kai-Fu	5/5	2/2	3/3	2/2	1/1	1/1	1/1

Note:

(1) During the Reporting Period, Mr. Wang Qunbin, the Executive Director of the Company, no longer acted as a member of the Nomination Committee and the Remuneration Committee of the Company with effect from 17 December 2019 in order to improve the independency of the relevant committees.

(2) Ms. Chen Shucui has been appointed as Non-Executive Director of the Company with effect from 17 December 2019.

E. 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 the relevant employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the above-mentioned written guidelines by the relevant employees of the Company was noted by the Company.

F. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Board is responsible for presenting a balanced and clear assessment of annual and interim reports, inside information 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 2019. 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.

G. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of Ernst & Young, the external auditors of the Company, about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" of this annual report.

During the Reporting Period, the remuneration paid to Ernst & Young, the external auditors of the Company, in respect of professional audit services, amounted to RMB10.1 million and no significant non-audit services were provided by Ernst & Young to the Company.

H. RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks that it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees the management in the design, implementation and monitoring of the risk management and internal control systems efficiently, and the management provides a confirmation to the Board on the effectiveness of these systems. The Company identifies, evaluates and monitors significant risks faced by the Company and builds up its risk management and internal control system, taking into consideration (i) the findings of internal audits and issues revealed during operation and management, (ii) audit findings of external auditors to achieve the goal of risk control, (iii) the changes, since the last review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment; (iv) the scope and quality of management's ongoing monitoring of risks and of the internal control systems and the work of the internal audit function, (v) the extent and frequency of communication of monitoring results to the Board or the Audit Committee which enables it to assess control of the Company and the effectiveness of risk management; (vi) significant control failings or weaknesses that have been identified during the period as well as the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; and (vii) the effectiveness of the Company's processes for financial reporting and regulatory compliance. Such significant risks include decision-making risks of operation, financial control risks, and the risks arising from changes in business environment. We reviewed the risk management and internal control systems of the Company on a regular and ad hoc basis.

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

During the Reporting Period, the Board has reviewed the effectiveness of the risk management and internal control system of the Group. The Company continued to improve the standardization and systematic development of the internal control 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 audits in respect of those significant risk areas, such as corporate governance, financial income and expenses, equity investment, project management, asset management, information management etc., and has reported to the Directors regularly in respect of the effectiveness of the risk management and internal control system and significant risks. The boards of directors of the subsidiaries have submitted evaluation reports to the Company on the effectiveness of the risk management and internal control systems. The Company considers that its risk management and internal control system are effective and adequate.

I. COMPANY SECRETARY

The Company Secretary is the employee of the Company. All Directors have access to the advice and services of the Company Secretary. The Company Secretary is responsible for ensuring that Board meeting procedures are followed and for facilitating information flows and communications among Directors as well as with management.

The Company Secretary's biography is set out in the section of "Biographical Details of Directors and Senior Management" in this annual report. During 2019, the Company Secretary has received over 15 hours of professional training.

J. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies.

The Company also recognizes 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 announcements made on the Hong Kong Stock Exchange's website, 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 a forum for communication between the Board and the shareholders. The Chairman as well as the Chairman of the Audit, Remuneration, Nomination and Environmental, Social and Governance 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 general meetings.

There are no changes in the Articles of Association during the Reporting Period. The up-to-date version of the Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.

The Company endeavors 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.

A shareholders' communication policy for enhancement of the corporate governance had been established and the Board had reviewed the shareholders' communication policy during the Reporting Period.

K. SHAREHOLDER RIGHTS

Shareholders holding not less than one-twentieth of the paid-up capital of the Company may request the Board to convene an extraordinary general meeting of the Company subject to Sections 566 to 580 of the Companies Ordinance (Chapter 622) and Article 56 of the Articles of Association. The objects of the meeting must be stated in the related requisition which must be signed by the requisitionist(s) and deposited at the registered office of the Company.

To safeguard shareholders' interests and rights, separate resolutions are proposed at general meetings for each substantially separate issue, including the election of individual Directors.

Subject to Sections 580 to 583 of the Companies Ordinance (Chapter 622), qualified shareholder(s) may put forward any proposals for discussion at the next general meeting of the Company by making requisition to the Board using contact details below in the section "Contact Details".

The rights of shareholders and the procedures for demanding a poll on resolutions at general meetings are contained in the Articles of Association and the Companies Ordinance (Chapter 622). Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll, except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Poll results announcement will be posted on the websites of the Company and the Hong Kong Stock Exchange in the manner prescribed by the Listing Rules.

Putting Forward Enquiry/Requisition to the Board

For putting forward any enquiries or requisitions to the Board, shareholders may send written enquiries/requisitions to the Company.

Contact Details

Shareholders may send their enquiries or requisitions as mentioned above to the following:
Company Name: Fosun International Limited
Address: Room 808, ICBC Tower, 3 Garden Road, Central, Hong Kong

For the avoidance of doubt, shareholders must send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Key Shareholder Dates

Key shareholder dates for 2020 are:

- June 2020: annual general meeting;
- August 2020: release of announcement of interim results in respect of the six months ending 30 June 2020; and
- September 2020: release of interim report in respect of the six months ending 30 June 2020.

Biographical Details of Directors and Senior Management

Executive Directors

Guo Guangchang | Wang Qunbin | Chen Qiyu | Xu Xiaoliang

Guo Guangchang, aged 52, is an Executive Director and Chairman of the Company. Mr. Guo is the founder of the Group. As at the end of the Reporting Period, he has also been a director of both Fosun Holdings and Fosun International Holdings (the direct and indirect controlling shareholders of the Company, respectively). Mr. Guo was a non-executive director of Fosun Pharma (listed on the Hong Kong Stock Exchange and the SSE). As at the end of the Reporting Period, Mr. Guo has been the vice chairman of The General Association of Zhejiang Entrepreneurs, honorary chairman of The Zhejiang Chamber of Commerce, Shanghai, etc.. Mr. Guo was honored, among others, as the "Outstanding Businessman of Listed Company Award" at the "Top 100 Hong Kong Listed Company" Award, co-organized by Tencent News and Finet Group Limited, and was awarded "Lifetime Achievement Award" at the 16th CNBC Asia Business Leaders Award Ceremony etc.. Mr. Guo received a bachelor's degree in philosophy in 1989 and a master's degree in business administration in 1999, both from Fudan University.

Wang Qunbin, aged 50, is an Executive Director and Co-Chairman of the Company. Mr. Wang was appointed as the Co-Chairman of the Company in February 2020. Mr. Wang is the founder of the Group and has been a director of various companies within the Group since 1994. Mr. Wang was a director of Yuyuan (listed on the SSE) and Henan Lingrui Pharmaceutical Co., Ltd. (listed on the SSE with stock code 600285) and a non-executive director of Fosun Pharma (listed on the Hong Kong Stock Exchange and the SSE) and Sinopharm (listed on the Hong Kong Stock Exchange). Mr. Wang was awarded "Asia Pacific Outstanding Entrepreneur Awards" by Enterprise Asia and "Best Asian Corporate Director" at the Asian Excellence Recognition Awards by *Corporate Governance Asia*, etc., and was named one of "China's 50 Top-performing Corporate Leaders" by *Harvard Business Review*. Mr. Wang received a bachelor's degree in genetic engineering from Fudan University in 1991.

Chen Qiyu, aged 47, is an Executive Director and Co-CEO of the Company. Mr. Chen was appointed as the Co-CEO of the Company in February 2020. Mr. Chen joined the Group in 1994 and as at the end of the Reporting Period, he has also been an executive director and chairman of Fosun Pharma (listed on the Hong Kong Stock Exchange and the SSE), a non-executive director and chairman of Shanghai Henlius (listed on the Hong Kong Stock Exchange), a non-executive director and vice chairman of Sinopharm (listed on the Hong Kong Stock Exchange), a non-executive director of BabyTree (listed on the Hong Kong Stock Exchange), a co-chairman of New Frontier Health Corporation (listed on the New York Stock Exchange with stock code NFH) and a director of Sanyuan Foods (listed on the SSE) and various companies within the Group. Mr. Chen was a director of Dian Diagnostics Group Co., Ltd. (listed on the Growth Enterprise Market Board of the Shenzhen Stock Exchange with stock code 300244) and Maxigen Biotech Inc. (listed on the Taiwan Stock Exchange with stock code 1783). As at the end of the Reporting Period, Mr. Chen has been the chairman of China Medical Pharmaceutical Material Association, a vice chairman of China Pharmaceutical Innovation and Research Development Association, the honorary chairman and chief supervisor of Shanghai Biopharmaceutics Industry Association, the vice council chairman of Shanghai Society of Genetics and a member of the 13th Shanghai Standing Committee of the Chinese People's Political Consultative Conference. Mr. Chen was a member of the 12th Shanghai Standing Committee of the Chinese People's Political Consultative Conference. Mr. Chen was awarded "Shanghai Excellent Constructor of Socialism with Chinese Characteristics from Non-public Sector" and "Shanghai Outstanding Entrepreneur 2018". Mr. Chen received a bachelor's degree in genetics from Fudan University in 1993 and an EMBA degree from China Europe International Business School in 2005.

Xu Xiaoliang, aged 46, is an Executive Director and Co-CEO of the Company. Mr. Xu was appointed as the Co-CEO of the Company in February 2020. Mr. Xu joined the Group in 1998, and as at the end of the Reporting Period, he has also been the chairman of Fosun Hive and Yuyuan (listed on the SSE), a non-independent director of Hainan Mining (listed on the SSE), a non-executive director of Fosun Pharma (listed on the Hong Kong Stock Exchange and the SSE), a non-executive director and vice chairman of Zhaojin Mining Industry Co., Ltd. (listed on the Hong Kong Stock Exchange with stock code 01818), and a director of Shanghai Resource Property Consulting Co., Ltd. (listed on the NEEQ with stock code 833517, "**Resource Property**"), Shanghai Foyo Culture & Entertainment Co., Ltd. (listed on the NEEQ with stock code 831472) and various companies within the Group. Mr. Xu was a non-executive director of Shanghai Zendai Property Limited (listed on the Hong Kong Stock Exchange with stock code 00755, ("**Shanghai Zendai**")). As at the end of the Reporting Period, Mr. Xu has been a deputy to the 15th Shanghai Municipal People's Congress, the co-chairman of Industry-City Integration Development Federation of The Zhejiang Chamber of Commerce, Shanghai and was appointed as the chairman of the Shanghai International Fashion Federation in January 2020. Mr. Xu was awarded the "Shanghai 4 May Youth Medal" and "Shanghai Top Ten Youth Business People". Mr. Xu received a master's degree in business administration from the East China Normal University in 2002 and received an EMBA degree from Fudan University in 2019.

Executive Directors

Qin Xuetang

Gong Ping

Non-Executive Director

Chen Shucui

Qin Xuetang, aged 56, is an Executive Director and Senior Vice President of the Company. Mr. Qin is also serving as a director of various overseas companies within the Group. Since joining the Group in 1995, Mr. Qin has been in charge of the legal and internal control affairs of the Company, possessing in-depth knowledge in the area of M&A as well as corporate governance of listed companies. In addition, Mr. Qin oversees all matters related to the Company's audit, compliance, risk control and information disclosure. Mr. Qin received a bachelor's degree in law in 1985 from the Southwest University of Political Science and Law and was admitted to practice law in the PRC in 1990. Prior to joining the Group, Mr. Qin worked in the Law School of Fudan University.

Gong Ping, aged 44, is an Executive Director, Senior Vice President and CFO of the Company. Mr. Gong was appointed as the CFO of the Company and ceased to be the CEO of Fosun Hive in February 2020. Mr. Gong joined the Group in 2011 and as at the end of the Reporting Period, he has also been the chairman of Paris Realty Fund SA (listed on the Euronext Paris with stock code PAR), the vice chairman of Yuyuan (listed on the SSE), a non-executive director of Shanghai Zendai (listed on the Hong Kong Stock Exchange), a director of Resource Property (listed on the NEEQ) and various companies within the Group. As at the end of the Reporting Period, Mr. Gong has been a council member of Shanghai Association for Youth Entrepreneurship and Employment and vice chairman of Shanghai Youth Entrepreneurs Association. He used to serve as a senior assistant to president of the Group, and the general manager of Corporate Development Department. Prior to joining the Group, Mr. Gong worked at Pudong branch and the headquarters of Bank of Shanghai as well as the PRC headquarters of Standard Chartered Bank. Mr. Gong also served as a global strategist at the headquarters of Samsung Group in Korea, carrying out special assignments across various sectors including financial services, technology and real estate worldwide. Mr. Gong graduated from Fudan University in 1998 with a bachelor's degree in international finance, and then obtained his master's degree in finance from Fudan University in 2005. Mr. Gong also received his master's degree in business administration from International Institute for Management Development (IMD) in Lausanne, Switzerland in 2008.

Chen Shucui, aged 45, has been a Non-Executive Director of the Company since December 2019. As at the end of the Reporting Period, Ms. Chen has also been the general manager assistant of China Everwin Asset Management Co., Ltd., a non-executive director of Ronshine China Holdings Limited (listed on the Hong Kong Stock Exchange with stock code 03301), a director of Xinhu Zhongbao Co., Ltd. (listed on the SSE with stock code 600208), a non-independent director of Beijing Jetsen Technology Co., Ltd. (listed on the Shenzhen Stock Exchange with stock code 300182) and Zhejiang Hailiang Co., Ltd. (listed on the Shenzhen Stock Exchange with stock code 002203). Ms. Chen has experience in asset management and securities trading for over twenty years. From 1997 to 2017, Ms. Chen successively served as the general manager assistant of Beijing sales department, the general manager assistant of Hebei securities asset management department of Hebei Securities Co., Ltd.; the deputy general manager of the securities investment department of New Times Securities Co., Ltd.; the deputy general manager of asset management department, deputy general manager of futures intermediate business of Huarong Securities Co., Ltd.; the general manager of securities investment department of Dongxing Securities Co., Ltd. and the president assistant of New Times Trust Co., Ltd.. Ms. Chen graduated from Hebei University of Economics and Business with a bachelor's degree in economics in 1997, and then obtained her master's degree in economics from Xiamen University in 2000.

Independent Non-Executive Directors

Zhang Shengman | Zhang Huaqiao | David T. Zhang | Lee Kai-Fu

Zhang Shengman, aged 62, has been an Independent Non-Executive Director of the Company since December 2006. As at the end of the Reporting Period, Mr. Zhang has also been a non-executive director of Seazen Group Limited (listed on the Hong Kong Stock Exchange with stock code 01030, formerly known as Future Land Development Holdings Limited). Mr. Zhang worked in the PRC Ministry of Finance as a deputy director and vice secretary from 1987 to 1993. From 1994 to 2005, Mr. Zhang served as an executive director for China, vice president and chief secretary, senior vice director, managing director and chairman of the operations committee, the sanctions committee and the corporate committee on fraud and corruption policy of the World Bank. Mr. Zhang joined Citigroup Inc. (listed on the New York Stock Exchange with stock code C) in February 2006, and up to May 2016 once served as the chairman of the Public Sector Group, chairman and president of Asia Pacific. From August 2016 to March 2018, Mr. Zhang was a non-executive director of Seazen Holdings Co., Ltd. (listed on the SSE with stock code 601155, formerly known as Future Land Holdings Co., Ltd.). Mr. Zhang received a bachelor's degree in English literature in 1978 from Fudan University and a master's degree in public administration in 1985 from University of the District of Columbia. Mr. Zhang completed the Harvard Advanced Management Program in 1997.

Zhang Huaqiao, aged 56, has been an Independent Non-Executive Director of the Company since March 2012. As at the end of the Reporting Period, Mr. Zhang has been an independent non-executive director of Zhong An Group Limited (formerly known as Zhong An Real Estate Limited, stock code 00672), China Huirong Financial Holdings Limited (stock code 01290), Logan Property Holdings Company Limited (stock code 03380), Luye Pharma Group Ltd. (stock code 02186) and was a non-executive director and chairman of board of China Smartpay Group Holdings Limited (stock code 08325), a role he resigned in January 2020, all of which are listed on the Hong Kong Stock Exchange. From July 1986 to January 1989, Mr. Zhang was employed at the People's Bank of China in Beijing and from June 1999 to April 2006, Mr. Zhang worked at the Equities Department of UBS AG, Hong Kong Branch at which he first served as the head of China research and later became co-head of China research. Mr. Zhang was the chief operating officer from March 2006 to September 2008 and executive director from May 2006 to September 2008 of Shenzhen Investment Limited (listed on the Hong Kong Stock Exchange with stock code 00604). From September 2008 to June 2011, he was deputy head of China Investment Banking at UBS Securities Asia Limited. Mr. Zhang was a non-executive director of Boer Power Holdings Limited (listed on the Hong Kong Stock Exchange with stock code 01685) from November 2011 to May 2019, an independent non-executive director of Yancoal Australia Ltd. (listed on the Australian Stock Exchange with stock code YAL) from April 2014 to January 2018, Wanda Hotel Development Company Limited (listed on the Hong Kong Stock Exchange with stock code 00169) from September 2014 to May 2018, Sinopec Oilfield Service Corporation (listed on the SSE with stock code 600871 and on the Hong Kong Stock Exchange with stock code 01033) from February 2015 to June 2018 and China Rapid Finance Limited (listed on the New York Stock Exchange with stock code XRF) from January 2016 to March 2019. Mr. Zhang graduated from the Graduate School of the People's Bank of China with a master's degree in economics in 1986; and from the Australian National University with a master's degree in economics in 1991.

David T. Zhang, aged 57, has been an Independent Non-Executive Director of the Company since June 2012. Mr. Zhang has also been a senior corporate partner in the Hong Kong office of Kirkland & Ellis International LLP, a leading international law firm. Admitted to the practice of law in the State of New York, USA and based in Hong Kong, Mr. Zhang specializes in securities offerings and M&A transactions. He has extensive experience representing Chinese issuers and leading investment banks in US initial public offerings, Hong Kong initial public offerings and other Rule 144A and Regulation S offerings of equity, debt and convertible securities. Additionally, Mr. Zhang has represented a number of leading private equity funds, multinational corporations and sovereign wealth funds in connection with their investments and M&A transactions in the Greater China region and Southeast Asia. Mr. Zhang has been rated as a top capital markets attorney by *Chambers Global, Legal 500 Asia Pacific, IFLR1000 and Chambers Asia Pacific*. Prior to joining Kirkland & Ellis International LLP in August 2011, Mr. Zhang was a partner of Latham & Watkins LLP, a leading international law firm, for eight years. Mr. Zhang graduated from Beijing Foreign Studies University in 1981 and received his J.D. degree from Tulane University Law School in 1991.

Lee Kai-Fu, aged 58, has been an Independent Non-Executive Director of the Company since March 2017. As at the end of the Reporting Period, Dr. Lee has also been the chairman of Sinovation Ventures (Beijing) Enterprise Management Co., Ltd. (delisted from the NEEQ in January 2020), a co-founder and the managing partner of Sinovation Ventures Development Funds, the chairman and CEO of Innovation Works Limited, a non-executive director of Meitu, Inc. (listed on the Hong Kong Stock Exchange with stock code 01357). Dr. Lee has also been a director of various companies in the internet, artificial intelligence and other industries. From 1988 to 1990, Dr. Lee worked at Carnegie Mellon University, where he served as an assistant professor; between July 1990 and April 1996, Dr. Lee worked at Apple Inc. (listed on NASDAQ with stock code AAPL), serving as a vice-president from December 1995; from July 1998 to July 2005, Dr. Lee was the vice president of Microsoft Corporation (listed on NASDAQ with stock code MSFT); from July 2005 to September 2009, Dr. Lee was the president of Google China of Google Inc. (listed on NASDAQ with stock code GOOGL), and he was responsible for launching the Google China R&D Centre. Dr. Lee was an independent director of LightInTheBox Holding Co., Ltd. (listed on the New York Stock Exchange with stock code LITB) from June 2013 to July 2019, an independent non-executive director of Shangri-La Asia Limited (listed on the Hong Kong Stock Exchange with stock code 00069) from November 2015 to June 2019 and an independent non-executive director of Hon Hai Precision Industry Co., Ltd. (listed on the Taiwan Stock Exchange with stock code 2317) from July 2016 to June 2019. Dr. Lee received his bachelor of arts degree and Ph.D. in computer science from Columbia University in 1983 and Carnegie Mellon University in 1988, respectively.

SENIOR MANAGEMENT OF THE COMPANY

Zhang Houlin, aged 51, is the Senior Vice President and Co-CFO of the Company. Mr. Zhang was appointed as the Co-CFO of the Company in February 2020. As at the end of the Reporting Period, Mr. Zhang has also been the chairman of Shanghai Fosun High Technology Group Finance Co., Ltd., the director of Shanghai Ganglian E-Commerce Holdings Co., Ltd. and other companies within the Group. Mr. Zhang joined the Group in 2000 and takes comprehensive responsibility of the overall financing management of the Group, including capital strategic planning and capital risk control. Prior to joining the Group, Mr. Zhang worked at Agricultural Bank of China, Shanghai Waigaoqiao sub-branch from December 1993 to October 2000. Mr. Zhang received a bachelor's degree in history in 1991 and a master's degree in business administration (MBA) in 1998, both from Fudan University.

Qian Shunjiang, aged 55, is the Co-CFO of the Company. Mr. Qian was appointed as the Co-CFO of the Company in April 2020. As at the end of the Reporting Period, Mr. Qian has also been the director of Nanjing Iron & Steel, vice president and chief accountant of Nanjing Nangang and Nanjing Iron & Steel United Co., Ltd. Mr. Qian joined the Group in 2008 and is mainly responsible for financial line management. Prior to joining the Group, Mr. Qian worked for Shanghai Johnson Ltd., Orient Overseas Container Line (China) Co., Ltd., Johnson & Johnson (China) Investment Ltd., China Worldbest Group Co., Ltd. and Zhejiang Junbao Communication Technology Co., Ltd.. Mr. Qian received a master's degree in business administration from Shanghai University of Finance and Economics in 1995.

Zhang Ligang, aged 41, is the Co-CFO and General Manager of Financial Management Department of the Company. Mr. Zhang was appointed as the Co-CFO of the Company in February 2020. As at the end of the Reporting Period, Mr. Zhang has also been the director of Shanghai Fosun High Technology Group Finance Co., Ltd. and other companies within the Group. Mr. Zhang joined the Group in January 2016 and takes comprehensive responsibility of the financial operation, financial reporting, financial planning and analysis of the Group. Prior to joining the Group, Mr. Zhang successively worked in PricewaterhouseCoopers Zhong Tian LLP, Standard Chartered Bank (China) Limited. Mr. Zhang is a non-practicing member of Chinese Institute of Certified Public Accountants (CICPA) and a certified internal auditor (CIA). Mr. Zhang received a bachelor's degree in international accounting from Shanghai University of Finance and Economics in 2001.

COMPANY SECRETARY

Sze Mei Ming, aged 42, has been the Company Secretary of the Company since March 2009. Ms. Sze joined the Group in 2007. Ms. Sze holds a bachelor's degree in Arts from the University of Hong Kong, a bachelor's degree in laws from the University of London and a master's degree in Chinese and Comparative Law from the City University of Hong Kong. Ms. Sze has experience in the company secretarial industry for twenty years and is a fellow member of The Chartered Governance Institute 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 2019.

PRINCIPAL ACTIVITIES

The Company is an innovation-driven consumer group with its principal businesses in Health, Happiness and Wealth, providing high-quality products and services for families around the world. The Health business includes three major parts: Pharmaceutical, Medical Services & Health Management and Health Products; the Happiness business includes three major parts: Tourism & Leisure, Fashion and Consumer & Lifestyle while the Wealth business includes three major segments: Insurance, Finance and Investment.

BUSINESS REVIEW OF THE GROUP IN 2019

A fair view of the business of the Group in 2019 and a discussion and analysis of the material factors underlying the Group's performance, results and financial position during the year are provided in the sections headed "Business Review" and "Financial Review" under "Management Discussion & Analysis" in this annual report, respectively. Description of the major risks and uncertainties faced by the Group can be found throughout this annual report, particularly in the Directors' Report. Particulars of important events affecting the Group that have occurred since the end of the financial year 2019, can also be found in the above mentioned sections and the Notes to Financial Statements. The outlook of the Group's business is discussed throughout this annual report including the section headed "Letter to Shareholders".

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 December 2019 and the state of affairs of the Group at that date are set out in the financial statements and the accompanying notes of this annual report.

The Board declared an interim dividend for the six months ended 30 June 2019 of HKD0.13 per Share. The interim dividend had been paid on 27 September 2019. The Board has also recommended the payment of a final dividend of HKD0.27 per Share for the year ended 31 December 2019 to the shareholders of the Company whose names appear on the register of members of the Company on 12 June 2020. Subject to approval by the shareholders of the Company at the annual general meeting of the Company (the "**AGM**"), the proposed final dividend is expected to be paid on or around 16 July 2020 to the shareholders of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 29 May 2020 to Wednesday, 3 June 2020, 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 share 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, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (the "**Share Registrar**"), for registration no later than 4:30 p.m. on Thursday, 28 May 2020.

The register of members of the Company will also be closed from Wednesday, 10 June 2020 to Friday, 12 June 2020, 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 share transfer documents accompanied by the relevant share certificates and other relevant documents, if any, must be lodged with the Share Registrar for registration no later than 4:30 p.m. on Tuesday, 9 June 2020.

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 13 and 14 to financial statements, respectively.

ISSUED SHARES

Details of movements in the Company's Share during the Reporting Period are set out in note 57 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 42 to financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Board considered repurchases of Shares will lead to an enhancement of the net asset value per Share and/or earnings per Share, thus the Company repurchased a total of 15,650,000 Shares on the Hong Kong Stock Exchange at an aggregate consideration of HKD158,597,274.23. All the repurchased Shares were cancelled.

Details of the repurchase are summarized as follows:

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share (HKD)	Lowest price paid per Share (HKD)	Total purchase price paid (HKD)
May 2019	6,800,000	11.42	10.02	71,410,329.60
June 2019	3,950,000	10.12	9.84	39,349,510.00
September 2019	3,200,000	9.98	9.66	31,581,784.73
October 2019	1,700,000	9.72	9.41	16,255,649.90
Total	**15,650,000**	–	–	**158,597,274.23**

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

HUMAN RESOURCES

As of 31 December 2019, the Group had approximately 71,000 employees.

In 2019, guided by the ambition of making a world of difference by serving families worldwide and the strategic initiatives of implementing "1+N" product lines, Fosun's human resources division focused on constantly consolidating the soil of Fosun's cultural values in order to further improve industry operation capabilities. Meanwhile, we comprehensively promoted the building-up of organizational capabilities in the organizations in Fosun ecosystem of various status. Implementing the strategy planning by top-level design, optimizing the efficiency and vitality by organizational mechanism optimization, and ensuring the organizational agility and high efficiency by the establishment of digital and high-tech system, we aimed to enhance the organizational health and form a talent-and-high-potential-fulfilled and long-lasting organizational ecosystem by establishing and optimizing culture and values, partnership models, talent pipelines, etc..

We concentrate on the global talent layout, continually introduce industry-leaders and high-potential talents across the industries, and aim to establish an excellent STEM talent echelon (Star/Talent/Elite/Master). During the process of talents introduction, we pursue self-transcendence, build ranking mechanism for Fosun talent scouts, to continuously improve the talent introduction ability and efficiency of ONE Fosun. Additionally, we fully share the talent resources, build the sharing service platform of talent scouts, and constantly optimize the ONE Fosun talent pool system and information construction. In terms of employer branding, Fosun Ecological Enterprise join hands to make improvement, hold global campus recruitment under ONE Fosun brand to attract talents from all fields at home and abroad and continue to inject fresh blood into the enterprise. We facilitate the evolution of organizational structure and mechanisms, focus on the top-level structure and product-line, thereby promoting organizational capabilities of the Group's industry groups and its portfolio companies. Also, we continue to promote multi-dimensional, multi-partnership and deep-rooted partnership model and various relative measures. By improving talent efficiency, talent structure, talent pipelines, and optimizing human resources mechanism, we promote the mutual empowerment among the Group and its portfolio companies. Meanwhile, by focusing on high potential talents with outstanding performances, we provide them with more promotion and development opportunities, and fully exploit the employees' potential; we encourage talent rotation among business units and functional lines, among the Group and the portfolio companies, building a symbiotic, connected and shared ONE Fosun talent ecosystem; in line with the strategic transformation, design and optimize various incentive systems, according to the different characteristics of each business, we actively explore innovative tools and ideas to improve the accuracy of incentive mechanism, facilitate team stability and cohesion through the promotion of the design and implementation of long-term incentive mechanism at the level of portfolio companies.

Fulfilment of the Commitment to Employees

Fosun regards its employees as its most valuable capital. Meanwhile, Fosun has been aiming to provide the best platform for employees to realize their values. We fully protect the interests of employees, and are always concerned about the personal development of our staff. We emphasize on the importance of cultivating outstanding talents with an international perspective, and devise a career development path with Fosun characteristics to facilitate the synergy development between the Company and our employees.

Employee Caring and Services

Fosun persists in improving, innovating and strengthening the establishment of a comprehensive and diversified benefit system in order to create a sound enterprise atmosphere and enhance the sense of belonging among the employees. Upholding the value of "Self-improvement, Teamwork, Performance and Contribution to Society", Fosun cares not only for its employees, but also their families.

Fosun continues to strengthen the promotion and investment of employees' health management, and innovates the health management model. In addition to covering the annual physical examination of all employees, Fosun also encourages employees to participate in fitness activities such as Tai Chi and dance, regularly promotes healthcare tips, and conducts healthcare lectures, in order to strengthen employee healthcare awareness. Integrating the rich medical and insurance resources within the Group, we provide a variety of health services. By integrating advanced technology companies within the Group, we organize employees to experience futuristic technologies in the first time, and provide online consultation, online reservation of physical examination, online claim of medical expenses and etc..

Fosun has established different schemes for various employee groups. Focusing on the happiness ecosystem created by the Group, we also involve our employees' family members in various warm-hearted activities of the Company. We fully utilized the Group's own resources so that employees can access to all types of internal products, services and related resources at lower costs more conveniently.

We use the internet and various innovative channels to enrich employee services. We have further optimized and innovated the methods of benefit distribution and dissemination, such as announcing or introducing employee benefits, as well as various remuneration benefits and human resources policies through our own mobile application. Employees can not only check their benefits through our self-developed mobile application platform, but also can use employee points to pay for meals or other convenient service online. Meanwhile, our Human Resource Global Shared Service Center continuously consolidates various resources both domestically and overseas, so that we are able to provide better service to our employees all over the world.

Employee Learning and Development

Fosun believes that talents represent the core competitiveness of an enterprise, and as such, it has always been valuing the development of both the Company and its staff as one of the most important responsibilities of Fosun. It provides the employees with more opportunities for career development and better working conditions through sustained efforts. With continuous growth and structural improvement, we have promoted the integration and cooperation among team members, created value and built groups with continuing learning culture. These measures allow both the Group and its staff to build a brilliant future together.

In accordance with the development strategy and the human resources planning requirements of the Group and taking into account the characteristics of its own development, we have established talent development and professional talent training programs for different levels. We plan development paths that match different development goals. We also design training courses in accordance with the quality of capabilities and occupational requirements to help employees grow rapidly. In addition, real business issues are addressed in the programs. In the first half of 2019, projects such as Global Leadership Development Program, Leadership Development Training Camp, CHO Training Camp and Boss Talk are launched.

Online learning products have been evolved continuously with wider variety in contents. A convenient online learning platform is provided for employees of the Group, employees of enterprises under incubation and employees of some core portfolio companies.

Employment and Labour Standards

Our employees are our most valuable asset and also the core of competitive advantages of the Group. The Group has been adhering to the principle of "attracting people with development, uniting people by career, training people with work and appraising people with performance" and advocates fair competition and opposes discrimination. All employees and job applicants are not confined by factors such as gender, age, race, skin colour and religious belief. The establishment of all human resources policies strictly complies with all rules and relevant regulations in connection with remuneration and dismissal, recruitment and promotion, employee schedule, equal opportunities, diversity, working hours, rest periods and other benefits in countries/regions where our operations are located.

During the Reporting Period, all employees of the Group met the minimum working age requirements set out in the relevant laws of the countries/regions where our operations were located and the employment of child labour or forced labour is prohibited.

Remuneration Policy and Employee Incentive

The remuneration policy and package of the Group's employees are periodically reviewed based on the basis of their performance, experience and prevailing industry practice. The Group always implements the incentive principles of value creation, performance orientation, profit and loss sharing, and clear reward and punishment. Oriented by strategy implementation and employee development, the Group continuously optimizes the multi-level and full-coverage remuneration system to complete the mid-to-long-term incentive system. Through the flexible and comprehensive incentives, together with different business demands and incentive tools, we empower the business and motivate the team.

Human Resources Intelligent Innovation

Guided by the strategy of technology leading and innovation keeping, the Group's Human Resources Management Centre uses various innovative technologies to develop human resources system and tools for building up the ONE Fosun iHR ecosystem, thereby providing a smart, efficient, compliant global digital human resources solution for the group headquarters, various industrial groups and portfolio companies.

SHARE AWARD SCHEME

The share award scheme was adopted by the Company on 25 March 2015 (the "**Share Award Scheme**"), unless otherwise defined, the capitalized terms set out herein shall have the same meanings as set out in the circulars of the Company dated 26 April 2019 and 8 October 2019.

The purposes of the Share Award Scheme are (i) to align the interests of the eligible persons with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares; and (ii) to encourage and retain the eligible persons to make contributions to the long-term growth and profits of the Group.

On 27 March 2019, the Board resolved to award an aggregate of 6,283,000 award Shares to 92 selected participants under the Share Award Scheme. The award Shares were settled by way of (i) issue and allotment of 5,973,750 new Shares (the "**2019 First New Award Shares**") pursuant to a specific mandate obtained in the AGM held on 5 June 2019; and (ii) 309,250 award Shares which had lapsed before vesting. Subject to the satisfaction of the vesting criteria and conditions of the Share Award Scheme, the 2019 First New Award Shares shall be transferred from the trustee, Computershare Hong Kong Trustees Limited (the "**Trustee**") to the selected participants upon expiry of the respective vesting period. As at the end of the Reporting Period, the 2019 First New Award Shares have been fully issued to the Trustee.

On 28 August 2019, the Board resolved to award an aggregate of 420,000 award Shares to 10 selected participants under the Share Award Scheme. The award Shares were settled by way of (i) issue and allotment of 288,500 new Shares (the "**2019 Second New Award Shares**") pursuant to a specific mandate obtained in the extraordinary general meeting held on 30 October 2019; and (ii) 131,500 award Shares which had lapsed before vesting. Subject to the satisfaction of the vesting criteria and conditions of the Share Award Scheme, the 2019 Second New Award Shares shall be transferred from the Trustee to the selected participants upon expiry of the respective vesting period. As at the end of the Reporting Period, the 2019 Second New Award Shares have been fully issued to the Trustee.

The total number of non-vested award Shares granted to a selected participant under the Share Award Scheme shall not exceed 0.3% of the total number of issued Shares from time to time.

Details of the movement of the award Shares during the Reporting Period were as follows:

Name of Director	Date of grant	Vesting period[1]	Number of award Shares: Outstanding as at 1 January 2019	Vested during the Reporting Period	Granted during the Reporting Period	Lapsed/ cancelled during the Reporting Period	Outstanding as at 31 December 2019
Chen Qiyu	27 March 2019	27 March 2020 to 27 March 2022	918,450	419,100	535,000	0	1,034,350
Xu Xiaoliang	27 March 2019	27 March 2020 to 27 March 2022	918,450	419,100	535,000	0	1,034,350
Qin Xuetang	27 March 2019	27 March 2020 to 27 March 2022	676,750	338,450	310,000	0	648,300
Wang Can[2]	27 March 2019	27 March 2020 to 27 March 2022	493,400	221,100	310,000	0	582,300
Gong Ping	27 March 2019	27 March 2020 to 27 March 2022	404,700	179,300	235,000	0	460,400
Zhang Shengman	27 March 2019	27 March 2020 to 27 March 2022	60,350	31,700	25,000	0	53,650
Zhang Huaqiao	27 March 2019	27 March 2020 to 27 March 2022	60,350	31,700	25,000	0	53,650
David T. Zhang	27 March 2019	27 March 2020 to 27 March 2022	60,350	31,700	25,000	0	53,650
Yang Chao[3]	27 March 2019	27 March 2020 to 27 March 2022	60,350	31,700	25,000	0	53,650
Lee Kai-Fu	27 March 2019	27 March 2020 to 27 March 2022	48,450	19,800	25,000	0	53,650
Sub-total			**3,701,600**	**1,723,650**	**2,050,000**	**0**	**4,027,950**
Other selected participants	27 March 2019	27 March 2020 to 27 March 2022	6,910,600	3,355,110	4,233,000	(284,750)	7,503,740
	28 August 2019	28 August 2020 to 28 August 2022	–	–	420,000	(90,000)	330,000
Total			**10,612,200**	**5,078,760**	**6,703,000[4]**	**(374,750)**	**11,861,690**

Notes:

(1) Subject to the satisfaction of the vesting criteria and conditions of the Share Award Scheme, the award Shares which were granted on 27 March 2019 shall be transferred from the Trustee to the selected participants upon expiry of the following vesting periods:

Percentage of Award Shares to be Vested	Vesting Date
33%	27 March 2020
33%	27 March 2021
34%	27 March 2022

Subject to the satisfaction of the vesting criteria and conditions of the Share Award Scheme, the award Shares which were granted on 28 August 2019 shall be transferred from the Trustee to the selected participants upon expiry of the following vesting periods:

Percentage of Award Shares to be Vested	Vesting Date
33%	28 August 2020
33%	28 August 2021
34%	28 August 2022

(2) Mr. Wang Can resigned as Executive Director with effect from 21 January 2020.

(3) Mr. Yang Chao resigned as Independent Non-executive Director with effect from 21 February 2020.

(4) Including 440,750 Shares which had lapsed before vesting.

SHARE OPTION SCHEMES

The Company adopted a share option scheme on 19 June 2007 and it was expired on 18 June 2017 (the "**Old Share Option Scheme**"). All outstanding options granted under the Old Share Option Scheme will continue to be valid and exercisable in accordance with the provisions of the Old Share Option Scheme. The Company adopted a new share option scheme on 6 June 2017 (the "**New Share Option Scheme**"). The major terms of the New Share Option Scheme are as follows:

1) The purpose of the New 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 New Share Option Scheme are any Director (including independent non-executive Director), employee (whether full-time or part-time), consultant or advisor of the Group 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 New Share Option Scheme and any other schemes of the Company 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 New Share Option Scheme and any other schemes of the Company must not, in aggregate, exceed 857,897,014 Shares, being 10% of the issued Shares in issue as at the date of the shareholders' approval of the New Share Option Scheme, unless separate shareholders' approval has been obtained. The total of 857,897,014 Shares available for issue under the New Share Option Scheme representing approximately 10% of the issued Shares as at the date of this report.

4) The maximum entitlement of each participant under the New Share Option Scheme is 1% of the issued Shares 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 New Share Option Scheme must not be more than 10 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 higher of (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average of the closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant.

8) Subject to earlier termination by the Company in a general meeting or by the Board, the New 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 New Share Option Scheme and expiring on the last day of the ten-year-period. The remaining life of the New Share Option Scheme was up to 5 June 2027.

In order to promote the Company's values of entrepreneurship, encourage value creation, and reward contributions by its core management staff, the Company has decided to grant share options (the "**Options**") under the New Share Option Scheme to the global core management staff, outstanding employees and newly-joined management staff and the intelligent technology professionals of the Group (the "**Grantees**") during the Reporting Period, as part of its continuing efforts to develop a multi-layered and long-term incentives mechanism for ongoing management innovations and cultural heritage. On 27 March 2019, the Board announced that, subject to the acceptance of the relevant grantees, the Company has granted 83,880,000 share options to subscribe for an aggregate of 83,880,000 Shares under the New Share Option Scheme. The closing price of the Shares, immediately before the grant date was HKD11.82. On 28 August 2019, the Board announced that, subject to the acceptance of the relevant grantees, the Company has granted 2,380,000 share options to subscribe for an aggregate of 2,380,000 Shares under the New Share Option Scheme. The closing price of the Shares, immediately before the grant date was HKD9.57.

As at the end of the Reporting Period, the Company has granted accumulated 280,572,000 options to subscribe for an aggregate of 280,572,000 Shares under the Old Share Option Scheme and the New Share Option Scheme, and 247,795,000 effective options under the Old Share Option Scheme and the New Share Option Scheme were outstanding except for the expired, lapsed or cancelled options. The aggregate fair value of the outstanding options amounted to approximately HKD894,612,000. The details of the valuation model are set out in note 62 to financial statements. The value of options are subject to a number of assumptions and limitations that may be subjective and uncertain.

The following table discloses movements in the Company's outstanding options under the Old Share Option Scheme and the New Share Option Scheme during the Reporting Period.

		Number of the options						
Name of Grantee	Date of grant of the Options	On 1 January 2019	Granted during the Reporting Period	Exercised during the Reporting Period	Expired/ lapsed/ cancelled during the Reporting Period	On 31 December 2019	Exercise period of the options	Exercise price of the Options per Share (HKD)
Chen Qiyu	8 January 2016	10,000,000	–	–	–	10,000,000	8 January 2021 to 7 January 2026[1]	11.53
	4 May 2017	1,500,000	–	–	–	1,500,000	4 May 2022 to 3 May 2027[1]	11.75
Xu Xiaoliang	8 January 2016	10,000,000	–	–	–	10,000,000	8 January 2021 to 7 January 2026[1]	11.53
	4 May 2017	1,500,000	–	–	–	1,500,000	4 May 2022 to 3 May 2027[1]	11.75
Qin Xuetang	8 January 2016	10,000,000	–	–	–	10,000,000	8 January 2021 to 7 January 2026[1]	11.53
Wang Can[2]	8 January 2016	4,000,000	–	–	–	4,000,000	8 January 2021 to 7 January 2026[1]	11.53
	4 May 2017	4,900,000	–	–	–	4,900,000	4 May 2022 to 3 May 2027[1]	11.75
Gong Ping	8 January 2016	4,000,000	–	–	–	4,000,000	8 January 2021 to 7 January 2026[1]	11.53
	4 May 2017	4,900,000	–	–	–	4,900,000	4 May 2022 to 3 May 2027[1]	11.75
Other Grantees[7]	8 January 2016	51,000,000	–	–	–	51,000,000	8 January 2021 to 7 January 2026[1]	11.53
	4 May 2017	43,600,000	–	–	–	43,600,000	4 May 2022 to 3 May 2027[1]	11.75
	28 March 2018	48,912,000	–	–	(29,632,000)	19,280,000	28 March 2019 to 27 March 2028[3,4]	17.58
	27 March 2019	–	83,880,000	–	(2,695,000)	81,185,000	27 March 2020 to 26 March 2029[3,5]	12.86
	28 August 2019	–	2,380,000	–	(450,000)	1,930,000	28 August 2020 to 27 August 2029[6]	9.95
Total		**194,312,000**	**86,260,000**	**–**	**(32,777,000)**	**247,795,000**		

Notes:

1. The options under the Old Share Option Scheme are exercisable by each grantee in three tranches as set out below:

   (a) up to the first 20% of the Options, at any time from the date falling on the fifth anniversary of the date of grant till the end of the 10th year period commencing from the date of the grant of Options (the "**Old Option Period**");

   (b) up to a further 30% of the Options, at any time from the date falling on the sixth anniversary of the date of grant till the end of the Old Option Period; and

   (c) in respect of the remaining 50% of the Options, which, for the avoidance of doubt, comprise those Options which have not been exercised (and not lapsed) since the fifth anniversary of the date of grant, at any time from the date falling on the seventh anniversary of the date of grant till the end of the Old Option Period.

2. Mr. Wang Can resigned as Executive Director with effect from 21 January 2020.

3. The Options, being granted to the global core management staff under the New Share Option Scheme are exercisable in three tranches as set out below:

   (a) up to the first 20% of the Options, at any time from the date falling on the fifth anniversary of the date of grant till the end of the l0th year period commencing from the date of grant of the Options (the "**New Option Period**");

   (b) up to a further 30% of the Options, at any time from the date falling on the sixth anniversary of the date of grant till the end of the New Option Period; and

   (c) in respect of the remaining 50% of the Options, which, for the avoidance of doubt, comprise those Options which have not been exercised (and not lapsed) since the fifth anniversary of the date of grant, at any time from the date falling on the seventh anniversary of the date of grant till the end of the New Option Period.

4. The Options, being granted to the outstanding employees of the Group under the New Share Option Scheme are exercisable in five tranches as set out below:

   (a) up to the first 20% of the Options, at any time from the date falling on the first anniversary of the date of grant till the end of the New Option Period;

   (b) up to a further 20% of the Options, at any time from the date falling on the second anniversary of the date of grant till the end of the New Option Period;

   (c) up to a further 20% of the Options, at any time from the date falling on the third anniversary of the date of grant till the end of the New Option Period;

   (d) up to a further 20% of the Options, at any time from the date falling on the fourth anniversary of the date of grant till the end of the New Option Period; and

   (e) in respect of the remaining 20% of the Options, which, for the avoidance of doubt, comprise those Options which have not been exercised (and not lapsed) since the first anniversary of the date of grant, at any time from the date falling on the fifth anniversary of the date of grant till the end of the New Option Period.

5. The Options, being granted to the outstanding employees of the Group under the New Share Option Scheme are exercisable in four tranches as set out below:

   (a) up to the first 25% of the Options, at any time from the date falling on the first anniversary of the date of grant till the end of the New Option Period;

   (b) up to a further 25% of the Options, at any time from the date falling on the second anniversary of the date of grant till the end of the New Option Period;

   (c) up to a further 25% of the Options, at any time from the date falling on the third anniversary of the date of grant till the end of the New Option Period; and

   (d) in respect of the remaining 25% of the Options, which, for the avoidance of doubt, comprise those Options which have not been exercised (and not lapsed) since the first anniversary of the date of grant, at any time from the date falling on the fourth anniversary of the date of grant till the end of the New Option Period.

6. The Options, being granted to the the newly-joined management staff and the intelligent technology professionals of the Group are exercisable as set out in either one of the exercising schedules below:

   Type I exercising schedule

   (a) up to the first 25% of the Options, at any time from the date falling on the first anniversary of the date of grant till the end of the New Option Period;

   (b) up to a further 25% of the Options, at any time from the date falling on the second anniversary of the date of grant till the end of the New Option Period;

   (c) up to a further 25% of the Options, at any time from the date falling on the third anniversary of the date of grant till the end of the New Option Period; and

   (d) in respect of the remaining 25% of the Options, which, for the avoidance of doubt, comprise those Options which have not been exercised (and not lapsed) since the first anniversary of the Date of Grant, at any time from the date falling on the fourth anniversary of the date of grant till the end of the New Option Period.

   Type II exercising schedule

   (a) up to the first 50% of the Options, at any time from the date falling on the second anniversary of the date of grant till the end of the New Option Period;

   (b) up to a further 25% of the Options, at any time from the date falling on the third anniversary of the date of grant till the end of the New Option Period; and

   (c) in respect of the remaining 25% of the Options, which, for the avoidance of doubt, comprise those Options which have not been exercised (and not lapsed) since the second anniversary of the Date of Grant, at any time from the date falling on the fourth anniversary of the date of grant till the end of the New Option Period.

7. Other grantees consist of (i) global core management staff, (ii) outstanding employees and (iii) newly-joined management staff and the intelligent technology professionals of the Group.

The exercise of the Options by the Grantees is conditional upon the fulfilment of certain performance targets relating to the Group (the "**Performance Target**"). The Performance Target has been determined by the Board and specified in the respective grant letters of each Grantee. Unless the Performance Target is met, the Options granted to the Grantees will lapse.

FTG PRE-IPO SHARE OPTION SCHEME

FTG adopted a Pre-IPO Share Option Scheme on 29 December 2017 and the shareholders of the Company approved the said scheme on 23 February 2018. The following detailed information in relation to the FTG Pre-IPO Share Option Scheme is set out in the circular of the Company dated 1 February 2018 (the "**FTG Pre-IPO Share Option Scheme Circular**"). Unless otherwise defined, the capitalized terms set out herein shall have the same meanings as set out in the FTG Pre-IPO Share Option Scheme Circular. The major terms of the FTG Pre-IPO Share Option Scheme are as follows:

1) The purpose of the FTG Pre-IPO Share Option Scheme is to provide the participants with the opportunity to acquire proprietary interests in FTG and to encourage the participants to work towards enhancing the value of FTG and its shares for the benefit of FTG and its shareholder(s) as a whole.

2) The Participants of the FTG Pre-IPO Share Option Scheme include (i) any full-time employee(s) of FTG or of any of its subsidiaries; (ii) directors of FTG or of any of its subsidiaries; and (iii) any person(s) whether or not an employee(s) or officer(s) of FTG or of any of its subsidiaries who the board of FTG, or the duly authorized committee thereof, considers to be able to enhance the operations or value of the FTG and its subsidiaries ("**FTG Group**").

3) The total number of shares of FTG which may be issued upon exercise of all options to be granted under the FTG Pre-IPO Share Option Scheme and other share option schemes of FTG shall not exceed the Scheme Mandate Limit (being 10% of the number of the relevant class of shares of FTG in issue as of the Adoption Date). The Scheme Mandate Limit shall include the number of shares of FTG which would be issued upon the exercise of all outstanding Options by the Grantees (to the extent not already exercised) together with the number of shares of FTG which have already been issued pursuant to the earlier exercise of any Option granted under the FTG Pre-IPO Share Option Scheme. The total of 100,000,000 FTG shares available for issue under the FTG Pre-IPO Share Option Scheme representing approximately 8.10% of the issued FTG shares as of the end of the Reporting Period.

4) The total number of shares of FTG which may be issued and to be issued upon exercise of the Options granted and to be granted to each Participant or Grantee (as the case may be) (including both redeemed and outstanding Options) in any 12-month period shall not exceed 1% of the number of the relevant class of shares of FTG in issue as of the proposed date of grant; unless any further grant of Options (including redeemed, cancelled and outstanding Options) to the Participant or the Grantee exceeding the 1% limit is made in compliance with the requirements under the Listing Rules (including the prior approval of the shareholders of the Company).

5) The exercise period of any option granted under the FTG Pre-IPO Share Option Scheme must not be more than 10 years commencing on the date of grant.

6) The acceptance amount for the option is determined by the board of FTG or the duly authorized committee thereof from time to time.

7) The Exercise Price shall be determined solely by the board of FTG, or the duly authorized committee thereof, with reference to factors which may include business performance, the value of FTG and individual performance of the relevant Grantee.

8) Subject to the termination provisions under the FTG Pre-IPO Share Option Scheme and provided that under no circumstance shall the life of the FTG Pre-IPO Share Option Scheme be more than 10 years from the Adoption Date, the FTG Pre-IPO Share Option Scheme shall be valid and effective for a period commencing on the Adoption Date and ending on the date immediately preceding the date of Listing, after which period no further Options shall be granted but the provision of the FTG Pre-IPO Share Option Scheme shall remain in full force and effect in all other respects.

On 14 December 2018, the FTG shares were listed and traded on the Main Board of the Hong Kong Stock Exchange, since then, no further options has been or will be granted under the FTG Pre-IPO Share Option Scheme. For the year ended 31 December 2018, the aggregate fair value of the Options granted by FTG amounted to approximately RMB184,620,000. As of the end of the Reporting Period, 43,321,877 effective Options were outstanding.

The following table discloses movements in the outstanding Options under the FTG Pre-IPO Share Option Scheme during the Reporting Period.

Name of Grantee	Date of grant of the Options	On 1 January 2019	Number of the Options Granted during the Reporting Period	Exercised during the Reporting Period	Expired/lapsed/cancelled during the Reporting Period	On 31 December 2019	Exercise period of the Options	Exercise price of the Options per Share (HKD)
Qian Jiannong	23 February 2018	20,000,000	–	–	–	20,000,000	22 February 2019 to 22 February 2026[1]	8.43
Wang Wenping	23 February 2018	536,625	–	–	–	536,625	28 December 2018 to 28 December 2021[2]	8.43
	19 November 2018	810,000	–	–	–	810,000	18 November 2019 to 18 November 2022[3]	15.60
Other Grantees	23 February 2018	10,202,372	–	87,210	321,630	9,853,532	28 December 2018 to 28 December 2021[2]	8.43
	19 November 2018	13,006,520	–	–	824,800	12,445,720	18 November 2019 to 18 November 2022[3]	15.60
Total		**44,555,517**	**–**	**87,210**	**1,146,430**	**43,321,877**		

Notes:

1. The Options, being granted to Mr. Qian Jiannong on 23 February 2018 shall be vested according to the following period:

Percentage of Options to be vested	Vesting Date
20%	22 February 2019
20%	22 February 2020
20%	22 February 2021
20%	22 February 2022
5%	22 February 2023
5%	22 February 2024
5%	22 February 2025
5%	22 February 2026

2. The Options, being granted to Mr. Wang Wenping and other Grantees on 23 February 2018 shall be vested according to the following period:

Percentage of Options to be vested	Vesting Date
25%	28 December 2018
25%	28 December 2019
25%	28 December 2020
25%	28 December 2021

3. The Options, being granted to Mr. Wang Wenping and other Grantees on 19 November 2018 shall be vested according to the following period:

Percentage of Options to be vested	Vesting Date
25%	18 November 2019
25%	18 November 2020
25%	18 November 2021
25%	18 November 2022

The exercise of the Options by the Grantees shall be subject to and conditional upon the fulfillment of certain performance targets as the board of FTG, or the duly authorized committee thereof, may determine at its sole discretion in accordance with the FTG Pre-IPO Share Option Scheme.

Save as disclosed above, there were no outstanding Options granted under the FTG Pre-IPO Share Option Scheme during the Reporting Period.

FTG 2019 SHARE OPTION SCHEME

FTG adopted the FTG 2019 Share Option Scheme on 19 August 2019 and the shareholders of the Company and FTG approved the said scheme on 30 October 2019 and 27 November 2019 respectively. The following detailed information in relation to the FTG 2019 Share Option Scheme is set out in the circular of the Company dated 8 October 2019 (the "**FTG 2019 Share Option Scheme Circular**"). Unless otherwise defined, the capitalized terms set out herein shall have the same meanings as set out in the FTG 2019 Share Option Scheme Circular. The major terms of the FTG 2019 Share Option Scheme are as follows:

1) The purpose of the FTG 2019 Share Option Scheme is to enable FTG Group to grant options to the Eligible Participants as incentives or rewards for their contribution to FTG Group. The directors of FTG believe the FTG 2019 Share Option Scheme will enable FTG Group to reward the employees, the directors and other Eligible Participants for their contributions to FTG Group.

2) The Participants of the FTG 2019 Share Option Scheme include (i) any directors (including executive directors, non-executive directors and independent non-executive directors, where applicable) and employees of any member of FTG Group; and (ii) any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of FTG Group.

3) The maximum number of the FTG shares which may be issued in respect of which options may be granted under the FTG 2019 Share Option Scheme shall not exceed 5% of the shares in issue on the Adoption Date, and, when aggregated with the maximum number of FTG shares which may be issued in respect of any options to be granted under any other share option scheme of FTG shall not exceed 10% of the shares in issue on the Adoption Date.

4) The total number of FTG shares issued and to be issued upon exercise of the options granted and to be granted under the FTG 2019 Share Option Scheme and any other share option scheme of FTG (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of FTG for the time being (the "**Individual Limit**"). Any further grant of options to a participant in aggregate in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular containing the requisite information in accordance with the note to Rule 17.03(4) of the Listing Rules to be sent to the Company's shareholders and the shareholders of FTG prior to respective general meetings with such participant and his close associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before approvals of the Company's shareholders and the shareholders of FTG and the date of board meeting of FTG for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

5) The FTG 2019 Share Option Scheme will remain in force for a period of 10 years commencing on the Adoption Date.

6) The subscription price per share under the FTG 2019 Share Option Scheme will be a price determined by the directors of FTG, but shall not be less than the highest of (i) the closing price of the FTG shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant in respect of such option, which must be a Business Day; (ii) the average closing price of the FTG shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant in respect of such option; and (iii) the nominal value of a FTG share.

7) FTG by ordinary resolution in a general meeting or the board may at any time terminate the FTG 2019 Share Option Scheme and in such event no further options shall be offered or granted but the provisions of the FTG 2019 Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the FTG 2019 Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the FTG 2019 Share Option Scheme.

8) For the following details (1) the conditions that must be met before FTG issues any shares, the conditions that must be met before a third party may require FTG to issue any shares, and any monetary or other consideration that FTG has received or will receive under the agreement; (2) the classes of shares issued under the arrangement; and (3) for each class of shares, the number of shares that have been issued under the FTG 2019 Share Option Scheme, please refer to the FTG 2019 Share Option Scheme Circular.

As of the end of the Reporting Period, no options have been granted or agreed to be granted under the FTG 2019 Share Option Scheme.

YUYUAN SHARE OPTION INCENTIVE SCHEME

Yuyuan Tranche II Share Option Incentive Scheme

The shareholders of the Company and Yuyuan approved the adoption of the Yuyuan Tranche II Share Option Incentive Scheme on 5 June 2019 and 28 May 2019, respectively. The relevant details of the Yuyuan Tranche II Share Option Incentive Scheme under the following paragraphs were set out in the circular of the Company dated 25 April 2019 ("**Yuyuan Tranch II Share Option Circular**"), unless otherwise defined, the capitalized terms set out herein shall have the same meanings as set out in the Yuyuan Tranch II Share Option Circular.

The Yuyuan Tranche II Share Option Incentive Scheme is designed to provide the participants with the opportunity to acquire interests in Yuyuan, which will improve the corporate governance structure of Yuyuan and align the interests of the grantees and Yuyuan. The participants of the Yuyuan Tranche II Share Option Incentive Scheme include the core management of the wholly-owned subsidiary director. The total number of new Yuyuan shares which may be issued upon exercise of all 5,400,000 options to be granted under the Yuyuan Tranche II Share Option Incentive Scheme is 5,400,000 shares, representing approximately 0.139% of the total issued shares of Yuyuan as at the end of the Reporting Period. The maximum number of Yuyuan shares to be issued to any of the grantees upon exercise of the options granted under the Yuyuan Tranche II Share Option Incentive Scheme does not exceed 1% of total share capital of Yuyuan.

Subject to fulfilment of the conditions for exercising the options, after the expiry of 36 months from the Date of Grant, Grantees may exercise their Options in three tranches as follows:

Tranche	Exercise period	Percentage of option exercisable
First tranche	From the first trading day after the expiry of 36 months from the Date of Grant to the last trading day within 48 months from the Date of Grant	20%
Second tranche	From the first trading day after the expiry of 48 months from the Date of Grant to the last trading day within 60 months from the Date of Grant	30%
Third tranche	From the first trading day after the expiry of 60 months from the Date of Grant to the last trading day within 72 months from the Date of Grant	50%

No payment shall be required to be made by the grantee for the application or acceptance of options under the Yuyuan Tranche II Share Option Incentive Scheme. The exercise price of the options granted under the Yuyuan Tranche II Share Option Incentive Scheme shall be RMB9.09 per Yuyuan share.

Yuyuan completed the grant of 5,400,000 options to the grantees under the Tranche II Share Option Incentive Scheme on 13 June 2019, of which the fair value was RMB13,921,200 calculated by Black-Scholes model. Details are set out in the Yuyuan Tranch II Share Option Circular Circular. The value of the options are subject to a number of assumptions and limitations that may be subjective and uncertain. The closing price immediately before the date of such options were granted was RMB7.96 per share.

Yuyuan Tranche I Employee Share Option Incentive Scheme

The shareholders of the Company and Yuyuan approved the adoption of the Yuyuan Tranche I Employee Share Option Incentive Scheme on 30 October 2019 and 23 October 2019, respectively. The relevant details of the Yuyuan Tranche I Employee Share Option Incentive Scheme under the following paragraphs were set out in the circular of the Company dated 8 October 2019 ("**Yuyuan Tranch I Employee Share Option Circular**"), unless otherwise defined, the capitalized terms set out herein shall have the same meanings as set out in the Yuyuan Tranch I Employee Share Option Circular.

The Yuyuan Tranche I Employee Share Option Incentive Scheme is designed to provide the participants with the opportunity to acquire interests in Yuyuan, which will improve the corporate governance structure of Yuyuan and align the interests of the grantees and Yuyuan. The participants of the Yuyuan Tranche I Employee Share Option Incentive Scheme include Yuyuan's senior management and mid-level management team as well as the core management team of Yuyuan's subsidiaries. The total number of new Yuyuan shares which may be issued upon exercise of all 3,650,000 options to be granted under the Yuyuan Tranche I Employee Share Option Incentive Scheme is 3,650,000 shares, representing approximately 0.094% of the total issued shares of Yuyuan as at the end of the Reporting Period. The maximum number of Yuyuan shares to be issued to any of the grantees upon exercise of the options granted under the Yuyuan Tranche I Employee Share Option Incentive Scheme does not exceed 1% of total share capital of Yuyuan.

Subject to fulfilment of the conditions for exercising the options, after the expiry of 12 months from the Date of Grant, Grantees may exercise their Options in three tranches as follows:

Tranche	Exercise period	Percentage of option exercisable
First tranche	From the first trading day after the expiry of 12 months from the Date of Grant to the last trading day within 24 months from the Date of Grant	33%
Second tranche	From the first trading day after the expiry of 24 months from the Date of Grant to the last trading day within 36 months from the Date of Grant	33%
Third tranche	From the first trading day after the expiry of 36 months from the Date of Grant to the last trading day within 48 months from the Date of Grant	34%

No payment shall be required to be made by the grantee for the application or acceptance of options under the Yuyuan Tranche I Employee Share Option Incentive Scheme. The exercise price of the options granted under the Yuyuan Tranche I Employee Share Option Incentive Scheme shall be RMB8.62 per Yuyuan share.

Yuyuan completed the grant of 3,650,000 options to the grantees under the Tranche I Share Employee Option Incentive Scheme on 31 October 2019, of which the fair value was RMB5,200,000 calculated by Black-Scholes model. Details are set out in the Yuyuan Tranch I Employee Share Option Circular. The value of the options are subject to a number of assumptions and limitations that may be subjective and uncertain. The closing price immediately before the date of such options were granted was RMB7.89 per share.

GLAND PHARMA SHARE OPTION SCHEME

The shareholders of the Company approved the adoption of the Gland Pharma share option incentive scheme (the “**Gland Pharma Share Option Incentive Scheme**”) at the annual general meeting held on 5 June 2019. The purpose of the Gland Pharma Share Option Incentive Scheme is to (i) reward the employees for their past and future performance, (ii) align the interests of the employees with those of shareholders of Gland Pharma, (iii) foster the sense of ownership of the employees, and (iv) reward the employees for their loyalty.

Subject to the terms of the Gland Pharma Share Option Incentive Scheme, the maximum number of Gland Pharma shares that may be issued pursuant to exercise of options granted to the participants under the Gland Pharma Share Option Incentive Scheme shall not exceed 170,444 shares, representing 1.1% of the total number of issued Gland Pharma shares as at the date on which the shareholders of Gland Pharma approved the adoption of the Gland Pharma Share Option Incentive Scheme. Subject to the limitations prescribed under the Gland Pharma Share Option Incentive Scheme, Gland Pharma reserves the right to increase or reduce such number of Gland Pharma shares as it deems fit.

On 27 June 2019, options with 154,950 underlying Gland Pharma shares were granted to 103 participants under the Gland Pharma Share Option Incentive Scheme with an exercise price of INR5,420 per Gland Pharma share. The number of Gland Pharma shares that may be issued upon the exercise of the granted options represents approximately 1% of the total issued shares of Gland Pharma on the date of adoption of the Gland Pharma Share Option Incentive Scheme.

As at 31 December 2019, options with 154,650 underlying Gland Pharma shares were accepted by 102 participants, of which 5 participants were subsequently ceased to be employees of Gland Pharma and options underlying 3,300 Gland Pharma shares lapsed. The details of the options granted under the Gland Pharma Share Option Incentive Scheme during the Reporting Period are set out below:

Participants	Date of Grant (dd-mm-yyyy)	Options Granted	Exercise Price Per Share (INR)	Vesting Date[1] (dd-mm-yyyy)	Portion of Granted Options	Exercise Period (dd-mm-yyyy)[1]	Number of Options				
							1 January 2019	Exercised	Lapsed	Cancelled	31 December 2019
Employees of Gland Pharma	27-6-2019	154,950	5,420	26-6-2020	40%	26-6-2020 to 26-6-2029	0	–	(3,300)[3]	(300)[2]	151,350
				31-3-2021		31-3-2021 to 26-6-2029					
				31-3-2022		31-3-2022 to 26-6-2029					
				31-3-2021	30%	31-3-2021 to 26-6-2029					
				31-3-2022		31-3-2022 to 26-6-2029					
				31-3-2022	30%	31-3-2022 to 26-6-2029					

Notes:

(1) The vesting of the options granted shall be subject to the requirement for a minimum period of one year between the date of grant and vesting of the options and the relevant performance targets under the Gland Pharma Share Option Incentive Scheme.

(2) Such 300 options were cancelled because 1 participant did not accept the options.

(3) Such 3,300 options were lapsed because 5 participants ceased to be employees of Gland Pharma.

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 of this annual report and details of movements in the reserves of the Company during the Reporting Period are set out in note 72 to financial statements.

On 31 December 2019, the Company's reserves available for distribution, calculated in accordance with the provisions of Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to RMB11,841,910,000, of which RMB2,781,877,000 has been proposed as a final dividend for 2019.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

DIRECTORS

The Directors during the Reporting Period were:

Executive Directors

Mr. Guo Guangchang *(Chairman)*
Mr. Wang Qunbin *(Chief Executive Officer)* (1)
Mr. Chen Qiyu *(Co-President)* (2)
Mr. Xu Xiaoliang *(Co-President)* (2)
Mr. Qin Xuetang
Mr. Wang Can (3)
Mr. Gong Ping (4)

Non-Executive Director

Ms. Chen Shucui (5)

Independent Non-Executive Directors

Mr. Zhang Shengman
Mr. Zhang Huaqiao
Mr. David T. Zhang
Mr. Yang Chao (6)
Dr. Lee Kai-Fu

Notes:

(1) Re-designated as the Co-Chairman of the Company with effect from 21 February 2020.

(2) Re-designated as the Co-Chief Executive Officer of the Company with effect from 21 February 2020.

(3) Resigned as an Executive Director and a Senior Vice President of the Company with effect from 21 January 2020.

(4) Appointed as the Chief Financial Officer of the Company with effect from 21 February 2020.

(5) Appointed as a Non-Executive Director of the Company with effect from 17 December 2019.

(6) Resigned as an Independent Non-Executive Director of the Company with effect from 21 February 2020.

According to Articles 106 and 107 of the Articles of Association, Mr. Chen Qiyu, Mr. Qin Xuetang, Mr. Zhang Huaqiao and Dr. Lee Kai-Fu shall retire by rotation at the AGM. All of the above four retiring Directors, being eligible, will offer themselves for re-election at the same meeting.

The Board appointed Ms. Chen Shuicui as the Non-Executive Director in 2019 and the appointment came into effect on 17 December 2019. According to Article 111 of the Articles of Association, Ms. Chen Shuicui shall retire at the AGM and shall be eligible for re-election.

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 OF SUBSIDIARIES

As at 31 December 2019, the names of all the directors who serve the subsidiaries of the Company or act as the sole director of subsidiaries of the Company are published on the Company's website.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACTS

All Executive Directors and Independent Non-Executive Directors have entered into service contracts with the Company for a term of 3 years from 28 March 2018. The Non-Executive Director has entered into a service contract with the Company for a term of 2 years from 17 December 2019. 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 AND SENIOR MANAGEMENT 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 and senior management. The remuneration of all Directors and senior management 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 senior management, and the Company should avoid paying more than necessary for this purpose.

Details of the Directors and senior management remuneration for the year ended 31 December 2019 are set out in note 9 to financial statements.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B of the Listing Rules, the changes in the information of the Directors subsequent to interim report 2019 and up to the end of the Reporting Period are set out below:

(1) Changes in the Major Positions Held Within the Group

Name of Director	Company Name	Date of changes	Original position	Current position
Xu Xiaoliang	Hainan Mining	November 2019	–	Non-independent Director

(2) Changes in Other Directorships Held in Public Companies the Securities of Which are Listed on Any Securities Market in Hong Kong or Overseas and Other Major Appointments

Name of Director	Company Name	Date of changes	Original position	Current position
Chen Qiyu[(1)]	Shanghai Henlius	September 2019	Non-executive Director and Chairman	Non-executive Director and Chairman
	New Frontier Health Corporation	December 2019	–	Co-Chairman
Wang Can[(2)]	Shanghai Ganglian E-Commerce Holdings Co., Ltd	October 2019	Director	–
Chen Shucui	Zhejiang Hailiang Co., Ltd.	September 2019	–	Non-independent Director
Lee Kai-fu	LightInTheBox Holding Co., Ltd.	July 2019	Independent Director	

Notes:

(1) Mr. Chen Qiyu was appointed as the non-executive director of Shanghai Henlius in January 2013 and the chairman of Shanghai Henlius in December 2018 and Shanghai Henlius was listed on the Hong Kong Stock Exchange in September 2019.

(2) Mr. Wang Can resigned as the Executive Director of the Company in January 2020.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors 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 2019, 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.

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

As at 31 December 2019, 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	6,044,246,673[(1)]	Corporate	70.80%
Chen Qiyu	Ordinary	17,418,000	Individual	0.20%
Xu Xiaoliang	Ordinary	14,985,000	Individual	0.18%
Qin Xuetang	Ordinary	15,797,640	Individual	0.19%
Wang Can	Ordinary	10,035,000	Individual	0.12%
Gong Ping	Ordinary	9,935,000	Individual	0.12%
Zhang Shengman	Ordinary	780,000	Individual	0.01%
Zhang Huaqiao	Ordinary	430,000	Individual	0.01%
David T. Zhang	Ordinary	130,000	Individual	0.00%
Yang Chao	Ordinary	120,000	Individual	0.00%
Lee Kai-Fu	Ordinary	85,000	Individual	0.00%

(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/ Amount of debentures	Type of interests	Approximate percentage in relevant class of shares/debentures
Guo Guangchang	Fosun Holdings	Ordinary	1	Corporate	100.00%
	Fosun International Holdings	Ordinary	29,000	Individual	85.29%
	Fosun Pharma	A shares[(2)]	114,075	Individual	0.01%
		A shares[(2)]	938,095,290	Corporate	46.65%
		H shares	38,241,000	Corporate	6.93%
	Sisram Med	Ordinary	330,558,800	Corporate	74.76%
	FTG	Ordinary	1,015,389,932	Corporate	82.21%
	Shanghai Henlius	Domestic shares	289,845,387	Corporate	79.59%
		H shares	3,192,339	Corporate	1.95%
Wang Qunbin	Fosun International Holdings	Ordinary	5,000	Individual	14.71%
	Fosun Pharma	A shares[(2)]	114,075	Individual	0.01%
Chen Qiyu	Fosun Pharma	A shares[(2)]	114,075	Individual	0.01%
	FTG	Ordinary	1,478	Individual	0.00%
Xu Xiaoliang	FTG	Ordinary	2,328	Individual	0.00%
Qin Xuetang	Fosun Pharma	A shares[(2)]	114,075[(3)]	Individual	0.01%
	Fortune Star (BVI) Limited	N/A	2,000,000	Individual	0.14%
Wang Can	FTG	Ordinary	829	Individual	0.00%
Gong Ping	FTG	Ordinary	988	Individual	0.00%

Notes:

(1) Pursuant to Division 7 of Part XV of the SFO, 6,044,246,673 Shares held by Mr. Guo Guangchang are deemed corporate interests held through Fosun Holdings and Fosun International Holdings.

(2) A shares mean the equity securities listed on the SSE.

(3) Mr. Qin Xuetang sold all of A shares of Fosun Pharma he held in February 2020.

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

As at 31 December 2019, 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	6,044,246,673 [(2)]	70.80%
Fosun International Holdings[(1)]	6,044,246,673 [(2) (3)]	70.80%

Notes:

(1) Fosun International Holdings is owned as to 85.29% and 14.71% by Messrs. Guo Guangchang and Wang Qunbin, 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 purpose of the SFO.

(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 85.29%, 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 2019, 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 2019, the Company entered into the following connected transaction:

1. On 27 March 2019, the Board has resolved to award an aggregate of 6,283,000 award shares to 92 selected participants, including Directors and directors of significant subsidiaries of the Company who are connected persons of the Company, under the Share Award Scheme. The award shares will be settled by way of: (i) issue and allotment of 5,973,750 New Award Shares pursuant to a specific mandate obtained in the annual general meeting held on 5 June 2019; and (ii) 309,250 award shares which were lapsed before vesting. Upon issuance and allotment of the New Award Shares, the Trustee will hold the New Award Shares on trust for the selected participants and such New Award Shares, together with the Existing Award Shares, shall be transferred to the selected participants upon satisfaction of the vesting conditions. The number of award shares granted to each of the selected participants was determined in accordance with their respective contributions to the Group. Pursuant to Rule 14A.12(1)(b) of the Listing Rules, the Trustee is an associate of connected persons of the Company and the issue of the New Award Shares to the Trustee shall constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. Further details about the Share Award Scheme are set out in the section headed “Share Award Scheme” under the Directors’ Report in this annual report, the announcement of the Company dated 27 March 2019 and the circular of the Company dated 26 April 2019. The capitalized terms set out in this paragraph shall have the same meanings as defined in the circular of the Company dated 26 April 2019 unless the context otherwise requires.

2. On 28 August 2019, the Board has resolved to award an aggregate of 420,000 award shares to 10 selected participants under the Share Award Scheme. The award shares will be settled by way of: (i) issue and allotment of 288,500 New Award Shares pursuant to a specific mandate obtained in the extraordinary general meeting held on 30 October 2019; and (ii) 131,500 award shares which were lapsed before vesting. Upon issuance and allotment of the New Award Shares, the Trustee will hold the New Award Shares on trust for the selected participants and such New Award Shares, together with the Existing Award Shares, shall be transferred to the selected participants upon satisfaction of the vesting conditions. The number of award shares granted to each of the selected participants was determined in accordance with their respective expected contributions to the Group. Pursuant to Rule 14A.12(1)(b) of the Listing Rules, the Trustee is an associate of connected persons of the Company and the issue of the New Award Shares to the Trustee shall constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. Further details about the Share Award Scheme are set out in the section headed “Share Award Scheme” under the Directors’ Report in this annual report, the announcement of the Company dated 28 August 2019 and the circular of the Company dated 8 October 2019. The capitalized terms set out in this paragraph shall have the same meanings as defined in the circular of the Company dated 8 October 2019 unless the context otherwise requires.

MATERIAL TRANSACTIONS

For the year ended 31 December 2019, the Company entered into the following material transactions:

1. On 19 February 2019, the Company subscribed for 3,849,526 new Tom Tailor shares which were issued and allotted by Tom Tailor exclusively to the Company for a total cash contribution of EUR8,699,928.76, and the Company announced its intention to make a voluntary public takeover offer as an offeror to all shareholders of Tom Tailor to acquire all Tom Tailor shares not already directly held by the Company. The voluntary public takeover offer settled on 12 July 2019 with a total consideration of EUR53,434,363.29. As of 31 December 2019, the Group held approximately 77.83% equity interest in Tom Tailor.

2. On 5 July 2019, Shanghai Henlius, a subsidiary of Fosun Pharma, submitted an updated listing application (Form A1) to the Hong Kong Stock Exchange. On 25 September 2019, Shanghai Henlius was listed on the Hong Kong Stock Exchange with Stock Code 02696. As of 31 December 2019, the Company indirectly held approximately 53.33% equity interest in Shanghai Henlius.

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 (the "**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 and Mr. Wang Qunbin (the "**Undertaker**") 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 Undertaker 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 Undertaker or that the Undertaker may be planning to participate in, as well as access to appropriate staff members of the Undertaker 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.

RELATED PARTY TRANSACTIONS

Related party transactions entered by the Group during the Reporting Period are disclosed in note 65 to financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the Reporting Period of the Group are set out in note 70 to financial statements.

EHS&Q POLICY AND THE PERFORMANCE

"Self-improvement, Teamwork, Performance and Contribution to Society" constitutes the cultural values of the Group. The Group always regarded environmental protection, occupational health, work safety and quality management ("**EHS&Q**") as the important parts of our corporate social responsibility and incorporated them in the Group's strategy for sustainable development. The "Fosun Group Environment, Health, Safety & Quality Policy", which was issued jointly by the Chairman and all Executive Directors of the Company, has been fully implemented in all companies under the Group.

To ensure the implementation of the policy, the Group issued the "Regulations on the Line Management of Environment, Health, Safety & Quality", and clearly stated that the year-end performance appraisal of the heads of the business segments and core member companies would be linked to the environmental performance of the companies, urging the implementation of a regional responsibility system. The EHSQ & Operational Excellence Department of the Company supervised the implementation of EHS&Q by each member company to inspect and ensure the legal, compliant, efficient and safe production of all member companies. The member companies responded positively, getting involved and improving the EHS&Q governance structure.

The Group has established and implemented the management framework system for environmental protection, occupational health and work safety ("**EHS**") to systematize and standardize the environmental protection of member companies on a regular basis every year. Member companies are encouraged and promoted to obtain environmental management system certification. As of the end of 2019, 19 member companies have obtained environmental management system certification.

Sticking to the principle of sustainable development, the Group supervises and guides its member companies to mitigate the impact of production and business activities on the environment and the human body by reducing the emissions of greenhouse gases, solid waste, wastewater and atmospheric pollutants, effectively utilizing resources, and at the same time seeking opportunities to recycle wastes, optimizing the energy structure and improving the energy and water resource utilization efficiency. In 2019, there were no major environmental pollution incidents of the Group.

RELATIONSHIP WITH ITS EMPLOYEES, CUSTOMERS, SUPPLIERS AND INVESTORS

The Company actively manages its relationship with employees, customers, suppliers, investors, the general public in communities where it operates and other stakeholders, since the actions of such persons are able to influence the performance and value of the Company.

The Company adopts a variety of ways to communicate with its employees, such as Fosun Morning Assembly, Fosun Luncheon Session, HR Hotline "A La Ding" (阿拉釘), and their performance review and feedback from management heads in different tiers. These communication channels allow the Company to understand its employees and at the same time to deliver the Company's strategies and culture to its employees, through which the latest information of the country, industries and enterprises is also shared with our employees, thus a diverse platform for learning and development as well as a safe and healthy working environment is provided. Our employees are also encouraged to attend charitable activities for upholding Fosun's value and brand.

The Company established the Customer Service and Quality Supervision and Management Department in 2018 and issued the "Regulations on Global Customer Service and Product Quality Supervision Management" (全球客戶服務與產品質量監督管理規定) to further promote the Group's user experience and product strength. The Group strictly abides by relevant laws and regulations such as the "Product Quality Law of the PRC" (中華人民共和國產品質量法) and the "Food Safety Law of the PRC" (中華人民共和國食品安全法), etc. and actively promote quality management system establishment and certification of member companies.

The basic principles of the Group for procurement practices are: openness, fairness and impartiality. Onelinkplus (www.onelinkplus.com) empowers the supply chain management of the Group and its portfolio companies more transparent, smart and prominent. It also establishes a business ecosystem of mutual benefit and win-win cooperation with suppliers. In 2019, the Group formulated and issued the "Fosun Group Supplier Code of Conduct" and "Fosun Group Supplier Integrity Management Rules" to advocate and regulate the business ethics of suppliers.

The Company actively manages its relationship with investors. Subject to the compliance requirement, the Capital Markets and Investor Relations Department actively conveys the Company's information to the market to ensure high degree of transparency and smooth communication. In addition to the daily communication with the analysts and investors, we also hold results press conference, roadshow and reverse roadshow, investors' teleconference, etc..

The Group attaches great importance to corporate social responsibility and established Shanghai Fosun Foundation in November 2012. Fosun Foundation's projects include: disaster relief; poverty alleviation; culture, education, young entrepreneurs and other social development schemes.

For more details of the Group's environmental policy and the performance and relationship with its stakeholders, please refer to 2019 Environmental, Social and Governance Report separately issued by the Company or visit the Company's ESG website: https://www.fosun.com/.

COMPLIANCE WITH LAWS AND REGULATIONS

Though the Company is incorporated in Hong Kong, its business activities and investments cover various jurisdictions in addition to Hong Kong including but not limited to Chinese mainland, the America and Europe. During the Reporting Period, the Company had complied with all material laws and regulations of jurisdictions aforesaid that have an impact on the Company.

MAJOR RISKS AND RESPONSIVE MEASURES

The Group adopts a prudent attitude in the course of investment and operation, and minimizes the costs of risks for the Group and dynamically manages the risk exposure through a scientific investment decision-making process, a stringent pre-investment assessment and post-investment management system. As the Group increases global investments, particularly the investment in the financial sector, the Group has further strengthened risk management and control at the group level in 2019 and improved the enterprise risk management system in the aspects of, among other things, organization structure, management system and workflow to enhance the risk management standards. Nevertheless, the Group is still fully aware of the risks and uncertainties faced in its operations, such as:

1. Strategic Risk

Strategic risk refers to the risk that corporate strategy is not compatible with market environment or corporate capabilities due to the ineffectiveness in the formulation and implementation of strategies or the changes of the business environment. As the Group's investments cover a wide range of industries and are distributed worldwide, certain uncertainties exist in judging the development trends of industries, and also deviation from expectations may be encountered in the course of integrating global industrial resources and promoting synergy.

The Group formulates long-term development strategies for the Group on the basis of sufficient research on the development trends of domestic and overseas markets and national industrial policies to ensure the strategic objectives of the Group and its subsidiaries coordinated with each other, reviews the development strategies of the Group periodically and makes dynamic adjustments to the strategies in a timely manner according to changes in external conditions. The Group drives the implementation of established strategies through the preparation of annual budget and operation plans. Accomplishments status of the plans are tracked by monthly meetings, operation analysis meetings and post-investment risk alert mechanism, guidance is provided to all subsidiaries to facilitate strategic risk management and avoid negative impact arising from the lack of strategic synergies among subsidiaries of the Group.

2. Market Risk

Market risk refers to the risk of unexpected losses suffered by the Group arising from adverse movements in, among other things, interest rates, equity prices, real estate prices, commodity prices and exchange rates.

The Group adheres to the core concept of "Industry Operations + Industrial Investment" and has established different asset allocation principles for investments according to sources of capital and characteristics of different entities surrounding the Group's key development directions of "Health, Happiness and Wealth". Meanwhile, a market risk management system with multilayer has been established to enhance the capabilities on market risk identification, assessment, measurement, analysis and response on an ongoing basis. The establishment and development of risk management goals, systems and frameworks of all independent legal entities, such as core financial enterprises and non-financial industry operating entities, are guided and supervised at the group level, asset allocation plans for group's annual investments are prepared by incorporating group financing, rating constraints and overall risk tolerance capacity to coordinate the instant monitoring of foreign exchange risk and interest rate risk exposures at the group level and adjust hedging strategies dynamically. All subsidiaries will establish various types of investment risk limit systems by incorporating its own characteristics of assets and liabilities. Core financial enterprises perform scientific and effective warning, assessment and management on the market risk based on asset liability management strategies, investment risk reports will be issued on a regular basis by generally adopting, among other things, scenario analysis, value at risk computation and stress testing, while adopting various types of hedging measures to control interest rate risk and exchange rate risk effectively. Non-financial industry operating entities focus on synergies between industries to strike a balance on essential factors such as return, risk and long-term strategic objectives.

3. Credit Risk

Credit risk refers to the risk of unexpected losses stemming from counterparty's failure to perform obligation, or adverse change of counterparty's credit standing. The credit risk faced by the Group is mainly related to the deposits at the commercial banks, loans issuance, investment in bonds, reinsurance arrangement for operating insurance business and receivables, etc..

The Group has established a credit risk management system with multilayer, annual rating and allocation recommendations and public opinion warning are prepared for fixed-income investments at the group level, and provisions for impairment are timely made with full amount for investments with impairment signs. Core financial enterprises have established a credit risk warning and management mechanism with credit rating as its core, and targeted management and control measures will be implemented respectively on their credit risk and counterparty concentration risk according to the characteristics of the different natures and risks of their own businesses. Through setting classification standards on credit ratings, industries and regions, credit risk exposures of the underlying assets are monitored on a regular basis so that their risk conditions are reflected timely to the relevant business departments and the management for taking risk responsive measures in a timely manner. Non-financial industry operating entities manage and control credit risk of receivables through measures, such as assessment of counterparties, regular aging analysis and timely recovery calls.

4. Liquidity Risk

Liquidity risk refers to the risk of being unable to pay the due obligations or perform other payment obligations due to the inability to get enough capital in time or at a reasonable cost.

The Group adopts a stable and sound liquidity risk management and control strategy. Group Treasury Management Department closely monitors the liquidity conditions of core subsidiaries, it also monitors, controls and forecasts the cash position and capital needs within a certain period in the future at the group level and among core subsidiaries, and conducts stress tests with different scenarios according to the different sources of funds. Funding plans will be prepared to meet immediate or possible emerging cash gaps on the basis of maintaining independent operations among all subsidiaries. Core financial enterprises have established a daily monitoring and detecting mechanism for liquidity risk, by adopting risk management tools such as scenario analysis and stress testing to monitor liquidity risk in a dynamic manner. Non-financial industry operating entities adjust the liquidity contingency plan in a timely manner in accordance with the forecast of liquidity needs on the liability side.

5. Insurance Risk

Insurance risk refers to the risk of losses to insurance companies caused by deviation of actual mortality, morbidity, loss ratio, expense ratio, lapse rate, etc. from the assumptions used in pricing.

All insurance subsidiaries of the Group assess and monitor insurance risks by adopting sensitivity analysis, scenario analysis and stress testing, and evaluate the impacts of different actuarial assumptions, such as discount rate, investment yield, mortality, morbidity, lapse rate and expense ratio, on insurance technical reserves, solvency ratio or profitability etc..

6. Compliance Risk

Compliance risk refers to the potential of an enterprise and its employees and agents being subject to legal obligations, regulatory penalties, financial or reputation losses due to failure to comply with laws or regulations. With businesses distributed around the world, the Group is also subject to the laws and regulatory rules of different jurisdictions.

The Group deeply understands the importance of compliance in operation to the development of a corporation and always regards EHS&Q as the key contents of performing social responsibility. The Group complies with the information disclosure requirements of the Hong Kong Stock Exchange and stock exchanges in places where the investment enterprises operate and performs disclosure obligations in a timely manner. With an increasing proportion of investments in financial enterprises by the Group, and the background of tightened supervision and regulation over the global financial industry, the Group has strengthened its tracking on regulatory changes and issues compliance risk alerts of the financial sectors to timely analyze and assess the effects of new supervisory and regulatory rules on the operation of the financial enterprises of the Group, as well as to trace the effects of implemented measures to control compliance risk.

7. Operation Risk

The Group has made investments in the areas of "Health, Happiness and Wealth" in a number of countries and regions around the world. After completion of acquisitions, with subsidiaries acquired globally, the Group is faced with post-investment execution and consolidation risks in the aspects of, among other things, operational management, cultural integration and sense of identity among employees.

While pursuing globalization, the Group drives progress in the localization of our investment team, core management members and platforms. By maintaining understanding of the local market through quality management measures, in-depth development of the invested industry is realized. The Group also enhances mutual interflow and communication between subsidiaries and the Group through programs such as the CEO conference of global insurance companies and the star ambassador program, various types of measures are also adopted to enhance cultural identity, manage and control operation risk.

8. Reputation Risk

Reputation risk refers to the risk of losses resulting from the stakeholders' negative evaluation on the corporation consequent to its own business operations or external events.

The Group has established the crisis management committee to coordinate the crisis management of the headquarters, core financial enterprises and non-financial industry operating entities, formed a reputation risk management mechanism comprising pre-event warning, responsive measures to risk events, post-event risk review and restoration. The committee coordinates the Group 's internal and external resources for reputation risk management, supervises the Group to establish crisis management mechanism, and enhances the Group 's crisis management awarenesses and capabilities, in order to safeguard the Group's production and operation.

9. Capital Management

The key objective of capital management of the Group is to maintain a capital adequacy level in line with the Group's overall risk position, while maximizing the return for shareholders. The business development of the core financial enterprises of the Group is limited by adequacy of the capital or solvency. With the implementation of Solvency II, the Group has established and improved solvency management system focusing on capital constraints in the insurance sector to implement asset liability management, monitor the evolving trend of solvency ratios on a regular basis, analyze the composition and changes of risk capital in core insurance companies and support the optimization of asset allocation in order to achieve a better balance among risk, capital and return.

10. Risk Contagion

Risk contagion refers to a situation where the risk created by a member of the Group spreads to another member of the Group by means of intra-group transactions or other activities, causing losses to such other member.

While developing synergies, the Group has also established a clear and complete legal entity governance structure to improve the risk-oriented internal control system for the implementation of prudent management policies. Meanwhile, the firewalls and connected party transaction management have been established and improved continuously to enhance risk segregation within the Group.

FUTURE DEVELOPMENT OF THE GROUP

Future development of the Group is set out in the "Letter to Shareholders" in this annual report.

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 AGM of the Company.

On Behalf of the Board

Guo Guangchang
Chairman

31 March 2020

AWARDS RECEIVED BY THE GROUP IN 2019

January 2019	Fosun International received the highest accolade "Golden Hong Kong Stock Award 2018" by Zhitongcaijing.com ("智通財經") and www.10jqka.com.cn ("同花順財經").
April 2019	Fosun International was ranked No.4 on "LinkedIn's Top Companies to Work for in China 2019".
May 2019	Fosun International was ranked No.416 on "Forbes Global 2000" by the United States magazine *Forbes*.
	Fosun International was ranked No.73 on the "Comprehensive Strength Top 100" ranking list launched by Top 100 Hong Kong Listed Companies Research Centre. Guo Guangchang, Executive Director and Chairman of Fosun International was honored with "Outstanding Businessman of Listed Company Award".
	Fosun International was awarded as "Hong Kong Listed Company – Most Valuable Listed Company" in the first "Gelonghui – The Best Listed Companies in Greater China" award ceremony held by renowned stock connect platform Gelonghui.
	Fosun International's corporate video "Welcome Home" was awarded the Grand Award and Gold prize of the QUESTAR Awards under the "Internal Communications" category by MerComm, Inc., an internationally renowned multimedia communications institute.
	Fosun International was ranked as the "Best Owners in the Premier League" by talkSPORT, a renowned media in the United Kingdom and the world's biggest sports radio broadcaster.
June 2019	Fosun International was awarded "Best Investor Relations Company" and "Best Corporate Communications Team" in the ninth "The Asian Excellence Award 2019", by *Corporate Governance Asia*, the most authoritative journal on corporate governance in Asia.
July 2019	Fosun International was ranked No.81 on "China's Fortune 500" by *Fortune China*.
September 2019	Fosun International was awarded "2019 Snowball Top 10 Hong Kong listed Company" at the "2019 Snowball Hong Kong Stock Summit" organized by Snowball, an online investment exchange and trading platform.
October 2019	Fosun International was honored with "Guangdong-Hong Kong-Macao-Bay Area Top 100 Inheritage Award" by "Guangdong-Hong Kong-Macao-Bay Area Economic and Trade Association".
December 2019	Fosun International was awarded the "Gold Award" and the "Best Initiative in Social Responsibility" at "The Corporate Awards 2019" from *The Asset*, an internationally renowned magazine for asset management and investment.
	Fosun International was awarded the "Best Investment Management Company Asia 2019" by *Global Banking & Finance Review*, a renowned financial magazine in the United Kingdom.
	Fosun International received the "CGMA Best Practice of Management Accounting of the Year 2019" from Chartered Global Management Accountant.
	Fosun International was awarded the "Innovative Communications Award" at the 2019 PR Newswire Corporate Communications Award Ceremony by PR Newswire, the world's leading media communication technology and data analytics company.

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Fosun International Limited (the "Company") and its subsidiaries (the "Group") set out on pages 97 to 288, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

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

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

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of investment properties	
As at 31 December 2019, the carrying amount of investment properties, which are stated at fair value, amounted to approximately RMB59,360 million. Management engages external valuers to assist with its determination of the fair values of all investment properties and the Group's policy is that property valuations are performed by external valuers on a regular basis. The valuation of the investment properties is highly dependent on estimates and assumptions, such as estimated rental, capitalisation rates, occupancy rates and market knowledge. The use of different estimates and assumptions could result in significantly different fair values. The Group's disclosures about the fair value measurement of investment properties are included in note 2.4 "Summary of significant accounting policies" and note 3 "Significant accounting judgements and estimates – estimation uncertainty (v)", which specify the policies and significant estimates regarding the fair value measurement of investment properties, and note 14 "Investment properties", which specifically explains the fair value hierarchy and valuation techniques and the key inputs to the valuation of investment properties.	Amongst our audit procedures, we considered the objectivity, independence and expertise of the external valuers. We involved internal valuation specialists to assist us in evaluating the valuation techniques and assessing the underlying assumptions for selected samples, which included reference to the leasing contracts, external market rents and historical information of occupancy rates, and in respect of the capitalisation rates, our internal specialists assisted us in checking to the market data applied by real estate industry analysis, etc.. We also assessed the adequacy of the disclosures of the fair value measurement of investment properties.

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

Key audit matter	How our audit addressed the key audit matter
Classification and measurement of financial assets under HKFRS 9 and Amendments to HKFRS 4 issued in January 2017	
The classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristic test (solely payments of principal and interest ("SPPI") on the principal amount outstanding or not) and the Group's business model for managing them. As at 31 December 2019, the carrying values of financial assets at fair value through other comprehensive income ("OCI"), financial assets at fair value through profit or loss and debt investments at amortised costs amounted to RMB89,341 million, RMB61,397 million and RMB33,578 million, respectively. This matter was significant to our audit as significant judgements were involved in the SPPI test and the determination of the business models. The Group also applied the overlay approach for designated eligible financial assets according to amendments to HKFRS 4 issued in January 2017. Under the overlay approach, the Group reclassified between profit or loss and OCI an amount that results in the profit or loss for the year for the designated financial assets being the same as if the Group had applied HKAS 39 to the designated financial assets. The carrying value as at 31 December 2019 of financial assets applying the overlay approach amounted to RMB16,779 million. As a result, management carried out impairment tests on these financial assets at the end of the year under the overlay approach as if HKAS 39 were applied and impairment losses are recognised when objective evidence of impairment exists. The matter is significant to our audit because significant management estimates are involved in the impairment tests. The Group's disclosures about the classification and measurement under HKFRS 9 and amendments to HKFRS 4 issued in January 2017 are included in note 2.4 "Summary of significant accounting policies", note 3 "Significant accounting judgements and estimates – judgements (vi) and estimation uncertainty (iv)", and notes 23, 24, 25 and 26, in which details of the financial assets, the impairment loss recognised in the current year and the impact of the overlay approach are disclosed.	In our audit, we obtained an understanding of and evaluated the internal controls over the SPPI testing and business model assessment performed by the Group. We evaluated the design of the SPPI testing logic and re-performed SPPI testing on a sampling basis by examining the contracts of these financial instruments. We evaluated the business model for these financial instruments and reviewed the supporting evidence on a sampling basis. We understood and evaluated the internal controls on identifying and designating eligible financial assets under the overlay approach and the Group's impairment test process as if HKAS 39 were applied to those assets. We selected samples to test the eligibility of the financial assets applying the overlay approach. We assessed the significant estimations and rationale used by management in evaluating the objective evidence of impairment for such financial assets and we performed independent tests by analysing the observable data that came to our attention to evaluate if there was any objective evidence of impairment. We examined the impairment tests performed by management in determining the amount of impairment losses when there was objective evidence of impairment. We also assessed the adequacy of the disclosures of the classification and measurement of the financial assets and the impact of the overlay approach.

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

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities	
The Group had significant insurance contract liabilities (including current and non-current portions) stated at RMB74,493 million as at 31 December 2019. The valuation of insurance contract liabilities relies on significant judgement over uncertain future outcomes, mainly including the timing and ultimate settlement of long-term policyholder liabilities. Actuarial models are used to support the calculation of insurance contract liabilities. The complexity of the models may give rise to errors as a result of inadequate/incomplete data or the design or application of the models. Assumptions used in the valuation, such as the investment return, discount rate, mortality, morbidity, expense and lapse, are set up by applying significant judgements. The Group's disclosures about the valuation for insurance contract liabilities are included in note 2.4 "Summary of significant accounting policies" and note 3 "Significant accounting judgements and estimates – estimation uncertainty (xiv) which specifically explain the methodologies and assumptions used in the valuation, and notes 48, 49 and 51 which disclose the details of the insurance contract liabilities recognized as at 31 December 2019.	In our audit, we performed audit procedures on the underlying data used in the valuation of some specific liabilities to source documentation. By applying our industry knowledge and experience, we compared the methodology, models and assumptions used against recognised actuarial practices. We involved our internal actuarial specialists to assist us in performing the following procedures in this area, which, among others, included: assessing the design and testing the operating effectiveness of internal controls over the technical areas including management's determination and approval process for setting of assumptions, actuarial analyses including estimated versus actual results and experience studies; assessing the assumptions by reference to the historical experience, business expectation of the Group, and the market practices; reviewing the methodology and assumptions used on management's liability adequacy testing which is a test performed to check whether the liabilities are adequate as compared to the expected future contractual obligations and assessing the impact of change in estimation to be in line with the changes in assumptions adopted by the Group. We also assessed the adequacy of the disclosures of the valuation of insurance contract liabilities.

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

Key audit matter	How our audit addressed the key audit matter
Initial application of HKFRS 16 Leases	
The Group applied HKFRS 16 *Leases* as at 1 January 2019 using a modified approach. The Group recognised the right-of-use assets of RMB14,707 million and the lease liabilities of RMB11,241 million as at 1 January 2019 upon initial application. This matter was significant to our audit as the impact on the Group's consolidated financial statements was material and the determination of the carrying values of the right-of-use assets and the lease liabilities as at 1 January 2019 involved significant judgements and estimates, in particular, the lease terms and the incremental borrowing rates. The disclosures about the impact upon the initial application of HKFRS 16 are included in note 2.2(a) "Changes in accounting policies and disclosures", note 2.4 "Summary of significant accounting policies" and note 3 "Significant accounting judgements and estimates – judgements (ii) and estimation uncertainty (iii)".	Our audit procedures included, among others, understanding the process used by the Group for the initial application of HKFRS 16 and assessing the effectiveness of the internal controls over this process. We evaluated the Group's lease accounting policies that have been applied for the transition and initial application of HKFRS 16. We assessed and reviewed the key judgements and estimates made by management to determine the lease terms and the incremental borrowing rates used to calculate the lease liabilities upon initial application of HKFRS 16. We selected samples to corroborate the information used in the measurement of the right-of-use assets and the lease liabilities upon the initial application of HKFRS 16 based on the underlying contractual documents and validated the calculation. We performed analytical procedures to assess the overall impacts upon initial application of HKFRS 16 with respect to our understanding of the Group and its activities. We also assessed the adequacy of the disclosures of the impacts of the initial application of HKFRS 16.

Other information included in the Annual Report

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants

Hong Kong
31 March 2020

Consolidated Statement of Profit or Loss

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	6	**142,982,128**	109,351,641
Cost of sales		**(89,026,695)**	(67,728,602)
Gross profit		**53,955,433**	41,623,039
Other income and gains	6	**27,372,228**	19,728,897
Selling and distribution expenses		**(22,158,534)**	(17,955,596)
Administrative expenses		**(21,866,197)**	(18,054,175)
Other expenses		**(5,371,828)**	(4,817,639)
Finance costs	7	**(10,220,849)**	(7,230,418)
Amount reported in profit or loss applying the overlay approach	24	**(1,323,143)**	2,742,521
Share of profits of:			
Joint ventures		**2,045,361**	1,779,707
Associates		**5,084,857**	4,178,234
PROFIT BEFORE TAX	8	**27,517,328**	21,994,570
Tax	10	**(7,347,951)**	(4,985,054)
PROFIT FOR THE YEAR		**20,169,377**	17,009,516
Attributable to:			
Owners of the parent		**14,800,912**	13,406,403
Non-controlling interests		**5,368,465**	3,603,113
		20,169,377	17,009,516
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the year (RMB)	12	**1.73**	1.57
Diluted			
– For profit for the year (RMB)	12	**1.73**	1.56

Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
PROFIT FOR THE YEAR	**20,169,377**	17,009,516
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Financial assets designated under the overlay approach:		
Amount reported in other comprehensive income/(loss) applying the overlay approach	**1,323,143**	(2,742,521)
Income tax effect	**(292,164)**	696,174
	1,030,979	(2,046,347)
Debt investments at fair value through other comprehensive income:		
Changes in fair value	**2,959,757**	(2,210,134)
Changes in allowance for expected credit losses	**(150,588)**	88,863
Reclassification adjustments for gains on disposal included in the consolidated statement of profit or loss	**(515,562)**	(721,212)
Income tax effect	**(294,977)**	640,981
	1,998,630	(2,201,502)
Change in other life insurance contract liabilities due to potential (gains)/losses on financial assets	**(52,762)**	228,727
Income tax effect	**(1,509)**	21,147
	(54,271)	249,874
Fair value adjustments of hedging instruments in cash flow hedges	**(142,010)**	117,717
Income tax effect	**17,683**	132
	(124,327)	117,849
Fair value adjustments of hedging of a net investment in a foreign operation	**(231,121)**	(782,588)
Income tax effect	**53,988**	26,503
	(177,133)	(756,085)
Share of other comprehensive income/(loss) of joint ventures	**5,669**	(13,232)
Share of other comprehensive loss of associates	**(17,243)**	(117,201)
Exchange differences on translation of foreign operations	**208,096**	171,172
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**2,870,400**	(4,595,472)

	Notes	2019 RMB'000	2018 RMB'000
OTHER COMPREHENSIVE INCOME *(Continued)*			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Revaluation gain/(loss) upon transfer from owner-occupied property to investment property	*14*	**312**	(3,616)
– Income tax effect	*30*	**27**	(747)
		339	(4,363)
Actuarial reserve relating to employee benefits		**(105,481)**	(3,155)
Income tax effect		**11,937**	3,536
		(93,544)	381
Equity investments designated at fair value through other comprehensive income:			
Change in fair value		**(916,113)**	(3,507,342)
Income tax effect		**335,161**	749,404
		(580,952)	(2,757,938)
Share of other comprehensive loss of associates		**(48,603)**	–
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(722,760)**	(2,761,920)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**2,147,640**	(7,357,392)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**22,317,017**	9,652,124
Attributable to:			
Owners of the parent		**16,541,197**	6,990,090
Non-controlling interests		**5,775,820**	2,662,034
		22,317,017	9,652,124

Consolidated Statement of Financial Position

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**39,610,397**	36,310,360
Investment properties	*14*	**59,360,379**	46,567,826
Right-of-use assets	*15(b)*	**18,777,362**	–
Prepaid land leased payments	*15(a)*	**–**	3,427,895
Exploration and evaluation assets	*16*	**507,028**	403,267
Mining rights	*17*	**536,023**	548,186
Oil and gas assets	*18*	**1,687,056**	1,498,223
Intangible assets	*19*	**23,326,888**	19,084,808
Goodwill	*20*	**20,252,439**	19,092,279
Investments in joint ventures	*21*	**25,757,655**	24,891,895
Investments in associates	*22*	**88,379,506**	84,084,130
Financial assets at fair value through profit or loss	*24*	**25,358,039**	15,171,503
Equity investments designated at fair value through other comprehensive income	*23*	**898,596**	1,579,915
Debt investments at fair value through other comprehensive income	*25*	**68,233,284**	63,516,255
Debt investments at amortised cost	*26*	**25,709,406**	15,765,478
Properties under development	*27*	**18,211,654**	11,660,816
Due from related companies	*28*	**854,603**	809,991
Prepayments, other receivables and other assets	*29*	**4,024,361**	4,221,889
Deferred tax assets	*30*	**5,787,038**	6,311,021
Inventories	*31*	**41,218**	86,070
Policyholder account assets in respect of unit-linked contracts	*32*	**907,648**	139,328
Insurance and reinsurance debtors	*33*	**126,409**	123,697
Reinsurers' share of insurance contract provisions	*34*	**4,669,061**	4,794,300
Term deposits	*35*	**1,253,305**	410,812
Placements with and loans to banks and other financial institutions		**39,078**	78,473
Loans and advances to customers	*36*	**426,292**	653,693
Derivative financial instruments	*37*	**303,116**	290,585
Finance lease receivables	*38*	**911,142**	515,373
Total non-current assets		**435,948,983**	362,038,068

	Notes	2019 RMB'000	2018 RMB'000
CURRENT ASSETS			
Cash and bank balances	*35*	**93,647,199**	105,905,697
Financial assets at fair value through profit or loss	*24*	**36,039,326**	33,844,295
Equity investments designated at fair value through other comprehensive income	*23*	**–**	65,203
Debt investments at fair value through other comprehensive income	*25*	**20,209,046**	20,632,910
Debt investments at amortised cost	*26*	**7,868,974**	4,357,878
Derivative financial instruments	*37*	**977,860**	861,043
Trade and notes receivables	*39*	**7,694,125**	7,755,027
Contract assets and other assets	*40*	**191,938**	99,030
Prepayments, other receivables and other assets	*29*	**19,056,697**	16,842,348
Inventories	*31*	**8,668,650**	6,650,594
Completed properties for sale		**12,640,372**	14,313,790
Properties under development	*27*	**33,036,615**	27,860,035
Due from related companies	*28*	**13,745,593**	14,557,412
Policyholder account assets in respect of unit-linked contracts	*32*	**176,539**	176,822
Insurance and reinsurance debtors	*33*	**13,973,826**	13,041,130
Reinsurers' share of insurance contract provisions	*34*	**5,958,133**	3,298,322
Placements with and loans to banks and other financial institutions		**273,511**	39,327
Loans and advances to customers	*36*	**4,195,966**	4,629,621
Finance lease receivables	*38*	**1,306,901**	1,880,575
		279,661,271	276,811,059
Assets of a disposal group classified as held for sale	*41*	**70,942**	34,711
Total current assets		**279,732,213**	276,845,770

	Notes	2019 RMB'000	2018 RMB'000
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*42*	**82,738,138**	67,740,818
Contract liabilities	*43*	**21,419,105**	22,112,767
Trade and notes payables	*44*	**16,718,466**	14,105,942
Accrued liabilities and other payables	*45*	**36,122,172**	27,466,126
Tax payable		**10,020,028**	7,315,529
Finance lease payables	*46*	**–**	88,827
Deposits from customers	*47*	**40,892,261**	41,714,245
Due to the holding company	*28*	**3,058,650**	2,289,988
Due to related companies	*28*	**3,340,958**	5,508,089
Derivative financial instruments	*37*	**1,396,069**	1,102,562
Accounts payable to brokerage clients		**156,513**	85,051
Unearned premium provisions	*48*	**8,972,868**	6,684,319
Provision for outstanding claims	*49*	**21,321,027**	15,740,723
Provision for unexpired risks		**248,466**	286,538
Financial liabilities for unit-linked contracts	*50*	**133,031**	144,102
Investment contract liabilities	*50*	**7,621,231**	7,593,473
Other life insurance contract liabilities	*51*	**1,756,869**	1,674,062
Insurance and reinsurance creditors	*52*	**8,217,474**	8,380,093
Financial liabilities at fair value through profit or loss	*53*	**2,245,801**	1,825,082
Due to banks and other financial institutions	*54*	**1,994,062**	1,557,878
Placements from banks and other financial institutions		**17,501**	140,119
		268,390,690	233,556,333
Liabilities directly associated with the assets classified as held for sale	*41*	**8,454**	4,156
Total current liabilities		**268,399,144**	233,560,489
NET CURRENT ASSETS		**11,333,069**	43,285,281
TOTAL ASSETS LESS CURRENT LIABILITIES		**447,282,052**	405,323,349

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*42*	**125,548,919**	118,399,533
Finance lease payables	*46*	**–**	477,578
Deposits from customers	*47*	**141,815**	70,625
Derivative financial instruments	*37*	**588,393**	528,816
Deferred income	*55*	**1,185,697**	966,959
Other long term payables	*56*	**18,364,777**	10,585,968
Deferred tax liabilities	*30*	**15,720,248**	15,067,449
Provision for outstanding claims	*49*	**17,831,984**	18,152,768
Financial liabilities for unit-linked contracts	*50*	**951,156**	172,040
Investment contract liabilities	*50*	**61,003,956**	64,796,552
Other life insurance contract liabilities	*51*	**24,361,463**	14,813,332
Insurance and reinsurance creditors	*52*	**146,361**	141,169
Contract liabilities	*43*	**513,067**	252,710
Due to banks and other financial institutions	*54*	**–**	456,827
Total non-current liabilities		**266,357,836**	244,882,326
Net assets		**180,924,216**	160,441,023
EQUITY			
Equity attributable to owners of the parent			
Share capital	*57*	**36,714,828**	36,660,729
Treasury shares		**(130,259)**	(139,226)
Other reserves		**85,967,773**	72,007,335
		122,552,342	108,528,838
Non-controlling interests		**58,371,874**	51,912,185
Total equity		**180,924,216**	160,441,023

Guo Guangchang
Director

Gong Ping
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Attributable to owners of the parent										
	Issued capital RMB'000 (note 57)	Treasury shares RMB'000	Other deficits RMB'000 (note 58(a))	Surplus reserve RMB'000 (note 58(b))	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2018 and 1 January 2019	36,660,729	(139,226)	(443,540)	9,156,698	(1,784,134)	4,348,203	61,215,398	(485,290)	108,528,838	51,912,185	160,441,023
Profit for the year	–	–	–	–	–	–	14,800,912	–	14,800,912	5,368,465	20,169,377
Other comprehensive income/(loss) for the year:											
Equity Investments designated at fair value through other comprehensive income											
Changes in fair value, net of tax	–	–	–	–	(452,698)	–	–	–	(452,698)	(128,254)	(580,952)
Financial assets designated under the overlay approach											
Amount recorded in other comprehensive income applying the overlay approach, net of tax	–	–	–	–	890,194	–	–	–	890,194	140,785	1,030,979
Debt investments at fair value through other comprehensive income											
Gains on fair value adjustment, net of tax	–	–	–	–	2,020,588	–	–	–	2,020,588	566,164	2,586,752
Changes in allowance for expected credit losses	–	–	–	–	(109,534)	–	–	–	(109,534)	(21,956)	(131,490)
Reclassification adjustments for loss on disposal included in the consolidated statement of profit or loss	–	–	–	–	(428,694)	–	–	–	(428,694)	(27,938)	(456,632)
Share of other comprehensive loss of associates	–	–	–	–	(44,221)	–	–	–	(44,221)	(21,625)	(65,846)
Share of other comprehensive income of joint ventures	–	–	–	–	5,669	–	–	–	5,669	–	5,669
Change in other life insurance contract liabilities due to potential gains on financial assets, net of tax	–	–	–	–	–	(45,577)	–	–	(45,577)	(8,694)	(54,271)
Fair value adjustments of the hedging instruments in cash flow hedges, net of tax	–	–	–	–	–	(96,431)	–	–	(96,431)	(27,896)	(124,327)
Fair value adjustments of hedging of a net investment in a foreign operation, net of tax	–	–	–	–	–	(150,557)	–	–	(150,557)	(26,576)	(177,133)
Revaluation (loss)/gains upon transfer from owner-occupied property to investment property, net of tax	–	–	–	–	–	(260)	–	–	(260)	599	339
Actuarial reserve relating to employee benefits, net of tax	–	–	–	–	–	(76,824)	–	–	(76,824)	(16,720)	(93,544)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	228,630	228,630	(20,534)	208,096
Total comprehensive income for the year	–	–	–	–	1,881,304	(369,649)	14,800,912	228,630	16,541,197	5,775,820	22,317,017

	Attributable to owners of the parent										
	Issued capital RMB'000 (note 57)	Treasury shares RMB'000	Other deficits RMB'000 (note 58(a))	Surplus reserve RMB'000 (note 58(b))	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Acquisition of subsidiaries (note 60(a))	–	–	–	–	–	–	–	–	–	2,512,961	2,512,961
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	696,986	696,986
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(3,721,566)	(3,721,566)
Final 2018 and interim 2019 dividend	–	–	–	–	–	–	(3,759,121)	–	(3,759,121)	–	(3,759,121)
Transfer from retained earnings	–	–	–	3,716,691	–	–	(3,716,691)	–	–	–	–
Share of other reserve of associates	–	–	–	–	–	58,632	–	–	58,632	(9,676)	48,956
Deemed disposal of partial interests in subsidiaries without losing control	–	–	–	–	–	679,185	–	–	679,185	2,503,395	3,182,580
Disposal of partial interests in subsidiaries without losing control	–	–	–	–	–	–	–	–	–	2,358	2,358
Fair value adjustment on the share redemption option granted to non-controlling shareholders of subsidiaries	–	–	–	–	–	323,038	–	–	323,038	278,458	601,496
Equity-settled share-based payments of the Company (note 62)**	54,099	8,967	–	–	–	158,005	–	–	221,071	–	221,071
Equity-settled share-based payment of subsidiaries	–	–	–	–	–	–	–	–	–	267,572	267,572
Deemed acquisition of additional interests in subsidiaries	–	–	–	–	–	(14,104)	–	–	(14,104)	(157,882)	(171,986)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	113,437	–	–	113,437	(790,919)	(677,482)
Disposal of subsidiaries (note 60(b))	–	–	–	–	–	–	–	–	–	(398,734)	(398,734)
Liquidation of subsidiaries	–	–	–	–	–	–	–	–	–	(499,084)	(499,084)
Re-purchase of shares	–	–	–	–	–	–	(139,831)	–	(139,831)	–	(139,831)
At 31 December 2019	36,714,828	(130,259)	(443,540)*	12,873,389*	97,170*	5,296,747*	68,400,667*	(256,660)*	122,552,342	58,371,874	180,924,216

* These reserve accounts comprise the consolidated other reserves of RMB85,967,773,000 (31 December 2018: RMB72,007,335,000) in the consolidated statement of financial position.

** According to the share award scheme announced by the Company, during the year of 2019, the Company issued and the employee benefit trust established by the Company allotted 6,262,250 new shares which were awarded to selected participants and will be vested based on certain vesting conditions. During the year, 5,078,760 shares were vested.

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 57)	Treasury shares RMB'000	Other deficits RMB'000 (note 58(a))	Surplus reserve RMB'000 (note 58(b))	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Other reserve RMB'000	Convertible bonds RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2017	36,485,351	(108,757)	(443,540)	7,406,761	5,718,058	1,017,528	18,054	51,622,339	(755,040)	100,960,754	35,451,527	136,412,281
Impact of adopting HKFRS 9	–	–	–	–	(1,194,223)	–	–	1,116,013	–	(78,210)	(10,999)	(89,209)
Impact of adopting HKFRS 15	–	–	–	–	–	–	–	32,094	–	32,094	–	32,094
At 1 January 2018 (restated)	36,485,351	(108,757)	(443,540)	7,406,761	4,523,835	1,017,528	18,054	52,770,446	(755,040)	100,914,638	35,440,528	136,355,166
Profit for the year	–	–	–	–	–	–	–	13,406,403	–	13,406,403	3,603,113	17,009,516
Other comprehensive income/(loss) for the year:												
Equity Investments designated at fair value through other comprehensive income												
Changes in fair value, net of tax	–	–	–	–	(2,759,651)	–	–	–	–	(2,759,651)	1,713	(2,757,938)
Financial assets designated under the overlay approach												
Amount recorded in other comprehensive loss applying the overlay approach, net of tax	–	–	–	–	(1,555,320)	–	–	–	–	(1,555,320)	(491,027)	(2,046,347)
Debt investments at fair value through other comprehensive income												
Losses on fair value adjustment, net of tax	–	–	–	–	(1,448,544)	–	–	–	–	(1,448,544)	(279,289)	(1,727,833)
Changes in allowance for expected credit losses	–	–	–	–	80,524	–	–	–	–	80,524	–	80,524
Reclassification adjustments for gains on disposal included in the consolidated statement of profit or loss	–	–	–	–	(549,866)	–	–	–	–	(549,866)	(4,327)	(554,193)
Share of other comprehensive loss of associates	–	–	–	–	(61,880)	–	–	–	–	(61,880)	(55,321)	(117,201)
Share of other comprehensive loss of joint ventures	–	–	–	–	(13,232)	–	–	–	–	(13,232)	–	(13,232)
Change in other life insurance contract liabilities due to potential gains on financial assets, net of tax	–	–	–	–	–	211,376	–	–	–	211,376	38,498	249,874
Fair value adjustments of hedging instruments in cash flow hedges, net of tax	–	–	–	–	–	113,614	–	–	–	113,614	4,235	117,849
Fair value adjustments of the hedging of a net investment in a foreign operation, net of tax	–	–	–	–	–	(701,165)	–	–	–	(701,165)	(54,920)	(756,085)
Revaluation loss upon transfer from owner-occupied property to investment property, net of tax	–	–	–	–	–	(1,320)	–	–	–	(1,320)	(3,043)	(4,363)
Actuarial reserve relating to employee benefits, net of tax	–	–	–	–	–	(599)	–	–	–	(599)	980	381
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	269,750	269,750	(98,578)	171,172
Total comprehensive income for the year	–	–	–	–	(6,307,969)	(378,094)	–	13,406,403	269,750	6,990,090	2,662,034	9,652,124

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 57)	Treasury shares RMB'000	Other deficits RMB'000 (note 58(a))	Surplus reserve RMB'000 (note 58(b))	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Other reserve RMB'000	Convertible bonds RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Acquisition of subsidiaries (note 60(a))	–	–	–	–	–	–	–	–	–	–	9,156,573	9,156,573
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	1,499,472	1,499,472
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(1,460,424)	(1,460,424)
Final 2017 dividend declared	–	–	–	–	–	–	–	(2,511,948)	–	(2,511,948)	–	(2,511,948)
Transfer from retained earnings	–	–	–	1,749,937	–	–	–	(1,749,937)	–	–	–	–
Share of other reserve of associates	–	–	–	–	–	(142,727)	–	–	–	(142,727)	(839,498)	(982,225)
Share of other reserve of joint ventures	–	–	–	–	–	2,204	–	–	–	2,204	–	2,204
Deemed disposal of partial interests in subsidiaries without losing control	–	–	–	–	–	5,350,114	–	–	–	5,350,114	8,186,914	13,537,028
Disposal of partial interests in subsidiaries without losing control	–	–	–	–	–	20,182	–	–	–	20,182	63,553	83,735
Fair value adjustment on the share redemption option granted to non-controlling shareholders of subsidiaries	–	–	–	–	–	(903,688)	–	–	–	(903,688)	(681,544)	(1,585,232)
Equity-settled share-based payments of the Company (note 62)**	75,970	(30,469)	–	–	–	123,314	–	–	–	168,815	–	168,815
Equity-settled share-based payment of subsidiaries	–	–	–	–	–	102,224	–	–	–	102,224	122,697	224,921
Deemed acquisition of additional interests in subsidiaries	–	–	–	–	–	(174,179)	–	–	–	(174,179)	(723,853)	(898,032)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	(668,675)	–	–	–	(668,675)	(1,494,467)	(2,163,142)
Disposal of subsidiaries (note 60(b))	–	–	–	–	–	–	–	–	–	–	(19,800)	(19,800)
Conversion of convertible bonds to ordinary shares	99,408	–	–	–	–	–	(18,054)	–	–	81,354	–	81,354
Re-purchase of shares	–	–	–	–	–	–	–	(699,566)	–	(699,566)	–	(699,566)
At 31 December 2018	36,660,729	(139,226)	(443,540)*	9,156,698*	(1,784,134)*	4,348,203*	–*	61,215,398*	(485,290)*	108,528,838	51,912,185	160,441,023

* These reserve accounts comprise the consolidated other reserves of RMB72,007,335,000 in the consolidated statement of financial position.

** According to the share award scheme announced by the Company, during the year of 2018, the Company issued and the employee benefit trust established by the Company allotted 5,367,150 new shares which were awarded to selected participants and will be vested based on certain vesting conditions. During the year, 4,436,850 shares were vested.

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**27,517,328**	21,994,570
Adjustments for:			
Depreciation of items of property, plant and equipment	*8*	**2,938,953**	2,546,476
Depreciation of right-of-use assets/amortisation of prepaid land lease payments	*8*	**2,162,204**	55,774
Amortisation of intangible assets	*8*	**1,265,259**	975,496
Amortisation of mining rights	*8*	**12,163**	9,407
Amortisation of oil and gas assets	*8*	**319,406**	241,084
Exploration expensed and written off	*16*	**226,890**	128,312
Provision for impairment of items of property, plant and equipment	*8*	**32,441**	73,031
Provision for impairment of intangible assets	*8*	**225,151**	12,252
Provision for impairment of goodwill	*8*	**67,575**	87,425
(Reversal of)/provision for impairment of debt investments at fair value through other comprehensive income	*8*	**(150,588)**	88,863
Provision for impairment of investments in associates	*8*	**559,105**	90,050
Provision for impairment of receivables	*8*	**208,480**	66,793
Provision for/(reversal of) impairment of insurance and reinsurance debtors	*6/8*	**4,694**	(15,747)
Provision for/(reversal of) impairment of debt investment at amortised cost	*6/8*	**14,182**	(710)
Provision for inventories	*8*	**11,197**	64,713
Provision for/(reversal of) impairment of completed properties for sale	*6/8*	**1,866**	(14,864)
Provision for impairment of property under development	*8*	**48,559**	–
Provision for impairment of finance lease receivables	*8*	**16,372**	–
Provision for impairment of loans and advances to customers	*8*	**75,326**	89,801
Amount reported in profit or loss applying the overlay approach	*24*	**1,323,143**	(2,742,521)
Gain on disposal of subsidiaries	*6*	**(4,029,184)**	(45,059)
Gain on bargain purchase of subsidiaries	*6*	**(64,338)**	(3,706,384)
Gain on disposal/partial disposal of associates	*6*	**(8,518,506)**	(1,439,879)
Gain on deemed disposal of associates	*6*	**(153,797)**	(1,435,626)
Gain on remeasurement of previously held interests in step acquisitions of subsidiaries	*6*	**(61,464)**	(633,445)
Subtotal carried forward		**24,052,417**	16,489,812

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES *(Continued)*			
Gain on disposal of non-current assets of a disposal group classified as held for sale	*6*	**–**	(895,911)
Gain on disposal of items of property, plant and equipment	*6*	**(307,497)**	(53,936)
Gain on disposal of investment properties	*6*	**(348,800)**	(5,201)
Gain on disposal of debt investments at fair value through other comprehensive income	*6*	**(1,179,936)**	(2,136,148)
Gain on disposal of intangible assets	*6*	**(93,252)**	–
(Gain)/loss on fair value adjustment of financial assets at fair value through profit or loss	*6/8*	**(1,703,903)**	585,193
Gain on fair value adjustment of investment properties	*6*	**(1,643,548)**	(432,929)
Loss on derivative financial instruments	*8*	**1,386,769**	1,790,822
Ineffectiveness of hedges	*8*	**106,113**	193,160
Interest expenses	*7*	**9,872,380**	6,887,572
Interest income	*6*	**(1,187,351)**	(757,874)
Dividends and interest from equity investments at fair value through other comprehensive income	*6*	**(2,724)**	(49,189)
Dividends and interest from debt investments at fair value through other comprehensive income	*6*	**(2,325,402)**	(2,374,184)
Dividends and interest from financial assets at fair value through profit or loss	*6*	**(1,429,503)**	(1,368,533)
Share of profits and losses of associates		**(5,084,857)**	(4,178,234)
Share of profits and losses of joint ventures		**(2,045,361)**	(1,779,707)
Equity-settled share-based payments	*8*	**456,238**	372,432
Subtotal carried forward		**18,521,783**	12,287,145

	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES *(Continued)*		
CASH INFLOW BEFORE WORKING CAPITAL CHANGES	**18,521,783**	12,287,145
Increase in properties under development	**(2,727,320)**	(17,295,797)
Decrease in completed properties held for sale	**4,789,570**	9,461,246
Decrease in trade and notes receivables	**480,301**	770,348
Increase in notes receivables including in debt investments at fair value through other comprehensive income	**(491,273)**	–
Increase in prepayments, other receivables and other assets	**(1,245,865)**	(753,958)
(Increase)/decrease in inventories	**(476,477)**	625,265
Decrease/(increase) in insurance and reinsurance debtors	**151,301**	(4,064,839)
Increase in reinsurers' share of insurance contract provisions	**(1,570,403)**	(1,291,630)
Decrease in amounts due from related companies	**277,502**	1,142,402
Decrease in loans and advances to customers	**585,730**	973,315
Increase/(decrease) in trade and notes payables	**1,875,218**	(2,649,368)
Decrease in accrued liabilities and other payables	**(4,675,493)**	(20,342,908)
Increase in deferred income	**41,730**	71,332
Decrease in other long term payables	**(872,725)**	(1,720,345)
(Decrease)/increase in amounts due to related companies and holding company	**(988,247)**	1,537,982
Increase in accounts payable to brokerage clients	**71,462**	44,084
Decrease in placements with and loans to banks and other financial institutions	**(194,789)**	(420)
(Decrease)/increase in placements from banks and other financial institutions	**(122,618)**	1,289,713
Decrease in amounts due to banks and other financial institutions	**(20,643)**	(1,024,906)
(Decrease)/increase in deposits from customers	**(750,794)**	6,707,303
Decrease/(increase) in restricted pre-sale proceeds of properties	**357,099**	(1,009,931)
Decrease/(increase) in required reserve deposits	**110,340**	(124,660)
Increase in derivative financial instruments	**(308,827)**	(2,448,106)
Increase in financial liabilities at fair value through profit or loss	**–**	300,288
Decrease/(increase) in finance lease receivables	**161,533**	(47,822)
Increase in unearned premium provisions	**1,137,552**	707,450
Increase in provision for outstanding claims	**3,866,498**	1,363,725
(Decrease)/increase in insurance and reinsurance creditors	**(1,020,230)**	3,482,608
Decrease in provision for unexpired risks	**(39,919)**	(97,511)
Increase in other life insurance contract liabilities	**3,070,412**	1,284,422
(Decrease)/increase in investment contract liabilities	**(4,051,396)**	6,476,422
Increase in contract assets and other assets	**(92,908)**	(99,030)
(Decrease)/increase in contract liabilities	**(2,894,625)**	22,365,477
CASH GENERATED FROM OPERATIONS	**12,953,479**	17,919,296
Tax paid	**(5,119,869)**	(4,616,904)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	**7,833,610**	13,302,392

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(4,096,776)**	(5,433,758)
Prepayment for the addition of right-of-use assets/increase of prepaid land lease payments		**(535,769)**	(2,038,533)
Increase of investment properties		**(7,388,822)**	(3,211,264)
Purchase of intangible assets		**(3,201,690)**	(3,065,439)
Purchase of mining rights		**–**	(15,413)
Purchase of exploration and evaluation assets		**(327,522)**	(335,849)
Purchase of oil and gas assets		**(495,205)**	(731,114)
Purchase of financial assets at fair value through profit or loss		**(86,513,620)**	(93,021,102)
Purchase of equity investments designated at fair value through other comprehensive income		**(310,442)**	(317,149)
Purchase of debt investments at fair value through other comprehensive income		**(33,392,385)**	(39,832,021)
Purchase of debt investments at amortised cost		**(19,045,753)**	(9,458,929)
Increase in deposits of derivative financial instruments		**(244,167)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**89,660,991**	85,756,954
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**22,947**	8,047,416
Proceeds from disposal of debt investments at fair value through other comprehensive income		**39,968,133**	40,669,306
Proceeds from maturity of debt investments at amortised cost		**4,716,601**	4,727,875
Proceeds from disposal of items of property, plant and equipment		**844,106**	1,526,056
Proceeds from disposal of prepaid land lease payments		**–**	86,249
Proceeds from disposal of intangible assets		**510,637**	221,560
Proceeds from disposal of subsidiaries	*60(b)*	**1,614,068**	4,005,165
Proceeds from disposal of associates and disposal of partial interests in associates		**5,070,435**	745,921
Proceeds from disposal of joint ventures		**155**	1,205,558
Proceeds from disposal of assets of a disposal group classified as held for sale		**36,923**	3,206,061
Acquisition of subsidiaries	*60(a)*	**(2,873,214)**	(1,815,431)
Acquisition of associates		**(5,377,562)**	(7,961,728)
Acquisition of joint ventures		**(327,889)**	(638,036)
Dividends and interest received from debt investments		**2,289,570**	2,764,425
Dividends and interest received from equity investments		**1,432,227**	1,456,665
Dividends received from associates		**1,015,071**	1,083,551
Dividends received from joint ventures		**1,106**	74,939
Increase in pledged bank balances and time deposits with original maturity of more than three months		**1,591,741**	199,874
Prepayments for proposed acquisitions of long term assets		**(143,515)**	(847,012)
Proceeds received from disposal of investment properties		**1,933,589**	366,821
Interest received		**1,129,631**	716,413
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(12,436,400)**	(11,861,969)

	Note	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling shareholders of subsidiaries		**3,879,566**	8,792,556
New bank and other borrowings		**122,053,083**	132,950,240
Principal portion of lease payments/finance lease rental payments		**(2,187,395)**	(4,536)
Repayment of bank and other borrowings		**(109,350,768)**	(110,191,406)
(Decrease)/increase in loans from non-controlling shareholders		**(1,243,785)**	2,688,054
Dividends paid to non-controlling shareholders of subsidiaries		**(4,259,132)**	(1,272,654)
Acquisition of additional interests in subsidiaries		**(1,023,481)**	(2,290,601)
Disposal of partial interests in a subsidiary without losing control		**2,358**	–
Dividends paid to shareholders		**(2,206,566)**	(991,023)
Repurchase of shares		**(139,831)**	(699,566)
Interest paid		**(10,278,084)**	(7,655,762)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		**(4,754,035)**	21,325,302
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(9,356,825)**	22,765,725
Cash and cash equivalents at beginning of year		**91,333,170**	68,567,445
CASH AND CASH EQUIVALENTS AT END OF YEAR	*35*	**81,976,345**	91,333,170

1. CORPORATE AND GROUP INFORMATION

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

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

The principal businesses of the Company and its subsidiaries (collectively referred to as the "Group") include Health, Happiness and Wealth. The Wealth Sector includes the three major segments: Insurance, Finance and Investment.

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The nature and the impact of the new and revised HKFRSs applied by the Group are described below:

(a) HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

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

(a) *(Continued)*

As a lessee – Leases previously classified as operating leases

NATURE OF THE EFFECT OF ADOPTION OF HKFRS 16

The Group has lease contracts for various items of land buildings, machinery, furniture, fixtures, and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

IMPACT ON TRANSITION

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in other long-term payables and accrued liabilities. The right-of-use assets were measured at the amount of lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of RMB565,205,000 that were reclassified from property, plant and equipment.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease.
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application.

As a lessee – Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under HKAS 17.

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

(a) *(Continued)*

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/(decrease) RMB'000
Assets	
Increase in right-of-use assets	14,707,154
Decrease in property, plant and equipment	(565,205)
Decrease in intangible assets	(65,964)
Decrease in prepaid land lease payments	(3,427,895)
Decrease in the current portion of prepaid land lease payments in prepayments, other receivables and other assets	(34,664)
Decrease in prepayments, other receivables and other assets	(175,794)
Increase in total assets	**10,437,632**
Liabilities	
Increase in lease liabilities	11,240,589
Decrease in trade payables	(17,897)
Decrease in accrued liabilities and other payables	(25,070)
Decrease in other long-term payables	(193,585)
Decrease in finance lease payables	(566,405)
Increase in total liabilities	**10,437,632**

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	**15,816,392**
Less: Operating lease commitments for signed lease contracts of which the lease terms had not started at 1 January 2019	(3,338,943)
Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019 and low-value leases	(100,644)
Add: Payments in optional extension periods not recognised as at 31 December 2018	1,429,746
Operating lease commitments as at 31 December 2018	13,806,551
Weighted average incremental borrowing rate as at 1 January 2019	5.47%
Discounted operating lease commitments as at 1 January 2019	10,674,184
Add: Finance lease liabilities recognised as at 31 December 2018	566,405
Lease liabilities as at 1 January 2019	**11,240,589**

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

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any significant impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any significant impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

In January 2018, the HKICPA issued HKFRS 17, a comprehensive new accounting standard for insurance contracts and investment contracts with discretionary participation features, covering recognition and measurement, presentation and disclosure. Once effective, HKFRS 17 will replace the existing HKFRS 4 *Insurance Contracts*. HKFRS 17 solves the comparison problems created by HKFRS 4 by requiring all insurance contracts and investment contracts with discretionary participation features to be accounted for in a consistent manner. Obligations under such contracts will be accounted for using current values instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. The Group is currently assessing the impact of the standard upon adoption.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the Group elect to measure that investment at fair value through profit or loss in accordance with HKFRS 9. The Group make this election separately for each associate or joint venture, at initial recognition of the associate or joint venture.

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

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

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

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

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly.

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

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

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

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

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

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

Buildings	4 to 50 years
Plant and machinery	3 to 20 years
Office equipment	2 to 15 years
Motor vehicles	4 to 15 years
Leasehold improvements	The shorter of the lease terms and their useful lives
Freehold land	Not depreciated

Depreciation of mining infrastructure included in property, plant and equipment is calculated using the units of production basis to write off the cost of the asset proportionately to the extraction of the proven and probable mineral reserves.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2018: leasehold property under an operating lease) which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

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

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation gain recognised in other comprehensive income. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the consolidated statement of profit or loss.

Non-current assets and disposal groups held for sale

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

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

Intangible assets (other than goodwill)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

TRADEMARKS

Trademarks with finite useful lives are stated at cost less any impairment losses and are amortised on the straight-line basis over the respective estimated useful lives of not exceeding 25 years. Trademarks with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of trademarks 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, TECHNICAL KNOW-HOW AND OPERATING CONCESSION RIGHTS

Medicine licences with finite useful lives are measured initially at cost and are amortised on the straight-line basis over the respective estimated useful lives of 10 years. Medicine licences, technical know-how and operating concession rights 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, technical know-how and operating concession rights 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

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

BUSINESS NETWORK

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

RESEARCH AND DEVELOPMENT COSTS

All research costs are charged to the statement of profit or loss as incurred.

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

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

CUSTOMER RELATIONSHIP

Customer relationship is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of not exceeding 15 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Exploration and evaluation assets

FOR MINING RIGHTS

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

FOR OIL AND GAS ASSETS

Exploration and evaluation expenditure in respect of each area of interest is accounted for using the successful efforts method of accounting. An area of interest refers to an individual geological area which is considered to constitute a favourable environment for the presence of an oil or gas field, usually represented by an individual oil or gas field.

The successful efforts method requires all exploration and evaluation expenditure in relation to an area of interest to be expensed in the period it is incurred, except the costs of successful wells, the costs of acquiring interests in new exploration assets and pre-development costs where the rights to the tenure of the area of interest are current and the expenditure either:

– is expected to be recovered through sale or successful development and exploitation of the area of interest; or

– relates to an exploration discovery for which at balance date a reasonable assessment of the existence or otherwise of economically recoverable reserves is not yet completed, or additional appraisal work is underway or planned.

Pending assessment of the results of a well, the costs are initially capitalised then expensed or remain capitalised, depending on a review of the results in accordance with successful efforts accounting criteria. When an oil or gas field has been approved for development, the accumulated exploration and evaluation costs are transferred to oil and gas assets.

Mining rights

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

Oil and gas assets

Development expenditure is stated at cost less accumulated depletion and any impairment in value. Where commercial production in an area of interest has commenced, the associated costs together with any forecast future capital expenditure necessary to develop proved and probable reserves are amortised over the estimated economic life of the field, on a unit-of-production basis. Costs are amortised only once production begins. Changes in factors such as estimates of proved and probable reserves that affect UOP calculations do not give rise to prior year financial period adjustments and are dealt with on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

GROUP AS A LESSEE

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(A) *RIGHT-OF-USE ASSETS*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land	40 to 50 years
Buildings	2 to 49 years
Machinery	2 to 10 years
Furniture, fixtures and other equipment	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "Inventories".

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

(B) *LEASE LIABILITIES*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in other long-term payables and accrued liabilities and other payables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable from 1 January 2019) *(Continued)*

GROUP AS A LESSEE *(Continued)*

(C) SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of vehicles, furniture office equipment, laptop computers and telephones that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

GROUP AS A LESSOR

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

Leases (applicable before 1 January 2019)

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 cost of such leases are charged to the consolidated statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

INITIAL RECOGNITION AND MEASUREMENT

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

SUBSEQUENT MEASUREMENT

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

FINANCIAL ASSETS AT AMORTISED COST (DEBT INSTRUMENTS)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (DEBT INVESTMENTS)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

SUBSEQUENT MEASUREMENT *(Continued)*

FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (EQUITY INVESTMENTS)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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 statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

SUBSEQUENT MEASUREMENT *(Continued)*

DESIGNATED ELIGIBLE FINANCIAL ASSETS UNDER THE OVERLAY APPROACH

In accordance with amendments to HKFRS 4 issued in January 2017. Since 1 January 2018, the Group elected to apply the overlay approach to designate certain eligible financial assets which meet both of the following criteria:

(a) it is measured at fair value through profit or loss applying HKFRS 9 but would not have been measured at fair value through profit or loss in its entirety applying HKAS 39; and

(b) it is not held in respect of an activity that is unconnected with contracts within the scope of HKFRS 4.

Applying the overlay approach, the Group shall reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated eligible financial assets being the same as if HKAS 39 had been applied to them. Accordingly, the amount reclassified is equal to the difference between:

(a) the amount reported in profit or loss for the designated eligible financial assets applying HKFRS 9; and

(b) the amount that would have been reported in profit or loss for the designated eligible financial assets as if HKAS 39 had been applied.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

GENERAL APPROACH

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

SIMPLIFIED APPROACH

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

DESIGNATED ELIGIBLE FINANCIAL ASSETS UNDER OVERLAY APPROACH

The management has applied the overlay approach for designated eligible financial assets and carried out impairment tests on these financial assets at the end of the year under the overlay approach as if HKAS 39 were applied.

For designated eligible financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If a designated eligible financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated statement of profit or loss, is removed from other comprehensive income and recognised in the consolidated statement of profit or loss.

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

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as designated eligible financial assets, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the consolidated statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of profit or loss.

Financial liabilities

INITIAL RECOGNITION AND MEASUREMENT

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and notes payables, accrued liabilities and other payables, amounts due to the holding company, amounts due to related companies, other long term payables, convertible bonds and interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

SUBSEQUENT MEASUREMENT

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

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the consolidated statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss does not include any interest charged on these financial liabilities.

FINANCIAL LIABILITIES AT AMORTISED COST (LOANS AND BORROWINGS)

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

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

FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

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 statement of profit or loss.

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

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

Any gains or losses arising from changes in fair value of derivatives are taken directly to the consolidated statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

As HKFRS 9 includes an accounting policy choice to remain with hedge accounting under HKAS 39. The Group elected to continue to apply hedge accounting in accordance with HKAS 39.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedge accounting *(Continued)*

INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT *(Continued)*

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

FAIR VALUE HEDGES

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of profit or loss. The changes in the fair value of the hedging instrument are also recognised in the statement of profit or loss.

CASH FLOW HEDGES

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge which is recorded in capital and other reserve, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Amounts recognised in other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

HEDGES OF A NET INVESTMENT

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedge accounting *(Continued)*

INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT *(Continued)*

CURRENT VERSUS NON-CURRENT CLASSIFICATION

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

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

Properties under development

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

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

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

Completed properties for sale

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

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 form an integral part of the Group's cash management.

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

Provisions

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

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

The Group provides for warranties in relation to the sale of certain products and the provision of services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group 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 policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

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

Revenue recognition

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

REVENUE FROM CONTRACTS WITH CUSTOMERS *(Continued)*

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(A) SALE OF GOODS

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(B) SALES OF PROPERTIES

Revenues are recognised when or as the control of the asset is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides benefits which are received and consumed simultaneously by the purchaser; or
- creates and enhances an asset that the purchaser controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the purchaser obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of each reporting period as a percentage of total estimated costs for each contract.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the purchaser obtains the physical possession or the legal title of the completed property and the Group has a present right to payment and the collection of the consideration is probable.

(C) RENDERING SERVICES

The revenue is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

REVENUE FROM OTHER SOURCES

(A) INSURANCE INCOME

Non-life insurance contract premiums, life insurance and investment contracts with a discretionary profit sharing component are recognised as income when written in "Net premiums written" in the consolidated statement of profit or loss.

Premiums written on non-life insurance contracts are recognised as income over the corresponding risk periods, through the use of the unearned premiums provision.

(B) INTEREST INCOME

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

(C) DIVIDEND INCOME

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(D) RENTAL INCOME

Revenue is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Contract assets

A contract asset is the rights to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments

The Company and certain subsidiaries of the Group operate share incentive schemes and a share option scheme for the purpose of providing incentives and rewards to their employees (including directors). Employees (including directors) receive remuneration in the form of share-based payments, whereby employees (including directors) render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the binomial option pricing model, further details of which are given in note 62 to the financial statements.

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits

The Group provides the post-employment benefits mainly as follows: (i) defined contribution pension schemes for all employees of the companies in Chinese Mainland; (ii) employee benefits to qualified former employees ("Qualified SOE Employees") and qualified retirees ("Qualified Retirees") of former state-owned enterprises in Chinese Mainland; (iii) a pension scheme for all eligible employees of the companies in Hong Kong; (iv) accommodation benefits for all eligible employees of the companies in Chinese Mainland, details of which are set out below; (v) employee benefits to all eligible employees of the subsidiaries in Portugal; and (vi) employee benefits to all eligible employees of the subsidiary in France.

(I) DEFINED CONTRIBUTION PENSION SCHEMES

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

(II) OTHER EMPLOYEE BENEFITS TO QUALIFIED SOE EMPLOYEES AND QUALIFIED RETIREES

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

QUALIFIED SOE EMPLOYEES

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits *(Continued)*

(II) OTHER EMPLOYEE BENEFITS TO QUALIFIED SOE EMPLOYEES AND QUALIFIED RETIREES *(Continued)*

QUALIFIED RETIREES

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

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

(III) PENSION SCHEME FOR ALL ELIGIBLE EMPLOYEES OF THE COMPANIES IN HONG KONG

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

(IV) ACCOMMODATION BENEFITS FOR ALL ELIGIBLE EMPLOYEES OF THE COMPANIES IN CHINESE MAINLAND

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

(V) EMPLOYEE BENEFITS TO ALL ELIGIBLE EMPLOYEES OF THE SUBSIDIARIES IN PORTUGAL

As per the collective labour agreement in force at the time for the insurance activity, the companies in Portugal undertook the commitment to make cash payments to complement the retirement pensions paid by the social security services to the employees hired prior to 22 June 1995, the date when the labour agreement became effective. These payments corresponded to a percentage, which grew with the number of years of employment, applied to the table of salaries in force at the date of retirement.

Following the new labour agreement for the insurance activity, signed at 23 December 2011, the previous defined benefit pension plan was replaced, regarding workers actively employed, effective 1 January 2012, with a plan of defined contributions, with the current value of liabilities for services rendered at 31 December 2011 being transferred to the individual account of each participant. This change has not been applied to pensions due to workers who were retired or pre-retired at 31 December 2011, or to employees who did not sign up to the current collective employment agreement.

In addition, the former Império Bonança also committed itself to providing whole life medical assistance benefits to those in retirement or pre-retirement who had switched to that status between June 1998 and July 2005.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits *(Continued)*

(V) EMPLOYEE BENEFITS TO ALL ELIGIBLE EMPLOYEES OF THE SUBSIDIARIES IN PORTUGAL *(Continued)*

Contributions by the companies in Portugal to the defined contribution plan are made in accordance with the rules set forth in the collective labour agreement, and recorded as an expense in the period they are due as a charge to administrative expenses.

(VI) EMPLOYEE BENEFITS TO ALL ELIGIBLE EMPLOYEES OF THE SUBSIDIARY IN FRANCE

All eligible employees of the subsidiary in France receive certain short-term benefits, such as vacation pay, "13th month" bonuses, sick leave, health insurance, and unemployment insurance in France.

The post-employment benefit plans of the subsidiary in France are based on legal obligations in each host country and on its subsidiaries' compensation policies. Long-term benefit plans include both defined contribution and defined benefit plans.

(A) DEFINED CONTRIBUTION PLANS

Under defined contribution plans, the subsidiary in France pays contributions to an external fund that is responsible for paying the benefits. The payment of contributions releases the employer of its further obligation towards his employees. The main defined contribution plans consist of government-sponsored basic and supplementary pension plans in Europe and defined-contribution pension plans in North America.

Contributions to all of these plans are recognised as an expense for the period in which they are due.

(B) DEFINED BENEFIT PLANS

Under defined benefit plans, the subsidiary in France has an obligation to pay benefits to employees either at the end of their employment or during their retirement. The defined benefit plans of the subsidiary in France are unfunded and are covered by provisions recorded in the financial statements.

The main defined benefit plans of the subsidiary in France concern indemnities payable to employees on retirement (France, Greece and Turkey) or when they leave the subsidiary in France (Italy and Japan).

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

The functional currencies of the Company and PRC subsidiaries are Hong Kong dollars ("HKD") and RMB, respectively. The financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Insurance and investment contracts

(A) CLASSIFICATION OF CONTRACTS

Transactions associated with insurance contracts written and reinsurance contracts held by the Group are recognised in accordance with HKFRS 4 "Insurance Contracts". Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Contracts without a significant insurance risk are considered to be investment contracts.

As provided for in HKFRS 4, investment contracts with a discretionary profit sharing component also continue to be classified as insurance contracts, and other investment contracts are accounted for under HKAS 39.

An insurance or investment contract is considered to include profit sharing with a discretionary component when the respective contractual conditions provide for the allocation of additional benefits to the insured, as a complement to the contract's guaranteed component part.

The liabilities related to life insurance contracts and investment contracts with discretionary profit sharing components are recorded in the "Other life insurance contract liabilities" account. This provision and the respective cost are recognised simultaneously with the income associated with premiums.

Potential capital gains, net of capital losses, resulting from the revaluation of assets allocated to life insurance contracts with profit sharing and which are expected to be paid to policyholders are recognised in other life insurance contract liabilities (profit sharing provision).

(B) PROVISION FOR UNEARNED PREMIUMS

The provision for unearned premiums comprises the value of insurance contract premiums written and allocated to the following period, i.e., the part comprising the period between financial statements close and end of the period to which the premium refers. It is calculated, for each contract in force, by the application of the pro rata temporis method on the respective gross premiums written.

Expenditure incurred with the acquisition of non-life insurance contracts, including brokerage commissions and other expenses allocated to the acquisition, is deferred over the course of the period to which it relates and is recognised as a deduction from the amount of the unearned premium reserves on insurance contracts.

(C) CLAIMS PROVISION

This provision recognises the estimated amount of indemnities payable on accidents which have already occurred, including claims incurred but not reported (IBNR) and administrative costs on future claims settlements whose management procedure is currently being processed together with IBNR claims. Except for mathematical provisions and whole-life assistance for workman's compensation, the claims provisions set up by the Group are not discounted.

(D) MATHEMATICAL PROVISION FOR LIFE INSURANCE

This corresponds to the estimated actuarial value of the insurance company's commitments, including profit sharing payments already distributed and following the deduction of the actuarial value of future premiums, calculated for each policy in accordance with actuarial methods and their respective technical bases.

In the case of life insurance contracts in which the investment risk is borne by the policyholder, this account heading only includes any additional technical provisions which may be set up to cover mortality risks, administrative or other expenditure (e.g., guaranteed payments on maturity or guaranteed redemption values).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Insurance and investment contracts *(Continued)*

(E) PROFIT SHARING PROVISION

The profit sharing provision in other life insurance contract liabilities includes amounts payable to policyholders or contract beneficiaries, in the form of a profit sharing scheme, whether already allocated or yet to be allocated, provided that such amounts have not yet been distributed.

PROFIT SHARING PROVISION TO BE ALLOCATED

This provision includes the balances originated by the net capital gains attributable to the insured and it also reflects the net amount of the subsequent potential capital gains and losses (fair value adjustments) relating to investments linked to life insurance contracts with a profit sharing component, for the estimated part of the policyholder or contract beneficiary, as long as the balances by portfolio are not negative.

This provision is set up as a charge to profit sharing to be attributed, in the consolidated statement of profit or loss, or as a direct charge to the other comprehensive income resulting from adjustments to the fair value of available-for-sale financial assets linked to life insurance with a profit sharing component, depending on the assets' classification.

Throughout the duration of the contracts of each type or set of types, the balance of the provision for profit sharing to be allocated corresponding to this is utilised in full.

PROVISION FOR ALLOCATED PROFIT SHARING

This provision includes the amounts payable to policyholders or contract beneficiaries, in the form of profit sharing, which have still not been distributed but have been attributed to them.

For most of the products, the provision is calculated on the basis of income generated by the allocated assets, including realised capital gains and losses and the recognition of impairment losses for the period, less the negative balances of past years, in which cases the said deduction is contractually provided for.

(F) PROVISION FOR INTEREST RATE COMMITMENTS

The provision for interest rate commitments is set up for all life insurance and life insurance operations with a guaranteed interest rate, whenever the effective yield on investments representing mathematical provisions on certain insurance contracts, lower than the technical interest rate used to determine the mathematical provisions of those contracts.

(G) PORTFOLIO STABILISATION PROVISION

The portfolio stabilisation provision is set up for annually renewable group insurance contracts, guaranteeing death risk as their principal cover, and it is designed to provide for the heightened risk inherent to the progression of the average age of the insured group, whenever the tariff is based on a single rate, which, owing to contractual commitments, is to be maintained over a certain period.

(H) PROVISION FOR UNEXPIRED RISKS

This provision is calculated for all non-life insurance and is intended to respond to situations in which premiums to be allocated to subsequent years regarding contracts in force at the date of the financial statements are not sufficient to pay for the indemnities and the expenses to be allocated to the respective technical lines of business. This provision is calculated on the basis of the ratios for claims, operating costs, ceding and income, in accordance with which is defined by the Portuguese Insurance Regulator.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Insurance and investment contracts *(Continued)*

(I) TECHNICAL PROVISIONS FOR OUTWARDS REINSURANCE

These provisions are assessed by applying the above described criteria for direct insurance, based on ceding percentages, in addition to other clauses existing in the treaties in force.

(J) LIABILITIES TO SUBSCRIBERS OF UNIT-LINKED PRODUCTS

Liabilities, associated with unit-linked investment contracts issued by the Group in which the risk is borne by the policyholder, are recognised at fair value and assessed on the basis of the fair value of investment portfolio assets allocated to each of the products, less the corresponding management costs and recognised in "financial liabilities for unit-linked contracts".

Investment portfolios allocated to unit-linked products comprise financial assets, including fixed-income securities, variable-income securities, derivative instruments and deposits in credit institutions, which are recognised at fair value and whose corresponding unrealised capital gains and losses are recognised in the consolidated statement of profit or loss for the year.

(K) LIABILITIES TO SUBSCRIBERS OF OTHER INVESTMENT CONTRACTS

Liabilities to subscribers of other regulated products, classified as investment contracts under HKFRS 4, which do not include a discretionary profit sharing component, are valued in accordance with the requirements of HKAS 39 and recognised in "Investment contract liabilities".

(L) IMPAIRMENT OF DEBTOR BALANCES RELATED TO INSURANCE AND REINSURANCE CONTRACTS

At each reporting date, the Group assesses the existence of evidence of impairment on assets originated by insurance or reinsurance contracts, namely accounts receivable from insured persons, agents, inwards and outwards reinsurers, and technical provisions for outwards reinsurance.

If impairment losses are identified, the carrying value of the respective assets is reduced as a charge to the consolidated statement of profit or loss for the year.

(M) LIABILITY ADEQUACY TEST

In accordance with HKFRS 4, at the date of the financial statements, the Group performs liability adequacy tests relating to contracts in force. These tests include estimates of the present value of future cash flows under its insurance contracts, including claims handling costs and cash flows resulting from embedded options and guarantees.

If that assessment shows that the carrying amount of the insurance liabilities recognised in the financial statements, net of related intangible assets, is inadequate in light of the estimated future cash flows, the entire insufficiency shall be recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

(I) PROPERTY LEASE CLASSIFICATION – 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, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

(II) SIGNIFICANT JUDGEMENT IN DETERMINING THE LEASE TERM OF CONTRACTS WITH RENEWAL OPTIONS

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group includes the renewal period as part of the lease term for leases of property due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on operating if a replacement is not readily available.

(III) CLASSIFICATION BETWEEN INVESTMENT PROPERTIES AND OWNER-OCCUPIED PROPERTIES

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

(IV) CONSOLIDATION OF ENTITIES IN WHICH THE GROUP HOLDS LESS THAN A MAJORITY OF VOTING RIGHTS

The Group considers that it controls Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharma") even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Fosun Pharma with a 38.1% equity interest as at 31 December 2019. The remaining 61.9% of the equity shares in Fosun Pharma are widely held by many other shareholders. The Group controls the board of directors of Fosun Pharma and holds relatively larger voting rights than other dispersed public shareholders. Since the date of Fosun Pharma's domestic shares being listed on the Shanghai Stock Exchange, there has been no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(Continued)

Judgements *(Continued)*

(V) DEFERRED TAX LIABILITIES

Deferred tax liabilities are recognised for withholding corporate income taxes arising from the distributions of dividends from certain subsidiaries of the Group according to the relevant tax jurisdictions. Significant management judgement is required to determine whether to recognise such deferred tax liabilities based upon the plan of the dividend distribution from these subsidiaries in the foreseeable future. As at 31 December 2019, the management is of the opinion that it is not probable that those subsidiaries will make any profit distribution in the foreseeable future and accordingly no provision for the withholding tax has been made.

(VI) CLASSIFICATION OF FINANCIAL ASSETS

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial assets' contractual cash flows characteristics: (1) management needs to make significant judgement when assessing its business model, including but is not limited to (a) how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; (b) the risks that affect the performance of the business model and the financial assets held within that business model and, in particular, the way in which those risks are managed; and (c) how managers of the business are compensated. In determining whether cash flows are going to be realised by collecting the financial assets' contractual cash flows, management needs to consider the reasons for the sales, timing of sales, frequency and value in prior periods; and (2) management needs to make significant judgement on whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, such as whether contractual cash flows could be significantly different from the benchmark cash flows involves judgement when assessing a modified time value of a money element, and whether the fair value of prepayment features is insignificant also requires judgement when assessing the financial assets with prepayment features.

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 2019 was RMB20,252,439,000 (31 December 2018: RMB19,092,279,000). 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 (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. For the year ended 31 December 2019, impairment losses in the amount of RMB816,697,000 (2018: RMB175,333,000) have been recognised as set out in note 8 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(Continued)

Estimation uncertainty *(Continued)*

(III) LEASES – ESTIMATING THE INCREMENTAL BORROWING RATE

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

(IV) IMPAIRMENT OF DESIGNATED ELIGIBLE FINANCIAL ASSETS UNDER OVERLAY APPROACH

Management has applied the overlay approach for designated eligible financial assets and carried out impairment tests on these financial assets at the end of the year under the overlay approach as if HKAS 39 were applied. When the fair value declines, management makes judgement about the decline in value to determine whether there is an impairment that should be recognised in the consolidated statement of profit or loss. As at 31 December 2019, the carrying amount of designated eligible financial assets under the overlay approach (including current and non-current portion) was RMB16,778,534,000 (2018: RMB11,121,411,000). For the year ended 31 December 2019, impairment loss in the amount of RMB579,208,000 (2018: 793,847,000) have been recognised as set out in Note 24.

(V) ESTIMATION OF FAIR VALUE OF INVESTMENT PROPERTIES

As described in note 14 to the financial statements, investment properties were revalued on 31 December 2019 on an open market value and existing use basis. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

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

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

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

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

The carrying amount of investment properties at 31 December 2019 was RMB59,360,379,000 (31 December 2018: RMB46,567,826,000). Further details, including the key assumptions used for fair value measurement, are given in note 14 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(Continued)

Estimation uncertainty *(Continued)*

(VI) FAIR VALUE OF FINANCIAL INSTRUMENTS DETERMINED USING VALUATION TECHNIQUES

The fair value of financial instruments, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations were based on certain assumptions about credit risk, volatility and liquidity risks, associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. Further details are included in note 69 to the financial statements.

(VII) USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

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

(VIII) USEFUL LIVES OF INTANGIBLE ASSETS (OTHER THAN GOODWILL)

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

(IX) ESTIMATION OF REHABILITATION COST PROVISIONS

FOR MINING RIGHTS

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

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

FOR OIL AND GAS ASSETS

The Group estimates the future removal costs of on- and offshore oil and gas platforms, production facilities, wells and pipelines at the time of installation of the assets. In most instances, removal of assets will occur in future years. This requires judgemental assumptions regarding removal data, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating costs, future removal technologies in determining the removal costs, and asset-specific discount rates to determine the present value of these cash flows.

(X) MEASUREMENT OF THE EXPECTED CREDIT LOSS ALLOWANCE

The Group assesses the impairment of financial assets at amortised cost and debt investments at fair value through other comprehensive income ("FVOCI") using the ECL model. The application of the ECL model requires significant estimation, and consideration of all reasonable and relevant information including forward-looking information. When making such estimation, the Group estimates the expected changes of the debtor's credit risk based on historical repayment data along with economic policies, macro-economic indicators, and industrial risk.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(Continued)

Estimation uncertainty *(Continued)*

(XI) DEFERRED TAX ASSETS

Deferred tax assets are recognised for deductible temporary differences and carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2019 was RMB2,041,142,000 (31 December 2018: RMB1,673,967,000). The amount of unrecognised tax losses and deductible temporary differences as at 31 December 2019 was RMB25,035,494,000 (31 December 2018: RMB18,421,560,000). Further details are contained in note 30 to the financial statements.

(XII) NET REALISABLE VALUE OF INVENTORIES, PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES FOR SALE

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

(XIII) CONTINGENT CONSIDERATION FOR THE ACQUISITION OF SUBSIDIARIES

The Group estimated the fair value of contingent consideration for the acquisition of subsidiaries by using the expected cash flows, to be discounted to the acquisition date at an appropriately chosen discount rate. Significant management judgement is required to determine the expected cash flows and discount rate. Management reassesses these estimates at the end of each reporting period.

(XIV) ASSESSMENT OF INSURANCE CONTRACT LIABILITIES

The Group's insurance contract liabilities are assessed on the basis of the methodologies and assumptions described in note 2.4. These liabilities reflect a quantified estimate of the impact of future events on the accounts of the Group's insurance companies, based on actuarial assumptions, claims history and other methods accepted in the sector. Owing to the nature of insurance activity, the assessment of claims provisions and other insurance contract liabilities is highly subjective and the real amounts payable in the future may differ significantly from the estimates. Management reassesses these estimates at the end of each reporting period, however, that the liabilities on insurance contracts recognised in the consolidated financial statements adequately reflect the best estimate at the end of the reporting period of the amounts to be disbursed by the Group. As at 31 December 2019, the total carrying amount of insurance contract liabilities was RMB74,492,677,000 (2018: RMB57,351,742,000), which included unearned premium provisions amounting to RMB8,972,868,000 (2018: RMB6,684,319,000), provision for outstanding claims amounting to RMB39,153,011,000 (2018: RMB33,893,491,000), provision for unexpired risks amounting to RMB248,466,000 (2018: RMB286,538,000) and other life insurance contract liabilities amounting to RMB26,118,332,000 (2018: RMB16,487,394,000)

(XV) VALUATION OF THE IDENTIFIABLE ASSETS AND LIABILITIES THROUGH BUSINESS COMBINATIONS AND THE RECOGNISED CORRESPONDING GOODWILL OR GAIN ON BARGAIN PURCHASE

The Group completed certain business combinations during the year. The purchase prices are allocated between the fair values of the identifiable assets acquired and the liabilities assumed which result in the recognition of goodwill or gains on bargain purchase. Management, assisted by the external appraisers, evaluated the fair values of identifiable assets acquired and liabilities assumed and completed the purchase price allocation. The fair value determination in the accounting for business combinations relied on significant management estimation in respect of fair value assessments.

4. PARTICULARS OF THE PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINT VENTURES

Particulars of the principal subsidiaries comprising the Group, associates and joint ventures of the Group at 31 December 2019 are set out below:

Name of company	Place of incorporation/ registration and place of business	Nominal value of registered capital	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Subsidiaries						
Investment segment						
上海復星高科技(集團)有限公司# (Shanghai Fosun High Technology (Group) Co., Ltd.) ("Fosun High Technology")	PRC/ Chinese Mainland	RMB4,800,000,000	100.0%	–	100.0%	Investment holding
上海復星產業投資有限公司# (Shanghai Fosun Industrial Investment Co., Ltd.)	PRC/ Chinese Mainland	RMB600,000,000	–	100.0%	100.0%	Investment holding
復星金融控股有限公司 (Fosun Financial Holdings Limited)	Hong Kong	HKD18,598,275,000	100.0%	–	100.0%	Investment holding
復星地產控股有限公司 (Fosun Property Holdings Limited)	Hong Kong	HKD1	100.0%	–	100.0%	Investment holding
上海復星創富投資管理股份有限公司# (Shanghai Fosun Capital Investment & Management Co., Ltd.)	PRC/ Chinese Mainland	RMB600,000,000	–	100.0%	100.0%	Capital investment and management
復地(集團)股份有限公司# (Shanghai Forte Land Co., Ltd.) ("Forte")	PRC/ Chinese Mainland	RMB2,504,155,000	–	100.0%	100.0%	Property development
浙江復星商業發展有限公司# (Zhejiang Fosun Commercial Development Co., Ltd)	PRC/ Chinese Mainland	RMB100,000,000	–	100.0%	100.0%	Property development
復星產業控股有限公司 (Fosun Industrial Holdings Limited)	Hong Kong	HKD500,000,000	100.0%	–	100.0%	Investment holding
Fortune Star (BVI) Limited	Virgin Islands, British	USD1	–	100.0%	100.0%	Capital investment and management
上海復星工業技術發展有限公司# (Shanghai Fosun Industrial & Technology Development Co., Ltd)	PRC/ Chinese Mainland	RMB8,200,000,000	–	100.0%	100.0%	Capital investment and management

4. PARTICULARS OF THE PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINT VENTURES *(Continued)*

Particulars of the principal subsidiaries comprising the Group, associates and joint ventures of the Group at 31 December 2019 are set out below: *(Continued)*

Name of company	Place of incorporation/ registration and place of business	Nominal value of registered capital	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Subsidiaries *(Continued)*						
Health segment						
上海復星醫藥(集團)股份有限公司*/# (Shanghai Fosun Pharmaceutical (Group) Co., Ltd.) ("Fosun Pharma")	PRC/ Chinese Mainland	RMB2,562,899,000	–	38.1%	38.1%	Investment holding
上海復星醫藥產業發展有限公司# (Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.)	PRC/ Chinese Mainland	RMB2,253,308,000	–	100.0%	38.1%	Investment holding
錦州奧鴻藥業有限責任公司# (Jinzhou Aohong Pharmaceutical Co., Ltd.)	PRC/ Chinese Mainland	RMB510,000,000	–	100.0%	38.1%	Manufacture and sale of pharmaceutical products
江蘇萬邦生化醫藥集團有限責任公司# (Jiangsu Wanbang Biopharmaceutical Co., Ltd.)	PRC/ Chinese Mainland	RMB440,455,000	–	100.0%	38.1%	Manufacture and sale of pharmaceutical products
Alma Lasers Ltd.	State of Israel	NIS14,000,000	–	52.8%	20.1%	Manufacture and sale of medical devices
湖北新生源生物工程有限公司# (Shine Star (Hubei) Biological Engineering Co., Ltd.)	PRC/ Chinese Mainland	RMB51,120,000	–	51.0%	19.4%	Manufacture and sale of pharmaceutical products
重慶藥友製藥有限責任公司# (Chongqing Yao Pharmaceutical Co., Ltd.)	PRC/ Chinese Mainland	RMB196,540,000	–	51.0%	19.4%	Manufacture and sale of pharmaceutical products
桂林南藥股份有限公司# (Guilin South Pharma Co., Ltd.)	PRC/ Chinese Mainland	RMB285,030,000	–	96.3%	36.7%	Manufacture and sale of pharmaceutical products
復星實業(香港)有限公司 (Fosun Industrial Co., Limited)	Hong Kong	USD558,190,000	–	100.0%	38.1%	Investment holding
佛山市禪城區中心醫院有限公司# (Foshan City Chancheng District Central Hospital Co., Ltd.)	PRC/ Chinese Mainland	RMB50,000,000	–	87.4%	32.9%	Provision of healthcare services
Gland Pharma Limited ("Gland")	India	RS154,950,000	–	74.0%	28.2%	Manufacture and sale of pharmaceutical products
上海復宏漢霖生物技術股份有限公司# (Shanghai Henlius Biotech Co. Ltd.)	PRC/ Chinese Mainland	RMB543,494,853	–	53.3%	20.3%	Research and development of biopharmaceutical drugs
Luz Saúde, S.A.	Portugal	EUR95,542,254	–	99.9%	92.2%	Provision of healthcare services

4. PARTICULARS OF THE PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINT VENTURES *(Continued)*

Particulars of the principal subsidiaries comprising the Group, associates and joint ventures of the Group at 31 December 2019 are set out below: *(Continued)*

Name of company	Place of incorporation/ registration and place of business	Nominal value of registered capital	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Subsidiaries *(Continued)*						
Happiness segment						
Club Med SAS	France	EUR149,000,000	–	100.0%	72.9%	Tourism
海南亞特蘭蒂斯商旅發展有限公司# (Hainan Atlantis Commerce And Tourism Development Co., Ltd)	PRC/ Chinese Mainland	RMB801,500,000	–	100.0%	81.0%	Tourism
上海豫園旅遊商城(集團)股份有限公司# (Shanghai Yuyuan Tourist Mart (Group) Co., Ltd.) ("Yuyuan")	PRC/ Chinese Mainland	RMB3,883,762,000	–	68.5%	68.5%	Retail
北京復地通盈置業有限公司# (Beijing Forte Tongying Property Co., Ltd.)	PRC/ Chinese Mainland	RMB20,000,000	–	100.0%	81.1%	Property development
海南復地投資有限公司# (Hainan Forte Investment Co., Ltd.)	PRC/ Chinese Mainland	RMB10,000,000	–	100.0%	68.5%	Property development
成都復地明珠置業有限公司# (Chengdu Forte Mingzhu Property Co., Ltd.)	PRC/ Chinese Mainland	RMB500,000,000	–	66.0%	45.2%	Property development
長沙復盈房地產開發有限公司# (Changsha Fuying Property Co., Ltd.)	PRC/ Chinese Mainland	RMB50,000,000	–	100.0%	68.5%	Property development
上海豫園珠寶時尚集團有限公司# (Shanghai Yuyuan Jewelry Fashion Group Co., Ltd)	PRC/ Chinese Mainland	RMB200,000,000	–	100.0%	68.5%	Retail
Insurance segment						
鼎睿再保險有限公司 (Peak Reinsurance Company Limited)	Hong Kong	USD786,720,714	–	86.5%	86.5%	Reinsurance
Fidelidade – Companhia de Seguros, S.A.	Portugal	EUR457,380,000	–	85.0%	85.0%	Underwriting of life and non-life insurance
AmeriTrust Group, Inc.	United States of America	USD343,353,000	–	100.0%	100.0%	Underwriting of non-life insurance
Finance segment						
Hauck & Aufhäuser Privatbankiers AG	Germany	EUR18,445,196	–	99.9%	99.9%	Private banking and financial services

4. PARTICULARS OF THE PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINT VENTURES *(Continued)*

Particulars of the principal subsidiaries comprising the Group, associates and joint ventures of the Group at 31 December 2019 are set out below: *(Continued)*

Name of company	Place of incorporation/ registration and place of business	Nominal value of registered capital	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Associates						
國藥產業投資有限公司# (Sinopharm Industrial Investment Co., Ltd.) ("Sinopharm")	PRC/ Chinese Mainland	RMB100,000,000	–	49.0%	18.7%	Distribution of pharmaceutical products
Banco Comercial Português, S.A.	Portugal	EUR4,725,000,000	–	27.3%	27.3%	Banking and financial services
青島啤酒股份有限公司@/# (Tsingtao Brewery Company Limited)	PRC/ Chinese Mainland	RMB1,350,983,000	–	13.6%	13.3%	Production and distribution of beer
新華人壽保險股份有限公司@/# (New China Life Insurance Co LTD.)	PRC/ Chinese Mainland	RMB3,120,000,000	–	4.6%	4.3%	Life insurance
天津建龍鋼鐵實業有限公司# (Tianjin Dragon Steel Industrial Co., Ltd.)	PRC/ Chinese Mainland	RMB2,000,000,000	–	25.7%	25.7%	Manufacture and sale of iron and steel products
Joint ventures						
南京南鋼鋼鐵聯合有限公司#/& (Nanjing Nangang Iron & Steel United Co., Ltd.)	PRC/ Chinese Mainland	RMB3,000,000,000	–	60.0%	60.0%	Manufacture and sale of iron and steel products
上海復星外灘置業有限公司# (Shanghai Fosun Bund Property Co., Ltd.)	PRC/ Chinese Mainland	RMB7,000,000,000	–	50.0%	50.0%	Property development

4. PARTICULARS OF THE PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINT VENTURES *(Continued)*

The English names of the above subsidiaries, associates and joint ventures are directly translated from their Chinese names.

The above table lists the subsidiaries, associates and joint ventures of the Group which, in the opinion of the directors of the Company, principally affected the results of the Group for the year ended 31 December 2019 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries, associates and joint ventures would, in the opinion of the directors of the Company, result in particulars of excessive length.

Notes:

* Fosun Pharma continues to be accounted for as a subsidiary because the Group continues to be the single major shareholder of Fosun Pharma and holds relatively larger voting rights than other dispersed public shareholders, despite the fact that the Group's equity interest in this company was 38.1% as at 31 December 2019.

@ The Group's investments in these associates are accounted for under the equity method of accounting because the Group has significant influence over these entities by way of representation on the board of directors and participation in the policy-making process, despite the fact that the Group's direct or indirect equity interests in these associates were lower than 20% for the year ended 31 December 2019.

These companies are registered as limited liability companies under PRC law.

& Although the Group held a 60% equity interest in Nanjing Nangang Iron & Steel United Co. Ltd ("Nanjing Nangang") as at 31 December 2019, the Group delegated 10% voting rights in Nanjing Nangang to Nanjing Iron & Steel (Group) Co., Ltd., and Nanjing Nangang was accounted for as a joint venture of the Group.

5. OPERATING SEGMENT INFORMATION

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

(i) The Health segment engages in the research and development, manufacture, sale and trading of pharmaceutical and health products and providing medical services and health management;

(ii) The Happiness segment comprises principally the operation and investments in tourism and leisure, fashion consumer and lifestyle industries;

(iii) The Insurance segment mainly engages in the operation of and investment in the insurance businesses;

(iv) The Finance segment mainly engages in the operation of and investment in the banking and other financial businesses; and

(v) The Investment segment comprises principally the primary market investments, secondary market investments, and investments in asset management companies and other companies of the Group.

The Insurance segment, Finance segment and Investment segment listed above all belong to Wealth sector of the Group.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss after tax. The adjusted profit or loss after tax is measured consistently with the Group's profit or loss after tax except that head office and corporate expenses are excluded from such measurement.

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

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2019

	Health	Happiness	Wealth				
			Insurance	Finance	Investment	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:							
Sales to external customers	32,563,981	67,359,784	31,261,928	2,311,584	9,484,851	–	142,982,128
Inter-segment sales	569,067	197,706	–	181,018	130,682	(1,078,473)	–
Total revenue	33,133,048	67,557,490	31,261,928	2,492,602	9,615,533	(1,078,473)	142,982,128
Segment results	5,092,297	7,789,179	3,971,506	1,837,232	10,872,118	(79,854)	29,482,478
Unallocated expenses							(1,965,150)
Profit before tax	5,092,297	7,789,179	3,971,506	1,837,232	10,872,118	(79,854)	27,517,328
Tax	(784,599)	(4,165,307)	(551,165)	(84,876)	(1,774,388)	12,384	(7,347,951)
Profit for the year	4,307,698	3,623,872	3,420,341	1,752,356	9,097,730	(67,470)	20,169,377
Segment and total assets	91,740,082	178,393,923	209,784,478	77,278,841	174,444,052	(15,960,180)	715,681,196
Segment and total liabilities	41,631,049	109,147,094	163,631,353	56,460,998	179,629,359	(15,742,873)	534,756,980
Other segment information:							
Interest and dividend income	205,893	409,011	3,431,341	47,546	1,003,413	(152,224)	4,944,980
Other income and gains (excluding interest and dividend income)	3,070,799	2,349,106	6,041,717	354,141	10,671,023	(59,538)	22,427,248
Amount reported in profit or loss applying the overlay approach	–	–	(1,323,143)	–	–	–	(1,323,143)
Impairment losses recognised in the statement of profit or loss, net	(504,450)	(589,051)	137,762	(96,666)	(61,955)	–	(1,114,360)
Finance costs	(1,168,810)	(1,952,170)	(227,570)	(18,666)	(7,115,064)	261,431	(10,220,849)
Share of profits and losses of							
– Joint ventures	(64,612)	(11,880)	(134,984)	–	2,256,383	454	2,045,361
– Associates	1,507,913	(122,255)	548,962	1,349,210	1,851,930	(50,903)	5,084,857
Depreciation and amortisation	(1,529,814)	(3,464,381)	(703,460)	(104,021)	(896,309)	–	(6,697,985)
Research and development costs	(2,055,004)	(95,135)	(40)	–	(32,101)	–	(2,182,280)
Gains on fair value adjustments of investment properties	–	97,421	494,842	–	1,051,285	–	1,643,548
Fair value gain/(loss) on financial assets at fair value through profit or loss	219,409	307,045	2,369,387	109,431	(1,299,502)	(1,867)	1,703,903
Investments in joint ventures	381,318	743,163	808,941	–	23,824,233	–	25,757,655
Investments in associates	24,738,598	20,575,349	8,766,050	12,857,249	22,475,912	(1,033,652)	88,379,506
Capital expenditure*	4,101,475	3,894,214	4,608,683	95,780	3,690,026	–	16,390,178

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2018

	Health	Happiness	Wealth				
			Insurance	Finance	Investment	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:							
Sales to external customers	28,567,952	44,924,950	23,668,480	2,334,476	9,855,783	–	109,351,641
Inter-segment sales	525,328	11,467	–	148,197	90,423	(775,415)	–
Total revenue	29,093,280	44,936,417	23,668,480	2,482,673	9,946,206	(775,415)	109,351,641
Segment results	5,392,910	6,328,381	4,106,312	1,431,945	6,946,826	(40,141)	24,166,233
Unallocated expenses	–	–	–	–	–	–	(2,171,663)
Profit before tax	5,392,910	6,328,381	4,106,312	1,431,945	6,946,826	(40,141)	21,994,570
Tax	(494,371)	(3,284,283)	(831,867)	32,209	(389,487)	(17,255)	(4,985,054)
Profit for the year	4,898,539	3,044,098	3,274,445	1,464,154	6,557,339	(57,396)	17,009,516
Segment and total assets	86,877,645	145,825,632	185,550,344	76,530,808	159,998,957	(15,899,548)	638,883,838
Segment and total liabilities	41,250,149	80,118,984	146,403,234	56,911,226	170,600,042	(16,840,820)	478,442,815

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2018 (continued)

	Health	Happiness	Wealth				
			Insurance	Finance	Investment	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other segment information:							
Interest and dividend income	158,752	190,715	3,565,174	77,518	1,111,528	(553,907)	4,549,780
Other income and gains (excluding interest and dividend income)	3,009,759	4,521,011	5,803,774	386,125	969,343	489,105	15,179,117
Amount reported in profit or loss applying the overlay approach	–	–	2,742,521	–	–	–	2,742,521
Impairment losses recognised in the statement of profit or loss, net	(170,725)	(10,624)	(93,553)	(88,407)	(229,035)	50,737	(541,607)
Finance costs	(1,018,923)	(872,208)	(194,197)	–	(5,423,509)	278,419	(7,230,418)
Share of profits and losses of							
– Joint ventures	(50,441)	(32,139)	–	–	1,862,287	–	1,779,707
– Associates	1,539,385	(589,425)	190,096	1,213,700	1,868,374	(43,896)	4,178,234
Depreciation and amortisation	(1,356,132)	(1,420,509)	(399,400)	(52,161)	(600,035)	–	(3,828,237)
Research and development costs	(1,402,292)	(34,375)	(322)	(4,273)	(22,240)	1,113	(1,462,389)
Gains on fair value adjustments of investment properties	–	46,522	290,391	–	96,016	–	432,929
Fair value (loss)/gain on financial assets at fair value through profit or loss	(193,283)	2,351,208	(4,589,284)	(229,361)	2,075,527	–	(585,193)
Investments in joint ventures	462,867	991,389	938,257	–	22,499,382	–	24,891,895
Investments in associates	26,552,936	17,662,942	8,004,198	11,489,224	21,149,867	(775,037)	84,084,130
Capital expenditure*	3,671,615	4,248,124	1,901,731	81,891	3,027,345	–	12,930,706

* Capital expenditure consists of additions to property, plant and equipment, exploration and evaluation assets, mining rights, intangible assets, investment properties and oil and gas assets.

5. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(A) REVENUE FROM EXTERNAL CUSTOMERS

	2019 RMB'000	2018 RMB'000
Chinese Mainland	**78,837,056**	58,628,408
Portugal	**18,806,130**	16,197,962
Other countries and regions	**45,338,942**	34,525,271
	142,982,128	109,351,641

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

(B) NON-CURRENT ASSETS

	2019 RMB'000	2018 RMB'000
Chinese Mainland	**212,001,724**	187,121,427
Portugal	**27,841,362**	20,562,181
Other countries and regions	**60,628,880**	44,194,036
	300,471,966	251,877,644

The non-current asset information above is based on the locations of the assets and excludes financial instruments, deferred tax assets and rights arising under insurance contracts.

Information about a major customer

No revenue amounting to 10% or more of the Group's revenue was derived from sales to a single customer for the years ended 31 December 2019 and 2018.

6. REVENUE, OTHER INCOME AND GAINS

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

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

		2019 RMB'000	2018 RMB'000
Revenue			
Revenue from contracts with customers			
– Sale of goods	(1)	78,877,923	56,878,181
– Rendering of services	(2)	31,147,565	28,043,977
		110,025,488	84,922,158
Revenue from other sources			
– Insurance revenue	(3)	31,071,816	23,594,764
– Rental income		1,772,643	1,070,766
– Interest income		590,691	316,471
		33,435,150	24,982,001
Others			
– Less: Government surcharges		(478,510)	(552,518)
		142,982,128	109,351,641

(1) Sale of goods:

	2019 RMB'000	2018 RMB'000
Pharmaceuticals and medical products	24,967,129	21,094,954
Properties	23,987,470	22,740,120
Gold and jewelleries	20,456,986	8,048,203
Ore products	2,662,183	1,298,815
Oil and gas	976,815	1,128,388
Others	5,827,340	2,567,701
	78,877,923	56,878,181

(2) Rendering of services:

	2019 RMB'000	2018 RMB'000
Tourism	14,644,634	14,557,519
Healthcare	7,002,312	6,421,588
Property agency	520,311	438,558
Property management	1,210,884	1,273,977
Asset management	717,304	389,403
Fee and commission income	1,388,926	1,588,395
Others	5,663,194	3,374,537
	31,147,565	28,043,977

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

An analysis of revenue, other income and gains is as follows: *(Continued)*

Revenue *(Continued)*

(3) Insurance revenue:

	2019 RMB'000	2018 RMB'000
Gross premiums written	**38,317,001**	28,377,536
Less: Premiums ceded to reinsurers and retrocessionaires	**(6,176,644)**	(4,041,918)
Net premiums written	**32,140,357**	24,335,618
Change in unearned premium provisions, net of reinsurance	**(1,068,541)**	(740,854)
Net earned premiums	**31,071,816**	23,594,764

Performance obligations

Information about the Group's performance obligations is summarised below:

SALE OF GOODS

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 180 days from delivery, or payment in advance is required in some cases.

SALE OF COMPLETED PROPERTIES

If control of the asset is transferred over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. Otherwise, revenue is recognised at the point in time when the customer obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

SERVICE INCOME

The performance obligation is satisfied over time as services are rendered and the customer simultaneously receives and consumes the benefits. Short-term advances are normally required before rendering the services.

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

An analysis of revenue, other income and gains is as follows: *(Continued)*

Disaggregated revenue information

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the year ended 31 December 2019

Segments:

	Health	Happiness	Wealth			
			Insurance	Finance	Investment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Type of goods or services						
Sale of goods	**25,031,615**	**48,798,572**	**–**	**3,247**	**5,044,489**	**78,877,923**
Rendering of services	**7,697,240**	**18,425,262**	**190,590**	**1,666,497**	**3,167,976**	**31,147,565**
	32,728,855	**67,223,834**	**190,590**	**1,669,744**	**8,212,465**	**110,025,488**
Timing of revenue recognition						
Goods transferred at a point in time	**25,031,615**	**48,798,572**	**–**	**3,247**	**5,044,489**	**78,877,923**
Services rendered over time	**7,697,240**	**18,425,262**	**190,590**	**1,666,497**	**3,167,976**	**31,147,565**
	32,728,855	**67,223,834**	**190,590**	**1,669,744**	**8,212,465**	**110,025,488**

For the year ended 31 December 2018

Segments:

	Health	Happiness	Wealth			
			Insurance	Finance	Investment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Type of goods or services						
Sale of goods	22,087,511	27,836,256	–	–	6,954,414	56,878,181
Rendering of services	6,682,248	17,241,345	73,790	2,020,366	2,026,228	28,043,977
	28,769,759	45,077,601	73,790	2,020,366	8,980,642	84,922,158
Timing of revenue recognition						
Goods transferred at a point in time	22,087,511	27,836,256	–	–	6,954,414	56,878,181
Services rendered over time	6,682,248	17,241,345	73,790	2,020,366	2,026,228	28,043,977
	28,769,759	45,077,601	73,790	2,020,366	8,980,642	84,922,158

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

	2019 RMB'000	2018 RMB'000
Other income		
Interest income	**1,187,351**	757,874
Dividends and interest from financial assets at fair value through profit or loss	**1,429,503**	1,368,533
Dividends from equity investments at fair value through other comprehensive income (note 23)	**2,724**	49,189
Interest income from debt investments at fair value through other comprehensive income	**2,325,402**	2,374,184
Rental income	**671,678**	537,157
Government grants	**585,747**	570,005
Consultancy and other service income	**579,199**	287,553
Fee income relating to investment contracts	**666,428**	493,955
Others	**954,163**	1,159,202
	8,402,195	7,597,652
Gains		
Gain on disposal of subsidiaries (note 60(b))	**4,029,184**	45,059
Gain on bargain purchase of subsidiaries (note 60(a))	**64,338**	3,706,384
Gain on remeasurement of previously held interests in step acquisitions of subsidiaries	**61,464**	633,445
Gain on disposal/partial disposal of associates	**8,518,506**	1,439,879
Gain on deemed disposal of associates	**153,797**	1,435,626
Gain on disposal of debt investments at fair value through other comprehensive income	**1,179,936**	2,136,148
Gain on disposal of items of property, plant and equipment	**307,497**	53,936
Gain on disposal of items of intangible assets	**93,252**	–
Gain on disposal of investment properties	**348,800**	5,201
Gain on disposal of non-current assets of a disposal group classified as held for sale	**–**	895,911
Gain on fair value adjustment of financial assets at fair value through profit or loss	**1,703,903**	–
Gain on fair value adjustment of investment properties (note 14)	**1,643,548**	432,929
Gain on reversal of impairment of completed properties for sale	**–**	14,864
Gain on reversal of impairment of insurance and reinsurance debtors (note 33)	**–**	15,747
Gain on reversal of impairment of debt instruments at amortised cost	**–**	710
Exchange gain, net	**865,808**	1,315,406
	18,970,033	12,131,245
Other income and gains	**27,372,228**	19,728,897
Total revenue, other income and gains	**170,354,356**	129,080,538

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 RMB'000	2018 RMB'000
Interest on bank and other borrowings (including convertible bonds)	**10,879,212**	8,072,008
Incremental interest on other long term payables (note 56)	**18,241**	9,203
Interest on lease liabilities (note 15)	**579,914**	–
	11,477,367	8,081,211
Less: Interest capitalised, in respect of bank and other borrowings (note 13 and note 27)	**(1,604,987)**	(1,230,761)
Interest expenses, net	**9,872,380**	6,850,450
Interest on discounted notes	**15,638**	9,490
Interest on finance leases (note 15)	**–**	27,632
Bank charges and other financial costs	**332,831**	342,846
Total finance costs	**10,220,849**	7,230,418

8. PROFIT BEFORE TAX

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

	2019 RMB'000	2018 RMB'000
Cost of sales:		
Cost of inventories sold	**46,333,031**	32,327,010
Cost of services provided	**42,693,664**	35,401,592
	89,026,695	67,728,602
Staff costs (including directors' and chief executive's remuneration and five highest paid employees as set out in note 9):		
Wages and salaries	**15,500,715**	13,486,951
Accommodation benefits:		
Defined contribution fund	**655,551**	573,920
Retirement costs:		
Defined contribution fund	**552,894**	484,503
Defined benefit fund	**267,742**	159,359
Equity-settled share-based payments (note 62)	**456,238**	372,432
Total staff costs	**17,433,140**	15,077,165

8. PROFIT BEFORE TAX *(Continued)*

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

	2019 **RMB'000**	2018 RMB'000
Research and development costs	**2,182,280**	1,462,389
Auditor's remuneration	**10,100**	9,950
Depreciation of items of property, plant and equipment (note 13)	**2,938,953**	2,546,476
Depreciation of right-of-use assets (note 15) (2018: amortisation of land lease payments)	**2,162,204**	55,774
Amortisation of mining rights (note 17)	**12,163**	9,407
Amortisation of oil and gas assets (note 18)	**319,406**	241,084
Amortisation of intangible assets (note 19)	**1,265,259**	975,496
Impairment of financial assets, net:		
– Impairment of receivables	**208,480**	66,793
– (Reversal of)/provision for impairment of debt investments measured at fair value through other comprehensive income	**(150,588)**	88,863
– Impairment of loans and advances to customers (note 36)	**75,326**	89,801
– Provision for/(reversal of) impairment of insurance and reinsurance debtors (note 33)	**4,694**	(15,747)
– Provision for/(reversal of) impairment of debt investments at amortised cost	**14,182**	(710)
– Impairment of finance lease receivables	**16,372**	–
Provision for inventories	**11,197**	64,713
Provision for impairment of items of property, plant and equipment (note 13)	**32,441**	73,031
Provision for impairment of investments in associates	**559,105**	90,050
Provision for impairment of intangible assets (note 19)	**225,151**	12,252
Provision for impairment of property under development	**48,559**	–
Provision for/(reversal of) impairment of completed properties for sale	**1,866**	(14,864)
Provision for impairment of goodwill (note 20)	**67,575**	87,425
Lease payment not included in the measurement of lease liabilities	**511,005**	1,923,868
Exchange gain, net	**(865,808)**	(1,315,406)
Loss on derivative financial instruments	**1,386,769**	1,790,822
(Gain)/loss on fair value adjustment of financial assets at fair value through profit or loss	**(1,703,903)**	585,193
Ineffectiveness of hedges	**106,113**	193,160

* At 31 December 2019, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in the future years (2018: Nil).

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and chief executive's remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019 RMB'000	2018 RMB'000
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	30,764	32,451
Performance related bonus*	38,010	52,027
Equity-settled share award scheme expense	59,279	57,365
Pension scheme contributions	417	455
	128,470	142,298

* The executive directors of the Company are entitled to performance related bonus which is determined based on internal appraisal of various performance indicators.

During 2018 and 2019, certain directors were granted share awards and share options in respect of their services to the Group under the share award scheme and share option scheme, respectively, of the Company, further details of which are set out in note 62 to the financial statements. The fair value of the share award and share option, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

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

(I) INDEPENDENT NON-EXECUTIVE DIRECTORS

There were no fees paid to independent non-executive directors during the year (2018: nil). The other emoluments including the equity-settled share award/option scheme expenses of independent non-executive directors during the year was as follows:

	2019 RMB'000	2018 RMB'000
Zhang Shengman	871	826
Zhang Huaqiao	871	826
David T. Zhang	871	826
Yang Chao (resigned as independent director on February 21, 2020)	871	821
Lee Kai-Fu	861	768
	4,345	4,067

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(a) Directors' and chief executive's remuneration *(Continued)*

(II) EXECUTIVE DIRECTORS

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonus RMB'000	Pension scheme contributions RMB'000	Equity-settled share award/ option scheme expenses RMB'000	Total remune-ration RMB'000
Year ended 31 December 2019						
Executive directors:						
Guo Guangchang	**–**	**4,929**	**4,967**	**61**	**–**	**9,957**
Wang Qunbin*	**–**	**4,729**	**4,770**	**61**	**–**	**9,560**
Chen Qiyu*	**–**	**4,675**	**6,572**	**49**	**14,364**	**25,660**
Xu Xiaoliang*	**–**	**4,243**	**7,654**	**51**	**14,364**	**26,312**
Qin Xuetang	**–**	**3,838**	**4,575**	**65**	**10,723**	**19,201**
Wang Can (resigned as an executive director on 21 January 2020)	**–**	**2,898**	**4,431**	**65**	**8,502**	**15,896**
Gong Ping	**–**	**3,032**	**5,041**	**65**	**9,401**	**17,539**
	–	**28,344**	**38,010**	**417**	**57,354**	**124,125**
Year ended 31 December 2018						
Executive directors:						
Guo Guangchang	–	4,736	5,986	65	–	10,787
Wang Qunbin*	–	4,554	5,740	65	–	10,359
Chen Qiyu*	–	4,731	8,015	50	12,049	24,845
Xu Xiaoliang*	–	4,192	8,615	65	12,021	24,893
Qin Xuetang	–	3,686	6,068	65	9,775	19,594
Wang Can	–	2,775	5,981	65	7,893	16,714
Kang Lan (resigned as an executive director on 6 November 2018)	–	2,502	5,308	15	6,498	14,323
Gong Ping	–	2,945	6,314	65	7,392	16,716
	–	30,121	52,027	455	55,628	138,231

* Mr. Wang Qunbin is the chief executive officer of the Company for the year of 2019 and 2018. Mr. Wang Qunbin has been re-designated as co-chairman and has ceased to be the chief executive officer of the Company with effect from 21 February 2020; Mr. Chen Qiyu and Mr. Xu Xiaoliang have been re-designated as co-chief executive officers of the Company with effect from the same day.

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

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(b) Senior management

The executive directors of the Company are regarded as the senior management of the Company as at 31 December 2019, details of their remuneration are set out in note 9(a) above.

(c) Five highest paid employees

The five highest paid employees during the year are all directors (2018: three directors), details of whose remuneration are set out in note 9(a) above. There is no highest paid employee who is neither a director nor chief executive of the Company for the year of 2019 (2018: two). Details of the remuneration are as follows:

	2019 **RMB'000**	2018 RMB'000
Salaries, allowances and benefits in kind	–	5,537
Performance related bonuses	–	19,361
Equity-settled share award scheme expense	–	15,016
Pension scheme contributions	–	131
	–	40,045

During 2019, no share awards and share options were granted to non-director highest paid employees (2018: two) in respect of their services to the Group, further details of which are included in the disclosures in note 62 to the financial statements. The fair value of the share award and share option, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director highest paid employees' remuneration disclosures.

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2019	2018
RMB18,400,001 to RMB18,800,000	–	1
RMB21,200,001 to RMB21,600,000	–	1
	–	2

10. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

The provision for income tax of Alma Lasers Ltd. ("Alma Lasers"), a subsidiary of the Group incorporated in Israel, is based on a preferential effective rate of 9.0% (2018: 8.44%).

The provision for income tax of Fidelidade – Companhia de Seguros, S.A., Multicare – Seguros de Saúde, S.A. and Fidelidade Assistência – Companhia de Seguros, S.A., subsidiaries incorporated in Portugal, is based on a rate of 31.5% (2018: 31.5%).

The provision for income tax of AmeriTrust Group, Inc. and its subsidiaries incorporated in the United States is based on a rate of 21% (2018: 21%).

The provision for income tax of Club Med Holding and its subsidiaries incorporated in France is based on a rate of 34.43% (2018: 34.43%).

The provision for income tax of Hauck & Aufhäuser Privatbankiers AG ("H&A") and its subsidiaries incorporated in Germany, acquired by the Group in 2016, is based on a rate of 32.10% (2018: 32.14%).

The provision for income tax of Gland, acquired in October 2017 by the Group incorporated in India, was based on a statutory rate of 34.61% before 1 April 2018. Since 1 April 2018, the statutory rate has increased to 34.94%. The provision for income tax of Gland was based on a statutory rate of 27.0% in 2019.

The provision for income tax of entities incorporated in the Chinese Mainland was based on a statutory rate of 25% (2018: 25%) as determined in accordance with the Enterprise Income Tax Law of the People's Republic of China which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in the Chinese Mainland, which were taxed at preferential rates ranging from 0% to 20%.

The major components of tax expenses for the years ended 31 December 2019 and 2018 are as follows:

	2019 **RMB'000**	2018 RMB'000
Current – Portugal, Hong Kong and others	**710,106**	794,324
Current – Chinese Mainland		
– Income tax in the Chinese Mainland for the year	**3,674,306**	2,302,745
– LAT in the Chinese Mainland for the year	**2,886,484**	2,479,167
Deferred	**77,055**	(591,182)
Tax expenses for the year	**7,347,951**	4,985,054

10. TAX *(Continued)*

A reconciliation between the tax expenses and profit before tax excluding share of profits and losses of associates and joint ventures at the applicable statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled is as follows:

	Portugal, Hong Kong and others RMB'000	Chinese Mainland RMB'000	Total RMB'000
2019			
Profit before tax excluding share of profits of associates and joint ventures	6,932,987	13,454,123	20,387,110
Tax at the applicable tax rate	2,323,063	3,364,790	5,687,853
Different tax rates for specific entities	84,933	(881,409)	(796,476)
Tax effect of:			
Income not subject to tax	(982,597)	(136,800)	(1,119,397)
Influence of the change of tax rate on the deferred income tax balance	(115,691)	–	(115,691)
Reversal of deferred tax liabilities for withholding tax on distributable profits of PRC subsidiaries	–	(1,049,999)	(1,049,999)
Expenses not deductible for tax	710,872	97,819	808,691
Tax losses and temporary differences not recognised	581,124	1,739,391	2,320,515
Tax losses utilised	(209,299)	(108,687)	(317,986)
(Over-provision)/under-provision in prior years	(62,410)	42,474	(19,936)
Tax incentives on eligible expenditures	(82,634)	(88,252)	(170,886)
Subtotal	2,247,361	2,979,327	5,226,688
Provision for LAT for the year	–	1,875,890	1,875,890
Deferred tax effect of provision for LAT (note 30)	–	(468,973)	(468,973)
Prepaid LAT for the year	–	1,010,594	1,010,594
Tax effect of prepaid LAT	–	(252,648)	(252,648)
Decrease in deferred LAT in deferred tax liabilities (note 30)	–	(43,600)	(43,600)
Tax expenses	2,247,361	5,100,590	7,347,951

10. TAX *(Continued)*

	Portugal, Hong Kong and others RMB'000	Chinese Mainland RMB'000	Total RMB'000
2018			
Profit before tax excluding share of profits of associates and joint ventures	3,342,327	12,694,302	16,036,629
Tax at the applicable tax rate	800,714	3,173,575	3,974,289
Different tax rates for specific entities	237,714	(374,686)	(136,972)
Tax effect of:			
Income not subject to tax	(2,070,475)	(2,541,246)	(4,611,721)
Tax rate change effect	6,205	–	6,205
Expenses not deductible for tax	1,842,053	45,125	1,887,178
Tax losses and temporary differences not recognised	573,417	1,662,795	2,236,212
Tax losses utilised	(298,925)	(23,970)	(322,895)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	–	235,136	235,136
(Over-provision)/under-provision in prior years	(47,459)	25,610	(21,849)
Tax incentives on eligible expenditures	(28,453)	(54,288)	(82,741)
Subtotal	1,014,791	2,148,051	3,162,842
Provision for LAT for the year	–	773,924	773,924
Deferred tax effect of provision for LAT (note 30)	–	(193,481)	(193,481)
Prepaid LAT for the year	–	1,705,243	1,705,243
Tax effect of prepaid LAT	–	(426,311)	(426,311)
Decrease in deferred LAT in deferred tax liabilities (note 30)	–	(37,163)	(37,163)
Tax expenses	1,014,791	3,970,263	4,985,054

According to the tax notices issued by the relevant local tax authorities, the Group commenced to pay land appreciation tax ("LAT") at rates ranging from 0.5% to 5% on proceeds from the sale and pre-sale of properties from 2004. The Directors considered that the relevant tax authorities would unlikely impose additional LAT levies other than the amount already paid based on the relevant percentages of the proceeds from the sale and pre-sale of the Group's properties.

During the year, the prepaid LAT of the Group amounted to RMB1,010,594,000 (2018: RMB1,705,243,000).

In addition, based on the latest understanding of the LAT regulations from the State Administration of Taxation, the Group made an additional LAT provision in the amount of RMB1,875,890,000 (2018: RMB803,924,000) in respect of the sales of properties in the year in accordance with the requirements set forth in the relevant PRC tax laws and regulations. During the year, there was no unpaid LAT provision (2018: RMB30,000,000) reversed to the consolidated statement of profit or loss upon the completion of the liquidation and clearance with the local tax authorities by certain subsidiaries of the Group.

11. DIVIDENDS

	2019 RMB'000	2018 RMB'000
2018 final dividend declared in 2019		
– HKD0.37 per ordinary share (2017 final dividend declared in 2018 – HKD0.35 per ordinary share)	**2,781,877**	2,511,948
2019 interim dividend		
– HKD0.13 per ordinary share (2018: Nil)	**977,244**	–
	3,759,121	2,511,948

The proposed final dividend of HKD0.37 per ordinary share for the year ended 31 December 2018 was declared and approved by the shareholders at the annual general meeting of the Company on 5 June 2019, amounting to a total of approximately HKD3,161,152,000.

On 27 August 2019, the board of directors declared an interim dividend of HKD0.13 per ordinary share, amounting to a total of approximately HKD1,110,480,000.

On 31 March 2020, the board of directors of the Company resolved to propose a final dividend for the year ended 31 December 2019 of HKD0.27 per ordinary share, amounting to a total of approximately HKD2,305,136,000, subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 8,532,006,878 (2018: 8,560,362,611) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the cash dividends distributed to the share award scheme and the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed vesting or conversion of all dilutive potential ordinary shares into ordinary shares.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**14,800,912**	13,406,403
Less: Cash dividends distributed to the share award scheme	**(3,831)**	(3,195)
Adjusted profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**14,797,081**	13,403,208
Interest on convertible bonds	**–**	682
Cash dividends distributed to the share award scheme	**3,831**	3,195
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**14,800,912**	13,407,085

	Number of shares 2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**8,532,006,878**	8,560,362,611
Effect of dilution – weighted average number of ordinary shares:		
– Share award scheme	**6,320,858**	5,770,730
– Share option scheme	**–**	8,040,030
– Convertible bonds	**–**	2,089,041
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**8,538,327,736**	8,576,262,412
Basic earnings per share (RMB)	**1.73**	1.57
Diluted earnings per share (RMB)	**1.73**	1.56

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:								
At 1 January 2018	14,398,427	6,146,918	2,343,417	321,435	111,784	1,234,183	6,290,481	30,846,645
Additions	800,533	964,934	500,317	135,691	533,406	8,047	1,708,490	4,651,418
Transfer from construction in progress	3,976,539	1,014,168	44,697	7,932	25,924	36,045	(5,105,305)	–
Transfer from investment properties (note 14)	7,075	–	–	–	–	–	–	7,075
Transfer to investment properties (note 14)	(1,763,465)	–	–	–	–	–	–	(1,763,465)
Acquisition of subsidiaries	10,676,536	99,088	354,726	18,611	70,753	–	20,404	11,240,118
Disposal of subsidiaries	(67,856)	(29,917)	–	(10,262)	–	–	–	(108,035)
Disposals	(754,544)	(241,178)	(244,756)	(50,794)	(140,320)	–	(40,529)	(1,472,121)
Exchange realignment	(74,530)	(37,558)	5,480	3,413	(1,764)	–	1,549	(103,410)
Included in assets of a disposal group held for sale	(12,685)	–	–	–	–	–	–	(12,685)
At 31 December 2018	27,186,030	7,916,455	3,003,881	426,026	599,783	1,278,275	2,875,090	43,285,540
Effect of adoption of HKFRS 16 (note 2.2(a))	(178,724)	(1,427,468)	(77,517)	–	–	–	–	(1,683,709)
At 1 January 2019 (restated)	**27,007,306**	**6,488,987**	**2,926,364**	**426,026**	**599,783**	**1,278,275**	**2,875,090**	**41,601,831**
Additions	**789,834**	**921,651**	**470,077**	**62,482**	**370,917**	**–**	**2,608,520**	**5,223,481**
Transfer from construction in progress	**720,788**	**644,884**	**93,829**	**3,711**	**31,222**	**67,241**	**(1,561,675)**	**–**
Transfer from investment properties (note 14)	**411,236**	**–**	**–**	**–**	**–**	**–**	**–**	**411,236**
Transfer to investment properties (note 14)	**(591,582)**	**–**	**–**	**–**	**–**	**–**	**–**	**(591,582)**
Acquisition of subsidiaries (note 60(a))	**1,132,748**	**823,731**	**326,077**	**5,406**	**23,915**	**–**	**196,603**	**2,508,480**
Disposal of subsidiaries (note 60(b))	**(755,953)**	**(253,301)**	**(499,454)**	**(1,308)**	**(107,738)**	**–**	**(15,979)**	**(1,633,733)**
Disposals	**(551,266)**	**(593,682)**	**(464,626)**	**(55,491)**	**(527,946)**	**–**	**(2,978)**	**(2,195,989)**
Exchange realignment	**135,119**	**18,500**	**31,055**	**359**	**26,324**	**–**	**(2,539)**	**208,818**
At 31 December 2019	**28,298,230**	**8,050,770**	**2,883,322**	**441,185**	**416,477**	**1,345,516**	**4,097,042**	**45,532,542**

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

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation:								
At 1 January 2018	1,796,482	2,328,976	588,939	199,762	59,047	90,556	–	5,063,762
Charge for the year (note 8)	957,036	863,181	297,221	65,435	346,781	16,822	–	2,546,476
Transfer to investment properties (note 14)	(90,756)	–	–	–	–	–	–	(90,756)
Disposal of subsidiaries	(32,277)	(11,160)	–	(6,934)	–	–	–	(50,371)
Disposals	(360,247)	(209,684)	(181,450)	(530)	(127,139)	–	–	(879,050)
Exchange realignment	(20,032)	(23,180)	2,855	2,412	8,174	–	–	(29,771)
At 31 December 2018	2,250,206	2,948,133	707,565	260,145	286,863	107,378	–	6,560,290
Effect of adoption of HKFRS 16 (note 2.2(a))	(14,036)	(1,094,970)	(27)	–	–	–	–	(1,109,033)
At 1 January 2019 (restated)	**2,236,170**	**1,853,163**	**707,538**	**260,145**	**286,863**	**107,378**	**–**	**5,451,257**
Charge for the year (note 8)	**1,237,009**	**1,038,524**	**319,044**	**63,791**	**254,904**	**25,681**	**–**	**2,938,953**
Transfer to investment properties (note 14)	**(141,637)**	**–**	**–**	**–**	**–**	**–**	**–**	**(141,637)**
Disposal of subsidiaries (note 60(b))	**(463,836)**	**(229,628)**	**(429,369)**	**(965)**	**(104,083)**	**–**	**–**	**(1,227,881)**
Disposals	**(259,228)**	**(541,038)**	**(350,880)**	**(34,343)**	**(438,825)**	**–**	**–**	**(1,624,314)**
Exchange realignment	**58,639**	**16,351**	**27,826**	**186**	**19,620**	**–**	**–**	**122,622**
At 31 December 2019	**2,667,117**	**2,137,372**	**274,159**	**288,814**	**18,479**	**133,059**	**–**	**5,519,000**
Impairment loss:								
At 1 January 2018	131,457	144,284	1,028	503	1,175	7,537	83,746	369,730
Charge for the year (note 8)	61,055	2,977	8,999	–	–	–	–	73,031
Transfer from investment properties (note 14)	209	–	–	–	–	–	–	209
Disposals	(8,299)	(3,197)	(357)	–	(1,175)	–	–	(13,028)
Exchange realignment	(22,730)	(453)	32	(41)	–	–	8,140	(15,052)
At 31 December 2018	161,692	143,611	9,702	462	–	7,537	91,886	414,890
Effect of adoption of HKFRS 16 (note 2.2(a))	(9,471)	–	–	–	–	–	–	(9,471)
At 1 January 2019 (restated)	**152,221**	**143,611**	**9,702**	**462**	**–**	**7,537**	**91,886**	**405,419**
Charge for the year (note 8)	**15,018**	**8,396**	**8,837**	**190**	**–**	**–**	**–**	**32,441**
Transfer to investment properties (note 14)	**(437)**	**–**	**–**	**–**	**–**	**–**	**–**	**(437)**
Disposals	**(32,453)**	**(1,586)**	**(1,027)**	**–**	**–**	**–**	**–**	**(35,066)**
Exchange realignment	**617**	**(94)**	**20**	**12**	**–**	**–**	**233**	**788**
At 31 December 2019	**134,966**	**150,327**	**17,532**	**664**	**–**	**7,537**	**92,119**	**403,145**
Net book value:								
At 31 December 2019	**25,496,147**	**5,763,071**	**2,591,631**	**151,707**	**397,998**	**1,204,920**	**4,004,923**	**39,610,397**
At 31 December 2018	24,774,132	4,824,711	2,286,614	165,419	312,920	1,163,360	2,783,204	36,310,360

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

(1) The net book values of property, plant and equipment pledged as security for interest-bearing bank loans granted to the Group are as follows (note 42):

	2019 RMB'000	2018 RMB'000
Buildings	**5,479,748**	4,033,150
Plant and machinery	**804,355**	623,057
Construction in progress	**28,064**	416,583
	6,312,167	5,072,790

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

	2019 RMB'000	2018 RMB'000
Interest expenses capitalised	**22,606**	56,091

(3) As at 31 December 2019, the Group was in the process of applying for property certificates of plant and office buildings with a net book value of approximately RMB578,479,000 (2018: RMB385,852,000).

14. INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January	**46,567,826**	32,438,435
Additions	**7,388,822**	3,211,264
Acquisition of subsidiaries (note 60(a))	**4,192,333**	9,186,523
Transfer from completed properties for sale	**1,537,762**	–
Transfer from property, plant and equipment (note 13)	**449,508**	1,672,709
Transfer from right-of-use assets (note 15)	**53,079**	–
Transfer to assets of a disposal group held for sale	**(68,856)**	–
Transfer to property, plant and equipment (note 13)	**(411,236)**	(6,866)
Transfer to properties under development	**(1,097,500)**	–
Revaluation gain upon transfer from owner-occupied property recognised in other comprehensive income	**312**	(3,616)
Gain on fair value adjustments (note 6)	**1,643,548**	432,929
Disposal of subsidiaries (note 60(b))	**–**	(680,883)
Disposal	**(1,584,789)**	(361,620)
Exchange realignment	**689,570**	678,951
Carrying amount at 31 December	**59,360,379**	46,567,826

14. INVESTMENT PROPERTIES *(Continued)*

The Group's investment properties consist of commercial properties, which are located in the Chinese Mainland, the United States of America, Brazil, Angola, Japan, Italy, Russia, the United Kingdom, Portugal and other countries in Europe. The directors of the Company have determined that the investment properties are commercial assets based on the nature, characteristics and risks of these properties.

The Group engages external appraisers to assist with its determination of the fair values of all investment properties and the Group's policy is that property valuations are performed by the external appraisers on a regular basis. Selection criteria of the appraiser include market knowledge, reputation, independence and whether professional standards are maintained. The management of the Company has discussions with the appraiser on the valuation assumptions and valuation results when the valuation is performed for interim and annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

At 31 December 2019, the Group's certain investment properties with a net carrying amount of approximately RMB35,123,620,000 (2018: RMB26,449,576,000) were pledged to secure bank loans, as set out in note 42 to the financial statements.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2019 using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**59,360,379**	**59,360,379**

	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	46,567,826	46,567,826

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 (2018: Nil).

14. INVESTMENT PROPERTIES *(Continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	**2019 range/ weighted average**	2018 range/ weighted average
28 Liberty	Direct comparison approach and discounted cash flow approach	Terminal capitalisation rate (Year 10)	**5.0%**	6.0%
		Discount rate	**6.8%**	7.3%
		Market rent:		
		– modified gross (Year 1) (Square foot/year)	**USD35 to USD150**	USD35 to USD250
Fosun International Center in Beijing	Direct comparison approach and direct capitalisation approach	Term yield	**5.5% to 6.5%**	5.5% to 6.5%
		Market rent:		
		– per sq.m. and per month	**RMB295 to RMB323**	RMB330 to RMB400
		– per slot of parking space/month	**RMB1,208**	RMB1,000 to RMB1,200
		Level adjustments	**20% to 60%**	30% to 60%
		Market yield	**6.0% to 7.0%**	6.0% to 7.0%
		Reversionary period	**From 1 January 2020 to 30 August 2054**	From 1 January 2019 to 30 August 2054
Chengdu Forte International	Direct comparison approach and direct capitalisation approach	Term yield	**4.5% to 5.5%**	4.5% to 5.5%
		Market rent:		
		– per sq.m. and per month	**RMB49 to RMB218**	RMB49 to RMB229
		Level adjustments	**30% to 150%**	35% to 60%
		Market yield	**5.0% to 6.0%**	5.0% to 6.0%
		Reversionary period	**From 1 January 2020 to 2 July 2048**	From 1 January 2019 to 2 July 2048
Thomas More Square	Term and reversionary approach	Term yield	**(0.66%) to 10.18%**	(0.12%) to 10.04%
		Market Yield	**4.34% to 8.51%**	5.58% to 8.49%
		Market rent:		
		– per sq.ft. and per annual	**GBP17.5 to GBP48.0**	GBP17.5 to GBP47.9
		Occupancy rate	**60% to 100%**	70% to 100%
Triton Y	Direct comparison approach and direct capitalisation approach	Terminal capitalisation rate	**4.15%**	4.25%
		Discount rate	**4.40%**	4.50%
		Market rent:		
		– per tsubo and per month	**JPY19,232**	JPY19,000
		Occupancy rate	**100%**	100%
Broggi Palace	Direct comparison approach and direct capitalisation approach	Terminal capitalisation rate	**4.77%**	4.82%
		Discount rate	**5.78%**	5.57%
		Market rent:		
		– per sq.m. and per annum	**EUR450 to EUR1,000**	EUR435 to EUR1,000
		Occupancy rate	**96% to 99%**	96% to 99%

14. INVESTMENT PROPERTIES *(Continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties: *(Continued)*

	Valuation techniques	Significant unobservable inputs	**2019 range/ weighted average**	2018 range/ weighted average
Shenyang Yuyuan Tourist Mart	Direct comparison approach and direct capitalisation approach	Term yield	**6.0%**	6.0%
		Market rent:		
		– per sq.m. and per month	**RMB105 to RMB210**	RMB240
		– per slot of parking space/month	**RMB1,800**	RMB1,800
		Level adjustments	**50% to 75%**	40% to 75%
		Market yield	**6.0%**	6.0%
		Reversionary period	**From 1 January 2020 to 30 October 2051**	From 1 January 2019 to 30 October 2051
Other commercial properties	Direct comparison approach and direct capitalisation approach	Term yield	**3.5% to 7.0%**	2.5% to 7.0%
		Market rent:		
		– per sq.m. and per month	**RMB30 to RMB374**	RMB27 to RMB462
		– per slot of parking space/month	**RMB243 to RMB1,248**	RMB230 to RMB1,500
		Level adjustments	**20% to 75%**	20% to 75%
		Market yield	**4.0% to 7.5%**	3.0% to 7.5%
		Reversionary period	**From 1 January 2020 to 13 May 2073**	From 1 January 2019 to 17 August 2073

The direct comparison approach is a method of valuation based on comparing the property of the Group to be assessed directly with other comparable properties which have been recently changed hands or leased. These premises are generally located in the surrounding areas or in another market which is comparable to the property of the Group. However, because of the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative and quantitative difference that may affect the price/rent likely to be achieved by the property under consideration.

The direct capitalisation approach (term and reversion method, in particular) is a method by capitalising the rental from existing tenancies and the reversionary income potential at an appropriate market yield for the remaining term of the land use rights of the property of the Group. The capitalisation rate is derived from the relationship between the market rent and the market capital value of other similar properties in the locality.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase/(decrease) in the estimated market rent would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the term yield and market yield in isolation would result in a significant decrease/(increase) in the fair value of the investment properties.

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of land, buildings, machinery, furniture, fixtures, and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 and 49 years, while leases of machinery generally have lease terms between 2 and 10 years. Furniture, fixtures and other equipment generally have lease terms of 2 to 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. The lease contracts with variable lease payments are further discussed below.

(A) PREPAID LAND LEASE PAYMENTS (BEFORE 1 JANUARY 2019)

	2018 RMB'000
Carrying amount at 1 January 2018	2,359,772
Additions	898,906
Acquisition of subsidiaries	307,801
Depreciation charge	(55,774)
Disposals	(89,182)
Impairment loss	(97)
Exchange realignment	6,469
Carrying amount at 31 December 2018	3,427,895

(B) RIGHT-OF-USE ASSETS

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Land RMB'000	Buildings RMB'000	Machinery RMB'000	Furniture, fixtures and other equipment RMB'000	Total RMB'000
At 1 January 2019	**3,478,660**	**10,562,234**	**408,114**	**258,146**	**14,707,154**
Additions	**1,490,461**	**2,476,778**	**195,618**	**39,173**	**4,202,030**
Acquisition of subsidiaries (note 60(a))	**239,527**	**2,407,100**	**6,896**	**9,565**	**2,663,088**
Depreciation charge (note 8)	**(80,419)**	**(1,764,606)**	**(209,841)**	**(107,338)**	**(2,162,204)**
Disposals	**–**	**(162,920)**	**(9,139)**	**(232)**	**(172,291)**
Disposals of subsidiaries (note 60(b))	**–**	**(426,640)**	**(3,155)**	**(138,125)**	**(567,920)**
Transfer to investment properties (note 14)	**(53,079)**	**–**	**–**	**–**	**(53,079)**
Exchange realignment	**15,319**	**144,144**	**(355)**	**1,476**	**160,584**
As at 31 December 2019	**5,090,469**	**13,236,090**	**388,138**	**62,665**	**18,777,362**

15. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(B) RIGHT-OF-USE ASSETS *(Continued)*

The net book values of prepaid land lease payments and right of use assets pledged as security for interest-bearing bank loans granted to the Group are as follows (note 42):

	2019 RMB'000	2018 RMB'000
Prepaid land lease payments	**–**	1,311,359
Right of use assets	**1,692,302**	–
	1,692,302	1,311,359

(C) LEASE LIABILITIES

The carrying amount of lease liabilities (included under accrued liabilities and other payables and other long term payables) and the movements during the year are as follows:

	2019 Lease liabilities RMB'000	2018 Finance lease payables RMB'000
At 1 January	**11,240,589**	337,234
New leases	**2,692,100**	139,644
Acquisition of subsidiaries	**2,874,552**	148,782
Early termination of leases	**(155,838)**	–
Disposals of subsidiaries	**(668,726)**	–
Accretion of interest recognised during the year (note 7)	**579,914**	27,632
Payments	**(2,187,395)**	(65,181)
Exchange realignment	**55,524**	(21,706)
At 31 December	**14,430,720**	566,405
Analysed into:		
Current portion	**2,327,549**	88,827
Non-current portion	**12,103,171**	477,578

The current portion of lease liabilities are included in accrual liabilities and other payables in note 45 and the non-current portion are included in other long-term payables in note 56. The maturity analysis of lease liabilities (2018: finance lease payables) is disclosed in note 69 to the financial statements.

The Group entered into the lease in respect of certain leasehold properties from the associates and joint ventures. The amounts of lease liabilities by the Group to the related parties under the leases were determined with reference to the amounts charged by the third parties. Included in the Group's lease liabilities are amounts due to the Group's associates and joint ventures of RMB116,154,000 (2018: Nil) and RMB100,820,000 (2018: Nil), respectively.

15. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(D) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 RMB'000
Interest on lease liabilities	**579,914**
Depreciation charge of right-of-use assets	**2,162,204**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 and low value leases	**464,237**
Variable lease payments not included in the measurement of lease liabilities	**46,768**
Total amount recognised in profit or loss	**3,253,123**

(E) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 61 and 63, respectively, to the financial statements.

The Group as a lessor

The Group leases its investment properties consisting of several commercial properties and several industrial property around the world under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB2,444,321,000 (2018: RMB1,607,923,000), details of which are included in note 6 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019 RMB'000	2018 RMB'000
Within one year	**751,442**	750,358
After one year but within two years	**805,542**	581,281
After two years but within three years	**782,138**	622,714
After three years but within four years	**787,978**	627,697
After four years but within five years	**717,330**	638,927
After five years	**6,175,096**	5,094,594
	10,019,526	8,315,571

16. EXPLORATION AND EVALUATION ASSETS

	2019 RMB'000	2018 RMB'000
At 1 January	**403,267**	174,935
Additions	**327,522**	335,849
Exploration assets expensed and written off	**(226,890)**	(128,312)
Exchange realignment	**3,129**	20,795
At 31 December	**507,028**	403,267

17. MINING RIGHTS

	2019 RMB'000	2018 RMB'000
Cost:		
At 1 January	**1,392,126**	1,376,713
Additions	**–**	15,413
At 31 December	**1,392,126**	1,392,126
Accumulated amortisation:		
At 1 January	**555,855**	546,448
Amortisation for the year (note 8)	**12,163**	9,407
At 31 December	**568,018**	555,855
Impairment loss:		
At 1 January and 31 December	**288,085**	288,085
Net book value:		
At 31 December	**536,023**	548,186
At 1 January	**548,186**	542,180

18. OIL AND GAS ASSETS

	2019 RMB'000	2018 RMB'000
Cost:		
At 1 January	**2,650,048**	1,809,495
Additions	**495,205**	731,113
Exchange realignment	**13,927**	109,440
At 31 December	**3,159,180**	2,650,048
Accumulated amortisation:		
At 1 January	**603,354**	328,632
Amortisation for the year (note 8)	**319,406**	241,084
Exchange realignment	**(11,364)**	33,638
At 31 December	**911,396**	603,354
Impairment loss:		
At 1 January	**548,471**	523,251
Exchange realignment	**12,257**	25,220
At 31 December	**560,728**	548,471
Net book value:		
At 31 December	**1,687,056**	1,498,223
At 1 January	**1,498,223**	957,612

19. INTANGIBLE ASSETS

	Medicine licences RMB'000	Trademarks RMB'000	Business network and customer relationship RMB'000	Patents, technical know-how and operating concession rights RMB'000	Deferred development costs RMB'000	Others RMB'000	Total RMB'000
Cost:							
At 1 January 2018	583,293	2,741,321	2,004,539	4,980,982	1,028,120	954,437	12,292,692
Additions	6,522	–	–	365,693	1,027,223	1,687,305	3,086,743
Acquisition of subsidiaries	–	4,868,404	105,074	147,829	–	1,317,598	6,438,905
Disposals of subsidiaries	–	–	–	(47,798)	–	–	(47,798)
Disposals	–	–	–	(141,950)	(12,861)	(327,222)	(482,033)
Other changes	–	175,895	–	48,229	–	–	224,124
Exchange realignment	10	42,915	(1,654)	(67,066)	–	(4,661)	(30,456)
At 31 December 2018	589,825	7,828,535	2,107,959	5,285,919	2,042,482	3,627,457	21,482,177
Effect of adoption of HKFRS 16 (note 2.2(a))	–	–	–	–	–	(65,964)	(65,964)
At 1 January 2019 (restated)	589,825	7,828,535	2,107,959	5,285,919	2,042,482	3,561,493	21,416,213
Additions	–	101,798	58,602	62,041	1,580,962	1,151,745	2,955,148
Acquisition of subsidiaries (note 60(a))	11,684	2,833,930	318,442	110,593	–	522,239	3,796,888
Disposals of subsidiaries (note 60(b))	–	(587,186)	(5,734)	(127,888)	–	(153,737)	(874,545)
Disposals	–	(2,482)	–	(133,539)	(102,760)	(770,188)	(1,008,969)
Transfer	329,909	–	–	26,950	(356,859)	–	–
Exchange realignment	–	62,067	25,911	2,242	(385)	123,416	213,251
At 31 December 2019	931,418	10,236,662	2,505,180	5,226,318	3,163,440	4,434,968	26,497,986
Accumulated amortisation:							
At 1 January 2018	13,914	60,399	318,848	389,399	1,711	528,668	1,312,939
Provided during the year (note 8)	6,921	27,585	218,165	229,764	–	493,061	975,496
Disposals	–	–	–	(22,594)	–	(3,235)	(25,829)
Exchange realignment	10	771	15,472	6,276	–	10,960	33,489
At 31 December 2018	20,845	88,755	552,485	602,845	1,711	1,029,454	2,296,095
Effect of adoption of HKFRS 16 (note 2.2(a))	–	–	–	–	–	–	–
At 1 January 2019	20,845	88,755	552,485	602,845	1,711	1,029,454	2,296,095
Provided during the year (note 8)	22,599	48,079	166,139	276,598	–	751,844	1,265,259
Disposals of subsidiaries (note 60(b))	–	(9,533)	(5,734)	(106,990)	–	(71,596)	(193,853)
Disposals	–	(2,393)	–	(74,250)	–	(499,875)	(576,518)
Exchange realignment	–	21,732	15,602	855	–	27,897	66,086
At 31 December 2019	43,444	146,640	728,492	699,058	1,711	1,237,724	2,857,069

19. INTANGIBLE ASSETS *(Continued)*

	Medicine licences RMB'000	Trademarks RMB'000	Business network and customer relationship RMB'000	Patents, technical know-how and operating concession rights RMB'000	Deferred development costs RMB'000	Others RMB'000	Total RMB'000
Impairment loss:							
At 1 January 2018	64,000	–	–	20,142	–	15,309	99,451
Charge for the year (note 8)	–	–	–	–	–	12,252	12,252
Disposals	–	–	–	–	–	(10,520)	(10,520)
Exchange alignment	–	–	–	–	–	91	91
At 31 December 2018	64,000	–	–	20,142	–	17,132	101,274
Effect of adoption of HKFRS 16(note 2.2(a))	–	–	–	–	–	–	–
At 1 January 2019	**64,000**	**–**	**–**	**20,142**	**–**	**17,132**	**101,274**
Charge for the year (note 8)	**–**	**–**	**–**	**177,151**	**–**	**48,000**	**225,151**
Disposals of subsidiaries (note 60(b))	**–**	**–**	**–**	**–**	**–**	**(883)**	**(883)**
Disposals	**–**	**–**	**–**	**–**	**–**	**(15,068)**	**(15,068)**
Exchange alignment	**–**	**–**	**–**	**2,103**	**–**	**1,452**	**3,555**
At 31 December 2019	**64,000**	**–**	**–**	**199,396**	**–**	**50,633**	**314,029**
Net book value:							
At 31 December 2019	**823,974**	**10,090,022**	**1,776,688**	**4,327,864**	**3,161,729**	**3,146,611**	**23,326,888**
At 31 December 2018	504,980	7,739,780	1,555,474	4,662,932	2,040,771	2,580,871	19,084,808

19. INTANGIBLE ASSETS *(Continued)*

Impairment testing of intangible assets with indefinite useful lives

Certain intangible assets of the Group have indefinite useful lives as the extension costs are low and the intangible assets can be used indefinitely. The Group performs impairment tests for those intangible assets with indefinite useful lives based on individual intangible assets or the respective cash-generating unit depending on whether the recoverable amount of each individual intangible asset can be reliably estimated.

TRADEMARKS

The recoverable amounts of the trademarks have been determined based on the fair values less costs to sell using the relief from royalty method or based on the value-in-use calculations using cash flow projections derived from the financial budgets covering periods ranging from five to nine years approved by management. The royalty rates applied in the relief from royalty method range from 1.5% to 3%. The discount rates used in the relief from royalty calculations or applied to the cash flows projections in the value-in-use calculations are in the range of 8.5% to 18%. Cash flow beyond the period of the financial budget are extrapolated using the estimated long-term growth rates of 1.9% to 3% which are also estimates of the rates of inflation.

MEDICINE LICENCES

The recoverable amounts of medicine licences have been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering periods ranging from five to nine years approved by senior management. The discount rates applied to the cash flow projections are in the range of 16% to 18%. The growth rate used to extrapolate the cash flows beyond the forecast period is 3%, which is also an estimate of the rate of inflation.

OPERATING CONCESSION RIGHTS

The recoverable amounts of operating concession rights have been determined based on a value-in-use calculation using cash flow projections based on a financial budget covering a nine-year period approved by management. The discount rate applied to the cash flow projection is 18%. The growth rate used to extrapolate the cash flows beyond the forecast period is 3%, which is also an estimate of the rate of inflation.

Assumptions were used in the value-in-use calculation for 31 December 2019 and 31 December 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of indefinite-life intangible assets:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Discount rates – The discount rates used are the rates of return on investment required by the group.

The growth rates beyond the forecast period – The growth rates beyond the forecast period are the rates of inflation.

The values assigned to key assumptions are consistent with historical experience of the Group and external information sources.

20. GOODWILL

	2019 RMB'000	2018 RMB'000
Cost:		
At 1 January	**19,602,582**	15,771,710
Acquisition of subsidiaries (note 60(a))	**1,285,867**	3,987,462
Disposal of subsidiaries (note 60(b))	**(131,738)**	(165,026)
Exchange alignment	**73,606**	8,436
At 31 December	**20,830,317**	19,602,582
Accumulated impairment:		
At 1 January	**510,303**	568,267
Charge for the year (note 8)	**67,575**	87,425
Disposal of subsidiaries	**–**	(145,389)
At 31 December	**577,878**	510,303
Net book value:		
At 31 December	**20,252,439**	19,092,279
At 1 January	**19,092,279**	15,203,443

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the corresponding subsidiary acquired as the acquired subsidiary is the only cash-generating unit that can benefit from synergy of the acquisition. The impairment test is based on the recoverable amount of the acquired subsidiary to which the goodwill is allocated of the following segments:

– Health
– Happiness
– Insurance
– Finance
– Investment

The carrying amounts of goodwill are as follows:

	Health	Happiness	Wealth			
			Insurance	Finance	Investment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2019	**12,424,696**	**5,508,965**	**1,296,523**	**179,389**	**842,866**	**20,252,439**
2018	12,268,432	5,152,846	943,670	179,674	547,657	19,092,279

20. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

The recoverable amount of each cash-generating unit is determined based on a value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a period ranging from five to ten years. The discount rates applied to the cash flow projections range from 3.87% to 18% (2018: 5.1% to 17.3%). Cash flows beyond the period of the financial budget are extrapolated using the estimated growth long-term rates of 1.5% to 3%. Discount rates and the estimated long-term growth rates used for each cash-generating unit within the major segments as at 31 December 2019 are as follows:

	Discount rates	Estimated long-term growth rates
Happiness segment	6.5%-13%	1.9%-3.0%
Health segment	3.87%-18%	1.7%-3.0%
Insurance segment	4.6%-13.1%	1.5%-3.0%

Assumptions were used in the value-in-use calculation of the cash-generating units as at 31 December 2019. The following describes each key assumption on which the management has based its cash flow projections to undertake impairment testing of goodwill:

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

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Long-term growth rate – The basis used to determine the value assigned to the long-term growth rate is the forecast price indices during the budget year.

21. INVESTMENTS IN JOINT VENTURES

	2019 RMB'000	2018 RMB'000
Share of net assets	**25,699,155**	24,833,395
Loans to joint ventures	**58,500**	58,500
	25,757,655	24,891,895

Loans to joint ventures of RMB58,500,000 are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these loans are considered as part of the Group's net investments in joint ventures.

The Group's amounts due from joint ventures and amounts due to joint ventures are disclosed in note 28 to the financial statements.

As at 31 December 2019, there was no material joint venture within the Group.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2019 RMB'000	2018 RMB'000
Share of the joint ventures' profit for the year	**2,045,361**	1,779,707
Share of the joint ventures' other comprehensive income/(loss)	**5,669**	(13,232)
Share of the joint ventures' total comprehensive income	**2,051,030**	1,766,475
Aggregate carrying amount of the Group's investments in the joint ventures	**25,757,655**	24,891,895

22. INVESTMENTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Measured using equity method		
Share of net assets	**68,889,925**	66,782,930
Goodwill on acquisition	**13,349,890**	11,980,308
	82,239,815	78,763,238
Provision for impairment	**(1,314,528)**	(755,423)
	80,925,287	78,007,815
Measured at fair value through profit or loss	**7,454,219**	6,076,315
Total	**88,379,506**	84,084,130
Net book value pledged as security for bank loans (note 42)	**19,595,882**	18,530,173

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 28 to the financial statements.

Sinopharm is considered a material associate of the Group, is accounted for using the equity method.

22. INVESTMENTS IN ASSOCIATES *(Continued)*

The following table illustrates the summarised financial information of Sinopharm adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2019 RMB'000	2018 RMB'000
Current assets	**229,675,022**	204,374,173
Non-current assets	**40,168,938**	31,360,068
Current liabilities	**(178,380,630)**	(160,076,137)
Non-current liabilities	**(14,220,244)**	(7,101,005)
Net assets	**77,243,086**	68,557,099
Net assets attributable to the Group	**25,544,330**	23,043,294

	2019 RMB'000	2018 RMB'000
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**49%**	49%
Group's share of net assets of the associate, excluding goodwill	**12,516,722**	11,291,214
Carrying amount of the investment	**12,516,722**	11,291,214
Revenues	**425,272,726**	344,525,821
Total comprehensive income for the year	**10,630,160**	9,404,055
Profit for the year attributable to owners of the parent	**3,310,689**	3,101,479
Other comprehensive loss	**(3,668)**	(15,081)
Dividend received	**455,700**	436,100

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2019 RMB'000	2018 RMB'000
Share of the associates' profit for the year	**3,462,620**	2,658,509
Share of the associates' other comprehensive loss	**(64,587)**	(109,811)
Share of the associates' total comprehensive income	**3,398,033**	2,548,698
Aggregate carrying amount of the Group's investments in the associates	**75,862,784**	72,792,916

23. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RMB'000	2018 RMB'000
Listed equity investments, at fair value	**66,105**	767,206
Unlisted equity investments, at fair value	**832,491**	877,912
	898,596	1,645,118
Portion classified as current assets	**–**	(65,203)
Non-current portion	**898,596**	1,579,915

In 2019, the Group disposed two of equity investments at fair value through other comprehensive income at the fair value RMB21,078,000 resulting from adjustment in its investment strategy. The dividend income during 2019 of the equity instruments disposed of was RMB2,724,000.

The dividend income related to equity instruments at fair value through other comprehensive income recognised for the year was RMB2,724,000 (2018:RMB49,189,000) as disclosed in note 6.

At 31 December 2019, no equity investments designated at fair value through other comprehensive income were pledged to secure bank loans (31 December 2018:RMB268,945,000), as set out in note 42 to the financial statements.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Listed investments, at fair value	**28,531,362**	21,658,833
Other unlisted investments, at fair value	**32,866,003**	27,356,965
	61,397,365	49,015,798
Analysed as:		
Equity investments	**47,923,277**	34,206,247
Debt investments	**13,474,088**	14,809,551
	61,397,365	49,015,798
Portion classified as current assets	**(36,039,326)**	(33,844,295)
Non-current portion	**25,358,039**	15,171,503

At 31 December 2019, the Group's financial assets at fair value through profit or loss with a carrying amount of RMB2,489,369,000 (31 December 2018: RMB6,870,114,000) were pledged to secure bank loans, as set out in note 42 to the financial statements.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

The Group elected to apply the overlay approach for certain designated eligible financial assets according to the amendments to HKFRS 4 issued in January 2017. The designated eligible financial assets applying the overlay approach, which are included in the financial assets at fair value through profit or loss, as at 31 December 2019 are analysed below:

	2019 RMB'000	2018 RMB'000
Equity investments	**15,441,174**	9,036,356
Debt investments	**1,337,360**	2,085,055
	16,778,534	11,121,411

During the year ended 31 December 2019, the total amount reported in profit or loss applying the overlay approach reclassified from other comprehensive income was derived from:

	2019 RMB'000	2018 RMB'000
The amount of (gains)/losses reported in profit or loss for the designated financial assets under HKFRS 9	**(357,025)**	3,506,984
Less: the amount of losses that would have been reported in profit or loss for the designated financial assets as if HKAS 39 had been applied	**966,118**	764,463
Amount reported in profit or loss applying the overlay approach	**(1,323,143)**	2,742,521

For the year ended 31 December 2019, impairment loss in the amount of RMB579,208,000 (2018: RMB793,847,000) have been recognised in profit or loss as if HKAS 39 had been applied.

25. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RMB'000	2018 RMB'000
Bonds		
Government bonds	**31,479,581**	42,415,480
Corporate bonds	**53,422,150**	41,377,433
Financial bonds	**2,968,868**	356,252
Notes receivable	**571,731**	–
	88,442,330	84,149,165
Listed debt investments, at fair value	**84,069,555**	80,422,355
Unlisted debt investments, at fair value	**4,372,775**	3,726,810
	88,442,330	84,149,165
Portion classified as current assets	**(20,209,046)**	(20,632,910)
Non-current portion	**68,233,284**	63,516,255

25. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

Analysis of the movements of allowance for ECLs:

	2019 RMB'000	2018 RMB'000
As at the end of last year	**977,812**	–
Impact of adopting HKFRS 9	**–**	1,557,018
As at the beginning of the year	**977,812**	1,557,018
Charge for the year	**148,240**	254,184
Reversal	**(20,770)**	(165,321)
Amounts written off	**(278,058)**	(676,366)
Foreign exchange adjustments	**(81,265)**	8,297
At the end of the year	**745,959**	977,812

At 31 December 2019, the Group's debt investments at fair value through other comprehensive income with a carrying amount of RMB320,542,000 (31 December 2018: RMB322,687,000) were pledged to secure bank loans, as set out in note 42 to the financial statements.

26. DEBT INVESTMENTS AT AMORTISED COST

	Note	**2019 RMB'000**	2018 RMB'000
Debt investments at amortised cost			
Bonds			
Government bonds		**16,783,264**	8,612,516
Financial bonds		**12,273,422**	8,540,998
Corporate bonds		**362,060**	–
Loans receivable	*(i)*	**4,176,184**	2,971,133
		33,594,930	20,124,647
Impairment allowance		**(16,550)**	(1,291)
		33,578,380	20,123,356
Portion classified as current assets		**(7,868,974)**	(4,357,878)
Non-current portion		**25,709,406**	15,765,478

At 31 December 2019, the Group's debt investments at amortised cost with a carrying amount of RMB1,173,834,000 (31 December 2018: RMB1,722,548,000) were pledged for refinancing operations and those of RMB6,062,745,000 (31 December 2018: RMB3,924,545,000) were restricted as a result of the security lending business.

26. DEBT INVESTMENTS AT AMORTISED COST *(Continued)*

Note:

(i) The details of the loans and receivables are set out as follows:

	Notes	2019 Effective interest rate (%)	2019 Maturity	2019 RMB'000	2018 Effective interest rate (%)	2018 Maturity	2018 RMB'000
Current							
Loans receivable from related parties – unsecured	*(1)*	**0 – 12**	**On demand or mature in 2020**	**1,726,427**	0 – 3.5	On demand or mature in 2019	304,847
Loans receivable from third parties – secured		**15**	**On demand**	**32,600**	10	On demand	32,600
Loans receivable from third parties – unsecured		**0 – 9.5**	**On demand or mature in 2020**	**1,478,565**	5 – 12	On demand or mature in 2019	1,251,247
				3,237,592			1,588,694
Non-current							
Loans receivable from related parties – unsecured	*(2)*	**3.5 – 10**	**2022**	**696,537**	3.5 – 11	2020 to 2022	263,477
Loans receivable from third parties – secured		**1**	**2022**	**23,840**	1	2022	23,840
Loans receivable from Third parties – unsecured		**0 – 3.5**	**No fixed terms or from 2021 to 2038**	**218,215**	0 – 4.5	No fixed terms or from 2020 to 2038	1,095,122
				938,592			1,382,439
				4,176,184			2,971,133

Notes:

(1) As at 31 December 2019, the current portion of loans receivable to related parties comprises:

– a shareholders' loan of RMB41,990,000 provided to Acacias Property S.à r.l Limited, a joint venture, which is unsecured, bears interest at a fixed interest rate of 3.50% per annum and is repayable in 2020;

– a shareholders' loan of RMB82,027,000 provided to Fosun Fashion Investment Holding (HK) Limited, an associate, which is unsecured, bears interest at an interest rate of 12% and is repayable in 2020;

– a shareholders' loan of RMB1,591,946,000 provided to Shanghai Fuyi Industrial Development Co., Ltd, a joint venture, which is unsecured, interest-free and is repayable on demand;

– a shareholders' loan of RMB10,464,300 provided to Nature's Sunshine (Far East) Limited, an associate, which is unsecured, bears interest at an interest rate of 3% and is repayable in 2020.

(2) As at 31 December 2019, the non-current portion of loans receivable from related parties comprises:

– a shareholders' loan of RMB202,445,000 provided to FPH Europe Holdings III (HK) Limited, a joint venture, which is unsecured, bears interest at a fixed interest rate of 3.50% per annum and is repayable in 2022;

– a shareholders' loan of RMB305,252,000 provided to Acacias Property S.à r.l Limited, a joint venture, which is unsecured, bears interest at a fixed interest rate of 3.50% per annum and is repayable in 2022;

– a shareholders' loan of RMB188,840,000 provided to Fosun Kite Biotechnology Co., Ltd., a joint venture, which is unsecured, bears interest at a fixed interest rate of 10% per annum and is repayable in 2022;

27. PROPERTIES UNDER DEVELOPMENT

	2019 RMB'000	2018 RMB'000
Land cost	**43,361,604**	33,916,565
Construction costs	**5,784,714**	3,330,551
Capitalised finance costs	**2,150,510**	2,273,735
	51,296,828	39,520,851
Provision for impairment of properties under development	**(48,559)**	–
	51,248,269	39,520,851
Portion classified as current assets	**(33,036,615)**	(27,860,035)
	18,211,654	11,660,816

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

	2019 RMB'000	2018 RMB'000
Net book value pledged (note 42)	**25,174,888**	18,002,227
Additions to properties under development include:		
Interest expense capitalised in respect of bank and other borrowings (note 7)	**1,582,381**	1,174,670

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

28. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES

	Notes	2019 RMB'000	2018 RMB'000
Due from related companies:			
Associates	(i)/(ii)	**2,603,372**	2,238,045
Joint ventures	(iii)	**11,996,315**	13,129,358
Other related companies		**509**	–
		14,600,196	15,367,403
Portion classified as current assets		**(13,745,593)**	(14,557,412)
Non-current portion	(i)	**854,603**	809,991

Notes:

(i) As at 31 December 2019, the balances due from associates included the amount of RMB1,085,601,000 (2018: RMB838,477,000), which were non-trade in nature, unsecured, interest-free and repayable on demand. The balances due from associates also included an amount of RMB779,817,000 (2018: RMB809,991,000) which was non-trade in nature, unsecured, bore interest at a fixed interest rate of 7.80% per annum and will be repayable in 2026.

(ii) As at 31 December 2019, the balances due from associates included an amount of RMB737,954,000 (2018: RMB589,577,000), which was trade in nature, interest-free and repayable on demand.

(iii) As at 31 December 2019, the balances due from joint ventures included an amount of RMB11,906,779,000 (2018: RMB13,128,178,000), which was non-trade in nature, unsecured, interest-free and repayable on demand. The remaining balances due from joint ventures are non-trade in nature, interest-free and repayable on demand.

	Notes	2019 RMB'000	2018 RMB'000
Due to the holding company	(iv)	**3,058,650**	2,289,988
Due to related companies:			
Associates	(v)	**2,817,769**	3,918,214
Non-controlling shareholders of subsidiaries	(vi)	**44,805**	140,813
Joint ventures	(vii)	**478,044**	1,449,062
Other related companies		**340**	–
		3,340,958	5,508,089

(iv) The balances due to the holding company were non-trade in nature, unsecured, interest-free and repayable on demand.

(v) As at 31 December 2019, the balances due to associates included an amount of RMB2,731,778,000 (2018: RMB3,847,236,000), which was non-trade in nature, unsecured, interest-free and repayable on demand. The remaining balances due to associates are trade in nature, interest-free and repayable on demand. The remaining balances included an amount of RMB85,991,000 (2018: RMB70,978,000) due to associates are trade in nature, interest-free and repayable on demand.

(vi) As at 31 December 2019, the balances due to the non-controlling shareholders of subsidiaries were comprised of an amount of RMB44,805,000, being the payables for purchase of low-grade ore products from Hainan Iron and Steel Co., Ltd., which is interest-free and repayable on demand.

(vii) As at 31 December 2019, the balances due to joint ventures included an amount of RMB478,044,000 (2018: RMB1,447,883,000), which was non-trade in nature, unsecured, interest-free and repayable on demand. The remaining balances due to joint ventures are trade in nature, interest-free and repayable on demand.

29. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

		31 December 2019 RMB'000	1 January 2019 RMB'000	31 December 2018 RMB'000
Prepayments consist of:				
Prepayments for purchase of pharmaceutical materials		**248,843**	389,972	389,972
Prepayments for purchase of construction materials		**162,318**	110,343	110,343
Prepayments for purchase of equipment and others		**1,938,846**	1,753,171	1,753,171
Prepaid tax		**3,430,450**	2,326,391	2,326,391
Prepaid expenses	*(i)*	**1,412,805**	973,318	1,149,112
Deposits		**2,499,428**	2,717,163	2,717,163
Other receivables consist of:				
Funding provided to third parties		**3,078,969**	3,336,259	3,336,259
Tax recoverable		**1,033,736**	1,167,828	1,167,828
Receivable for consideration of disposal of equity investment		**1,099,951**	–	–
Others		**7,618,183**	5,967,321	5,967,321
Prepayments for the proposed equity investments		**990,527**	847,012	847,012
Prepayments for the acquisition of the land	*(i)*	**124,889**	1,512,719	1,547,383
		23,638,945	21,101,497	21,311,955
Impairment allowance		**(557,887)**	(247,718)	(247,718)
		23,081,058	20,853,779	21,064,237
Classified as current assets portion		**(19,056,697)**	(16,631,890)	(16,842,348)
Non-current portion		**4,024,361**	4,221,889	4,221,889

(i) As a result of the initial application of HKFRS 16, Prepayments for the acquisition of the land of RMB34,664,000 and prepaid expenses of RMB175,794,000 previously included in "Prepayments, other receivables and other assets" were adjusted to the right-of-use assets recognised at 1 January 2019 (refer to note 2.2(a) to the financial statements for further details).

30. DEFERRED TAX

Movements in deferred tax assets and liabilities are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Accruals and provisions RMB'000	Fair value adjustments arising from equity investments at fair value through profit or loss RMB'000	Fair value adjustments arising from debt investments at fair value through other comprehensive income RMB'000	Fair value adjustments arising from equity investments at fair value through other comprehensive income RMB'000	Additional LAT provisions RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2018	1,240,255	2,095,258	6,601	3,145	–	730,491	956,565	5,032,315
Acquisition of subsidiaries	127,775	45,678	35,851	–	–	247,882	52,763	509,949
Disposal of subsidiaries	(1,634)	–	–	–	–	–	(27)	(1,661)
Deferred tax credited/(charged) to reserve during the year	–	(1,787)	–	432,122	–	–	6,432	436,767
Deferred tax credited to reserve for financial assets applying the overlay approach during the year	–	–	260,598	–	–	–	–	260,598
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 10)	239,558	(319,118)	209,670	–	–	193,481	(153,555)	170,036
Exchange realignment	68,013	67,984	(33,805)	(825)	–	–	83,698	185,065
Gross deferred tax assets at 31 December 2018 and 1 January 2019	1,673,967	1,888,015	478,915	434,442	–	1,171,854	945,876	6,593,069
Acquisition of subsidiaries (note 60(a))	**154,974**	**27,597**	**3,053**	**480**	**–**	**13,949**	**19,181**	**219,234**
Disposal of subsidiaries (note 60(b))	**–**	**(3,865)**	**–**	**–**	**–**	**–**	**(10,228)**	**(14,093)**
Deferred tax credited/(charged) to reserve during the year	**–**	**6,059**	**–**	**(291,582)**	**310,426**	**–**	**(17,660)**	**7,243**
Deferred tax credited(charged) to reserve for financial assets applying the overlay approach during the year	**–**	**–**	**(238,522)**	**–**	**–**	**–**	**–**	**(238,522)**
Deferred tax charged to the consolidated statement of profit or loss during the year (note 10)	**176,507**	**59,540**	**(120,514)**	**(17,699)**	**–**	**468,973**	**303,779**	**870,586**
Exchange realignment	**35,694**	**(63,294)**	**(13,381)**	**(20,989)**	**–**	**–**	**(17,877)**	**(79,847)**
Gross deferred tax assets at 31 December 2019	**2,041,142**	**1,914,052**	**109,551**	**104,652**	**310,426**	**1,654,776**	**1,223,071**	**7,357,670**

30. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Fair value adjustments arising from equity investments at fair value through profit or loss RMB'000	Fair value adjustments arising from equity investments at fair value through other comprehensive income RMB'000	Fair value adjustments arising from debt investments at fair value through other comprehensive income RMB'000	Revaluation of investment properties RMB'000	Deemed disposal of associates RMB'000	Deferred LAT RMB'000	Withholding taxes RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2018	3,227,781	1,653,713	749,404	824,018	1,670,474	1,162,161	120,115	814,762	1,323,944	11,546,372
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (note 10)	(157,026)	(487,270)	–	–	81,900	139,624	(37,163)	235,136	(196,347)	(421,146)
Deferred tax credited to reserve during the year	(36,447)	–	(749,404)	(208,859)	–	–	–	–	8,455	(986,255)
Deferred tax credited to reserve for financial assets applying the overlay approach during the year	–	(435,576)	–	–	–	–	–	–	–	(435,576)
Acquisition of subsidiaries	5,508,157	1,282	–	–	–	–	–	101	10,251	5,519,791
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(3,432)	(3,432)
Exchange realignment	(6,080)	12,637	–	(34,913)	55,701	7,040	–	–	95,358	129,743
Gross deferred tax liabilities at 31 December 2018 and 1 January 2019	8,536,385	744,786	–	580,246	1,808,075	1,308,825	82,952	1,049,999	1,238,229	15,349,497
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (note 10)	**(456,148)**	**937,026**	**–**	**(2,310)**	**477,591**	**750,886**	**(43,600)**	**(1,049,999)**	**334,195**	**947,641**
Deferred tax credited to reserve during the year	**(23,095)**	**–**	**–**	**3,395**	**–**	**–**	**–**	**–**	**(75,451)**	**(95,151)**
Deferred tax credited to reserve for financial assets applying the overlay approach during the year	**–**	**53,642**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**53,642**
Acquisition of subsidiaries (note 60(a))	**867,021**	**12,037**	**–**	**2,645**	**140,335**	**–**	**–**	**–**	**275,108**	**1,297,146**
Disposal of subsidiaries (note 60(b))	**(160,855)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,912)**	**(162,767)**
Exchange realignment	**3,131**	**(11,965)**	**–**	**(1,415)**	**(66,863)**	**13,467**	**–**	**–**	**(35,483)**	**(99,128)**
Gross deferred tax liabilities at 31 December 2019	**8,766,439**	**1,735,526**	**–**	**582,561**	**2,359,138**	**2,073,178**	**39,352**	**–**	**1,734,686**	**17,290,880**

30. DEFERRED TAX *(Continued)*

Deferred tax liabilities *(Continued)*

For presentation purposes, certain deferred tax assets and liabilities amounting to RMB1,570,632,000 have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**5,787,038**
Net deferred tax liabilities recognised in the consolidated statement of financial position	**15,720,248**

As at 31 December 2019, the deferred tax assets were recognised for certain entities within the Group which suffered accumulated losses as at the end of 2019. The directors are of the opinion that these entities could generate sufficient future taxable profits to utilise the deferred tax assets recognised as at 31 December 2019.

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:

	2019 RMB'000	2018 RMB'000
Tax losses	**23,071,237**	16,805,956
Deductible temporary differences	**1,964,257**	1,615,604
	25,035,494	18,421,560

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 Chinese Mainland. 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 Chinese Mainland 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 established in Chinese Mainland in respect of earnings generated from 1 January 2008. At 31 December 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	**2,053,575**	1,774,536
Work in progress	**955,019**	799,658
Finished goods	**5,905,231**	4,338,829
Spare parts and consumables	**129,460**	123,339
	9,043,285	7,036,362
Less: Provision for inventories	**(333,417)**	(299,698)
	8,709,868	6,736,664
Portion classified as non-current assets	**(41,218)**	(86,070)
Current portion	**8,668,650**	6,650,594

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

	2019 RMB'000	2018 RMB'000
Net book value pledged (note 42)	**428,216**	–

32. POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF UNIT-LINKED CONTRACTS

	2019 RMB'000	2018 RMB'000
Financial assets designated as at fair value through profit or loss:		
Debt instruments	**647,724**	112,589
Equity instruments	**33,903**	24,471
Investment funds	**313,920**	93,966
Term deposits	**2,345**	2,355
Sight deposits	**89,247**	84,377
Others	**(2,952)**	(1,608)
	1,084,187	316,150
Portion classified as current assets	**(176,539)**	(176,822)
Non-current portion	**907,648**	139,328

The above assets are held for policyholders of unit-linked products.

33. INSURANCE AND REINSURANCE DEBTORS

	2019 RMB'000	2018 RMB'000
Amounts due from insurance customers and reinsurers	**14,299,445**	13,358,913
Less: Provision for impairment	**(199,210)**	(194,086)
	14,100,235	13,164,827
Portion classified as current assets	**(13,973,826)**	(13,041,130)
Non-current portion	**126,409**	123,697

The following is an ageing analysis of the amounts due from insurance customers and reinsurers:

	2019 RMB'000	2018 RMB'000
Neither past due nor impaired	**10,613,810**	9,237,445
Past due but not impaired	**3,486,425**	3,927,382
Past due and impaired	**199,210**	194,086
	14,299,445	13,358,913

The amount of impaired debtors is RMB199,210,000 (31 December 2018: RMB194,086,000). Various actions have been taken to recover the debtors, but these debtors have not been recovered and hence impairment is provided.

Movements in the provision for impaired debtors are as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	**194,086**	207,432
Provision/(reversal) of impairment losses (note 8)	**4,694**	(15,747)
Exchange realignment	**430**	2,401
At 31 December	**199,210**	194,086

34. REINSURERS' SHARE OF INSURANCE CONTRACT PROVISIONS

The reinsurers' share of insurance contract provisions represents the reinsurers' share of life insurance contract liabilities, unearned premium provisions and provision for outstanding claims arising from the life insurance, property and casualty insurance and reinsurance businesses.

	2019 RMB'000	2018 RMB'000
Life insurance contract liabilities	**131,202**	102,656
Unearned premium provisions	**1,297,904**	1,041,670
Provision for outstanding claims	**8,748,479**	6,781,757
Others	**449,609**	166,539
	10,627,194	8,092,622
Portion classified as current assets	**(5,958,133)**	(3,298,322)
Non-current portion	**4,669,061**	4,794,300

35. CASH AND BANK BALANCES AND TERM DEPOSITS

	Notes	2019 RMB'000	2018 RMB'000
Cash on hand		**128,302**	169,572
Cash at banks, unrestricted		**81,848,043**	91,163,598
Cash and cash equivalents		**81,976,345**	91,333,170
Pledged bank balances	*(1)*	**3,827,925**	2,431,704
Time deposits with original maturity of more than three months		**5,879,008**	8,866,969
Restricted pre-sale proceeds	*(2)*	**2,788,647**	3,145,746
Required reserve deposits	*(3)*	**428,579**	538,920
		94,900,504	106,316,509
Portion classified as current assets		**(93,647,199)**	(105,905,697)
Non-current portion – term deposits		**1,253,305**	410,812

35. CASH AND BANK BALANCES AND TERM DEPOSITS *(Continued)*

Notes:

		2019 RMB'000	2018 RMB'000
(1)	Pledged bank balances to secure bank loans (note 42)	**72,765**	287,862
	Pledged bank balances to secure investment	**1,500,000**	–
	Bank balances as various deposits	**1,951,436**	1,734,664

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

(3) Required reserve deposits amounting to RMB428,579,000 (2018: RMB538,920,000) are placed by Shanghai Fosun High Technology Group Finance Co., Ltd. ("Finance Company"), an indirect subsidiary of the Company, with the People's Bank of China ("PBOC"). The reserve deposits with the PBOC are not available for use in the Group's daily operations.

(4) As at 31 December 2019, the balance in the security trading account set up by the Group in Tebon Securities Co., Ltd., a company controlled by the ultimate controlling shareholder of the Group, was RMB513,479,000 (2018: RMB583,557,000).

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

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

36. LOANS AND ADVANCES TO CUSTOMERS

	2019 RMB'000	2018 RMB'000
Corporate loans and advances		
– Loans and advances	**3,695,465**	4,613,561
Personal loans		
– Mortgages	**153,359**	99,478
– Other	**1,003,372**	922,873
	1,156,731	1,022,351
Total loans and advances	**4,852,196**	5,635,912
Less: Allowance for impairment		
– Corporate loans and advances	**(100,322)**	(299,292)
– Personal loans	**(129,616)**	(53,306)
	(229,938)	(352,598)
Loans and advances to customers, net	**4,622,258**	5,283,314
Portion classified as current assets	**(4,195,966)**	(4,629,621)
Non-current portion	**426,292**	653,693

	2019 RMB'000	2018 RMB'000
Gross loans and advances to customers	**4,852,196**	5,635,912
Less: Allowance for impairment		
– Individually assessed	**(168,727)**	(225,399)
– Collectively assessed	**(61,211)**	(127,199)
	(229,938)	(352,598)
Loans and advances to customers, net	**4,622,258**	5,283,314

The movements in the allowance for impairment of loans and advances to customers are as follows:

	2019 RMB'000	2018 RMB'000
As at 31 December	**352,598**	215,082
Impact of adopting HKFRS 9	**–**	43,097
As at 1 January (restated)	**352,598**	258,179
Allowance for impairment losses (note 8)	**75,326**	114,030
Reversal (note 8)	**–**	(24,229)
Amount written off as uncollectible	**(198,474)**	(1,000)
Exchange differences	**488**	5,618
At 31 December	**229,938**	352,598

37. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2019

	Fair value Assets RMB'000	Liabilities RMB'000
Derivatives held for trading		
Currency derivatives		
Currency forwards, futures and swaps, and cross-currency interest rate swaps	547,839	493,721
Currency options	990	990
Interest rate derivatives		
Interest rate swaps	277,500	859,702
Interest rate futures	18,051	–
Interest rate options	3,114	17,705
Commodity derivatives and others	27,352	836
Equity derivatives	354,587	–
	1,229,433	1,372,954
Qualifying for hedge accounting		
Currency derivatives		
Currency forwards, futures and swaps	47,807	257,180
Interest rate derivatives		
Interest rate swaps	3,736	354,328
	51,543	611,508
	1,280,976	1,984,462
Portion classified as current assets/liabilities	(977,860)	(1,396,069)
Non-current portion	303,116	588,393

37. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

As at 31 December 2018

	Fair value Assets RMB'000	Liabilities RMB'000
Derivatives held for trading		
Currency derivatives		
Currency forwards, futures and swaps, and cross-currency interest rate swaps	700,966	862,933
Currency options	8,936	8,497
Interest rate derivatives		
Interest rate swaps	294,933	309,526
Interest rate futures	–	20,482
Interest rate options	17,880	12,276
Commodity derivatives and others	15,806	–
	1,038,521	1,213,714
Qualifying for hedge accounting		
Currency derivatives		
Currency forwards, futures and swaps	85,601	85,836
Interest rate derivatives		
Interest rate swaps	4,295	331,828
Commodity derivatives and others	23,211	–
	113,107	417,664
	1,151,628	1,631,378
Portion classified as current assets/liabilities	(861,043)	(1,102,562)
Non-current portion	290,585	528,816

38. FINANCE LEASE RECEIVABLES

Total future minimum lease receivables under finance leases and their present values are as follows:

	2019 **RMB'000**	2018 RMB'000
Gross lease receivables:		
Within one year	**1,581,303**	2,126,934
In the second year	**711,691**	468,623
In the third to fifth years, inclusive	**388,379**	142,992
Total minimum finance lease receivables	**2,681,373**	2,738,549
Less:		
Unearned finance income	**(232,362)**	(127,808)
Future value-added tax	**(184,430)**	(184,627)
Provision for lease receivables	**(46,538)**	(30,166)
	2,218,043	2,395,948
Portion classified as current finance lease receivables	**(1,306,901)**	(1,880,575)
Non-current portion	**911,142**	515,373

At 31 December 2019, the Group's finance lease receivables with a carrying amount of RMB1,031,187,000 (2018: RMB1,337,566,000) were pledged to secure bank loans, as set out in note 42 to the financial statements.

The movement in the allowance for impairment of lease receivables is as follows:

	2019 **RMB'000**	2018 RMB'000
At 1 January	**30,166**	26,363
Additions	**16,372**	3,803
At 31 December	**46,538**	30,166

39. TRADE AND NOTES RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**7,586,989**	6,715,368
Notes receivable	**107,136**	1,039,659
	7,694,125	7,755,027

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

	2019 RMB'000	2018 RMB'000
Outstanding balances with ages:		
Within 90 days	**4,583,266**	4,224,990
91 to 180 days	**1,176,040**	1,333,338
181 to 365 days	**1,481,813**	858,939
1 to 2 years	**379,729**	337,721
2 to 3 years	**180,133**	128,952
Over 3 years	**186,557**	113,760
	7,987,538	6,997,700
Less: Loss allowance for trade receivables	**400,549**	282,332
	7,586,989	6,715,368

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

	2019 RMB'000	2018 RMB'000
At last year end	**282,332**	301,594
Effect of adoption of HKFRS 9	**–**	16,157
At the beginning of the year (restated)	**282,332**	317,751
Amount written off as uncollectible	**(35,338)**	(75,976)
Disposal of subsidiaries	**(21,033)**	–
Impairment losses, net	**172,201**	39,047
Exchange realignment	**2,387**	1,510
At the end of the year	**400,549**	282,332

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, the balances are grouped based on credit risk characteristics and the ageing analysis. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

39. TRADE AND NOTES RECEIVABLES *(Continued)*

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

	Less than 6 months	6 to 12 months	1 to 2 years	over 2 years	Total
Expected credit loss rate	1.09%	3.99%	28.29%	46.62%	
Gross carrying amount (RMB'000)	5,759,306	1,481,813	379,729	366,690	7,987,538
Expected credit losses (RMB'000)	62,974	59,173	107,437	170,964	400,549

As at 31 December 2018

	Less than 6 months	6 to 12 months	1 to 2 years	over 2 years	Total
Expected credit loss rate	1.20%	4.61%	7.55%	61.98%	
Gross carrying amount (RMB'000)	5,558,328	858,939	337,721	242,712	6,997,700
Expected credit losses (RMB'000)	66,779	39,611	25,505	150,437	282,332

Trade and notes receivables of the Group mainly arose from the Health segment and Happiness segment. Credit terms granted to the Group's customers are as follows:

	Credit terms
Health segment	90 to 180 days
Happiness segment	30 to 360 days

At 31 December 2019, the Group's trade and notes receivables with a carrying amount of approximately RMB126,632,000 (31 December 2018: RMB57,614,000) were pledged to secure bank loans, as set out in note 42 to the financial statements.

40. CONTRACT ASSETS AND OTHER ASSETS

	Note	2019 RMB'000	2018 RMB'000
Contract assets:			
Sales of properties and construction services		–	13,850
Other assets:			
Costs for obtaining contracts	*(1)*	**191,938**	85,180
		191,938	99,030

(1) Management expects that the incremental costs, primarily sales commission and stamp duty paid/payable as a result of obtaining the property sales contracts, are recoverable. The Group has capitalised the amounts and amortised when the related revenue is recognised. The amount of amortisation during 2019 was RMB67,685,000 (2018: RMB109,838,000).

The expected timing of recovery or settlement for contract assets and other assets as at 31 December 2019 is as follows:

	2019 RMB'000	2018 RMB'000
Within one year	**191,938**	74,545
More than one year	–	24,485
	191,938	99,030

41. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	2019 RMB'000	2018 RMB'000
Carrying amount of the assets of a disposal group	**70,942**	34,711
Liabilities directly associated with the assets classified as held for sale	**8,454**	4,156

The assets and liabilities classified as held for sale as at 31 December 2019 are as follows:

	2019 RMB'000
Assets	
Investment properties	**69,723**
Deferred tax assets	**1,219**
Assets of a disposal group classified as held for sale	**70,942**
Liabilities	
Deferred tax liabilities	**8,454**
Liabilities directly associated with the assets classified as held for sale	**8,454**

42. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	**2019 RMB'000**	2018 RMB'000
Bank loans:	*(1)*		
Guaranteed		**1,000,000**	2,800
Secured		**42,998,410**	35,743,088
Unsecured		**61,721,259**	61,795,986
		105,719,669	97,541,874
Corporate bonds and enterprise bonds	*(2)*	**33,980,708**	33,818,635
Private placement notes	*(3)*	**1,976,150**	1,997,803
Private placement bonds	*(4)*	**5,208,922**	4,523,752
Senior notes	*(5)*	**33,187,427**	23,681,485
Medium-term notes	*(6)*	**14,489,280**	9,260,017
Short-term commercial papers	*(7)*	**1,000,000**	1,000,000
Super short-term commercial papers	*(8)*	**2,020,035**	1,378,993
Other borrowings, secured	*(9)*	**9,583,654**	5,958,529
Other borrowings, unsecured	*(9)*	**1,121,212**	6,979,263
Total		**208,287,057**	186,140,351
Repayable:			
Within one year		**82,738,138**	67,740,818
In the second year		**43,439,152**	38,620,621
In the third to fifth years, inclusive		**74,112,282**	73,384,954
Over five years		**7,997,485**	6,393,958
		208,287,057	186,140,351
Portion classified as current liabilities		**(82,738,138)**	(67,740,818)
Non-current portion		**125,548,919**	118,399,533

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

Notes:

(1) Certain of the Group's bank loans are secured by the pledges of assets with carrying values at the end of each reporting period as follows:

	2019 RMB'000	2018 RMB'000
Pledge of assets:		
Buildings (note 13)	**5,479,748**	4,033,150
Plant and machinery (note 13)	**804,355**	623,057
Construction in progress (note 13)	**28,064**	416,583
Investment properties (note 14)	**35,123,620**	26,449,576
Prepaid land lease payments (note 15)	**–**	1,311,359
Right-of-use assets (note 15)	**1,692,302**	–
Properties under development (note 27)	**25,174,888**	18,002,227
Completed properties for sale	**3,107,921**	1,232,684
Trade and notes receivables (note 39)	**126,632**	57,614
Pledged bank balances (note 35)	**72,765**	287,862
Finance lease receivables (note 38)	**1,031,187**	1,337,566
Inventories (note 31)	**428,216**	–
Investment in associates (note 22)	**19,595,882**	18,530,173
Financial assets at fair value through profit or loss (note 24)	**2,489,369**	6,870,114
Equity investments designated at fair value through comprehensive income (note 23)	**–**	268,945
Debt investments designated at fair value through comprehensive income (note 25)	**320,542**	322,687

Apart from the above, certain interest-bearing bank borrowings are secured by investments in subsidiaries as at 31 December 2019.

Interest-bearing bank and other borrowings amounted to RMB1,000,000,000 (2018: Nil) were guaranteed by Fosun Holdings Limited, which is the holding company of the Group.

The bank loans bear interest at rates ranging from 0.5% to 14.88% (2018: nil to 9.8%) per annum.

(2) Corporate bonds and enterprise bonds

On 20 November 2015, Forte issued five-year domestic corporate bonds with a par value of RMB4,000,000,000 and an effective interest rate of 4.35% per annum. On 22 November 2018, Forte repaid in advance with a par value of RMB179,019,000. Interest is paid annually in arrears and the maturity date is 20 November 2020 for the remaining balances.

On 21 January 2016, Fosun High Technology issued five-year domestic corporate bonds with a par value of RMB4,000,000,000 and an effective interest rate of 3.89% per annum. On 21 January 2019, Fosun High Technology repaid in advance with a par value of RMB44,040,000. Interest is paid annually in arrears and the maturity date is 21 January 2021.

On 4 March 2016, Fosun Pharma issued five-year domestic corporate bonds with a par value of RMB3,000,000,000 and an effective interest rate of 3.46% per annum. On 4 March 2019, Fosun Pharma repaid in advance with a par value of RMB5,500,000. Interest is paid annually in arrears and the maturity date is 4 March 2021.

On 14 April 2016, Fosun High Technology issued five-year domestic corporate bonds with a par value of RMB1,600,000,000 and an effective interest rate of 3.81% per annum. On 14 April 2019, Fosun High Technology repaid in advance with a par value of RMB4,000,000. Interest is paid annually in arrears and the maturity date is 14 April 2021.

On 26 May 2016, Fosun High Technology issued five-year domestic corporate bonds with a par value of RMB4,400,000,000 and an effective interest rate of 3.87% per annum. On 26 May 2019, Fosun High Technology repaid in advance with a par value of RMB131,185,000. Interest is paid annually in arrears and the maturity date is 26 May 2021.

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

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

Notes: *(Continued)*

(2) Corporate bonds and enterprise bonds *(Continued)*

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

On 12 January 2018, Fosun High Technology issued five-year domestic corporate bonds with a par value of RMB1,200,000,000 and an effective interest rate of 6.56% per annum. Interest is paid annually in arrears and the maturity date is 12 January 2023.

On 12 March 2018, Fosun High Technology issued five-year domestic corporate bonds with a par value of RMB600,000,000 and an effective interest rate of 6.89% per annum. Interest is paid annually in arrears and the maturity date is 12 March 2023.

On 13 August 2018, Fosun Pharma issued five-year domestic corporate bonds with a par value of RMB1,300,000,000 and an effective interest rate of 5.15% per annum. Interest is paid annually in arrears and the maturity date is 13 August 2023.

On 20 August 2018, Fosun High Technology issued three-year domestic corporate bonds with a par value of RMB1,500,000,000 and an effective interest rate of 6.30% per annum. Interest is paid annually in arrears and the maturity date is 20 August 2021.

On 27 August 2018, Forte issued three-year domestic corporate bonds with a par value of RMB3,000,000,000 and an effective interest rate of 6.92% per annum. Interest is paid annually in arrears and the maturity date is 27 August 2021.

On 29 October 2018, Fosun High Technology issued three-year domestic corporate bonds with a par value of RMB2,000,000,000 and an effective interest rate of 5.93% per annum. Interest is paid annually in arrears and the maturity date is 29 October 2021.

On 22 November 2018, Fosun High Technology issued four-year domestic corporate bonds with a par value of RMB2,200,000,000 and an effective interest rate of 5.40% per annum. Interest is paid annually in arrears and the maturity date is 22 November 2022.

On 26 November 2018, Yuyuan issued five-year domestic corporate bonds with a par value of RMB2,000,000,000 and an effective interest rate of 4.97% per annum. Interest is paid annually in arrears and the maturity date is 26 November 2023.

On 30 November 2018, Fosun Pharma issued four-year domestic corporate bonds with a par value of RMB500,000,000 and an effective interest rate of 4.54% per annum. Interest is paid annually in arrears and the maturity date is 30 November 2022.

On 30 November 2018, Fosun Pharma issued five-year domestic corporate bonds with a par value of RMB1,000,000,000 and an effective interest rate of 4.75% per annum. Interest is paid annually in arrears and the maturity date is 30 November 2023.

On 27 November 2019, Yuyuan issued five-year domestic corporate bonds with a par value of RMB600,000,000 and an effective interest rate of 4.95% per annum. Interest is paid annually in arrears and the maturity date is 27 November 2024.

(3) Private placement notes

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

On 20 March 2019, a subsidiary of the Group, Treble Hooray Limited issued one-year private placement notes with a par value of EUR122,000,000 and the effective interest rate is 3.08% per annum. Interest is paid annually in arrears and the maturity date is 20 March 2020.

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

Notes: *(Continued)*

(4) Private placement bonds

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

On 2 May 2017, Forte issued three-year private placement bonds with a par value of RMB3,000,000,000 and the effective interest rate is 6.66% per annum. On 2 May 2019, Forte repaid in advance with a par value of RMB381,500,000. Interest is paid annually in arrears and the maturity date is 2 May 2020.

On 1 March 2018, Ahuja Hive Private Limited, a subsidiary of Fosun Property Holdings Limited, issued six-year private placement bonds with a par value of INR1,200,000,000 and the effective interest rate is 14.74% per annum. Interest is paid quarterly in arrears since December 2018. The final maturity date is 1 March 2024.

On 25 January 2019, Forte issued three-year private placement bonds with a par value of RMB1,440,000,000 and the effective interest rate is 6.13% per annum. Interest is paid annually in arrears and the maturity date is 25 January 2022.

On 22 March 2019, Forte issued three-year private placement bonds with a par value of RMB1,000,000,000 and the effective interest rate is 5.99% per annum. Interest is paid annually in arrears and the maturity date is 22 March 2022.

(5) Senior notes

In 2014, Xingtao Assets Limited, a direct subsidiary of Fosun Industrial Holdings Limited, issued eight-year senior notes with an effective interest rate of 3.31%. Among these, senior notes with a par value of EUR392,000,000 were purchased by third party investors. Interest is paid annually in arrears and the maturity date is 9 October 2022.

On 17 August 2016, Wealth Driven Limited, a subsidiary of Fosun Industrial Holdings Limited, issued three tranches of seven-year senior notes with effective interest rates of 5.603%, 5.599% and 5.41%, respectively. Among these, senior notes with a par value of USD479,434,000 were purchased by third party investors. Interest is paid semi-annually in arrears and the maturity date is 17 August 2023.

On 23 March 2017, Fosun Star (BVI) Limited ("Fortune Star"), a subsidiary of Fosun Industrial Holdings Limited, issued two tranches of five-year senior notes with effective interest rates of 5.33% and 5.04%, respectively. Among these, senior notes with a par value of USD1,380,525,000 were purchased by third party investors. Interest is paid semi-annually in arrears and the maturity date is 23 March 2022.

On 5 December 2017, Fortune Star, a subsidiary of Fosun Industrial Holdings Limited, issued three-year senior notes with an effective interest rate of 5.59%. On 29 January 2018, Fortune Star issued three-year senior notes with an effective interest rate of 5.23%. Among these, senior notes with a par value of USD374,135,000 were purchased by third party investors. Interest is paid semi-annually in arrears and the maturity date is 5 December 2020.

On 29 January 2018, Fortune Star, a subsidiary of Fosun Industrial Holdings Limited, issued five-year senior notes with a par value of USD450,000,000 and an effective interest rate of 6.09%. Among these, senior notes with a par value of USD445,000,000 were purchased by third party investors. Interest is paid semi-annually in arrears and the maturity date is 29 January 2023.

On 28 January 2019, Fortune Star, a subsidiary of Fosun Industrial Holdings Limited, issued two-year senior notes with a par value of USD500,000,000 and an effective interest rate of 7.19%. Interest is paid semi-annually in arrears and the maturity date is 28 January 2021.

On 2 July 2019, Fortune Star, a subsidiary of Fosun Industrial Holdings Limited, issued four-year senior notes with a par value of USD700,000,000 and an effective interest rate of 6.90%. Interest is paid semi-annually in arrears and the maturity date is 2 July 2023.

On 6 November 2019, Fortune Star, a subsidiary of Fosun Industrial Holdings Limited, issued three-and-half-year senior notes with a par value of EUR400,000,000 and an effective interest rate of 4.59%. Interest is paid semi-annually in arrears and the maturity date is 6 May 2023.

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

Notes: *(Continued)*

(6) Medium-term notes

On 16 November 2017, Yuyuan issued three-year medium-term notes with a par value of RMB980,000,000 and an effective interest rate of 5.68% per annum. Interest is paid annually in arrears and the maturity date is 20 November 2020.

On 7 February 2018, Fosun High Technology issued three-year medium-term notes with a par value of RMB2,000,000,000 and an effective interest rate of 6.81% per annum. Interest is paid annually in arrears and the maturity date is 7 February 2021.

On 19 April 2018, Fosun High Technology issued three-year medium-term notes with a par value of RMB2,000,000,000 and an effective interest rate of 6.61% per annum. Interest is paid annually in arrears and the maturity date is 19 April 2021.

On 25 April 2018, Yuyuan issued three-year medium-term notes with a par value of RMB1,000,000,000 and an effective interest rate of 5.60% per annum. Interest is paid annually in arrears and the maturity date is 27 April 2021.

On 30 July 2018, Fosun High Technology issued three-year medium-term notes with a par value of RMB1,000,000,000 and an effective interest rate of 6.57% per annum. Interest is paid annually in arrears and the maturity date is 30 July 2021.

On 7 September 2018, Fosun High Technology issued five-year medium-term notes with a par value of RMB1,000,000,000 and an effective interest rate of 6.91% per annum. Among these, medium-term notes with a par value of RMB870,000,000 were purchased by third party investors. Interest is paid annually in arrears and the maturity date is 7 September 2023.

On 11 September 2018, Yuyuan issued three-year medium-term notes with a par value of RMB1,000,000,000 and an effective interest rate of 5.50% per annum. Interest is paid annually in arrears and the maturity date is 13 September 2021.

On 22 February 2019, Fosun High Technology issued five-year medium-term notes with a par value of RMB2,000,000,000 and an effective interest rate of 5.36% per annum. Among these, medium-term notes with a par value of RMB1,930,000,000 were purchased by third party investors. Interest is paid annually in arrears and the maturity date is 22 February 2024.

On 18 July 2019, Yuyuan issued three-year medium-term notes with a par value of RMB1,000,000,000 and an effective interest rate of 4.53% per annum. Interest is paid annually in arrears and the maturity date is 18 July 2022.

On 7 August 2019, Fosun High Technology issued five-year medium-term notes with a par value of RMB1,000,000,000 and an effective interest rate of 4.89% per annum. Among these, medium-term notes with a par value of RMB880,000,000 were purchased by third party investors. Interest is paid annually in arrears and the maturity date is 7 August 2024.

On 5 September 2019, Fosun High Technology issued three-year medium-term notes with a par value of RMB1,000,000,000 and an effective interest rate of 4.81% per annum. Interest is paid annually in arrears and the maturity date is 5 September 2022.

On 25 October 2019, Fosun High Technology issued three-year medium-term notes with a par value of RMB1,000,000,000 and an effective interest rate of 5.00% per annum. Among these, medium-term notes with a par value of RMB850,000,000 were purchased by third party investors. Interest is paid annually in arrears and the maturity date is 25 October 2022.

(7) Short-term commercial papers

On 11 October 2019, Yuyuan issued short-term commercial papers with a par value of RMB1,000,000,000 and an effective interest rate of 3.62% per annum. Interest is payable at the maturity date which is 10 October 2020.

(8) Super short-term commercial papers

On 17 September 2019, Fosun High Technology issued super short-term commercial papers with a par value of RMB2,000,000,000 and an effective interest rate of 3.70% per annum. Interest is payable at the maturity date which is 17 January 2020.

(9) Other borrowings

The other borrowings represent borrowings from third parties, which bear interest at rates ranging from 0.98% to 17.65% (31 December 2018: 0.98% to 9.39%) per annum.

43. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Contract liabilities	**21,932,172**	22,365,477
Portion classified as current liabilities	**(21,419,105)**	(22,112,767)
Non-current portion	**513,067**	252,710

The Group receives payments from customers based on the billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts from property sales and resorts operation.

The following table shows the amounts of the revenue recognised in each reporting period related to contract liabilities carried forward.

	2019 RMB'000	2018 RMB'000
Revenue recognised during the year that was included in the contract liabilities balance at the beginning of the year	**16,328,809**	17,217,775

The following table includes the transaction prices allocated to the remaining unsatisfied performance obligations related to property sales and resorts operation as at the end of each reporting period.

	2019 RMB'000	2018 RMB'000
Expected to be recognised within one year	**17,179,563**	17,397,489
Expected to be recognised after one year	**4,752,609**	5,215,500
Total	**21,932,172**	22,612,989

44. TRADE AND NOTES PAYABLES

	31 December 2019 RMB'000	1 January 2019 RMB'000	31 December 2018 RMB'000
Trade payables	**16,338,761**	13,790,887	13,808,784
Notes payables	**379,705**	297,158	297,158
	16,718,466	14,088,045	14,105,942

As a result of the initial application of HKFRS 16, accrued lease payments of RMB17,897,000 previously included in "trade payables" were adjusted to the right-of-use assets recognised at 1 January 2019 (refer to note 2.2(a) to the financial statements for further details).

44. TRADE AND NOTES PAYABLES *(Continued)*

An ageing analysis of the trade payables as at the end of the reporting period is as follows:

	2019 RMB'000	2018 RMB'000
Outstanding balances with ages:		
Within 90 days	**7,890,570**	5,152,391
91 to 180 days	**1,826,778**	2,180,065
181 to 365 days	**2,531,034**	1,938,098
1 to 2 years	**2,657,181**	1,315,522
2 to 3 years	**455,079**	1,786,838
Over 3 years	**978,119**	1,435,870
	16,338,761	13,808,784

Trade and notes payables of the Group mainly arose from the Health segment and Happiness segment. The trade and notes payables are non-interest-bearing and are normally settled on terms of 30 to 60 days or based on the progress of construction of properties.

45. ACCRUED LIABILITIES AND OTHER PAYABLES

	Notes	31 December 2019 RMB'000	1 January 2019 RMB'000	31 December 2018 RMB'000
Advances from customers		**5,273,577**	3,701,909	3,701,909
Dividends payable to third parties		**149,288**	187,770	187,770
Payables related to:				
Purchases of property, plant and equipment		**1,595,818**	178,469	178,469
Deposits received		**1,841,433**	1,254,286	1,254,286
Payroll		**3,066,546**	2,684,334	2,684,334
Accrued interest expenses		**2,436,328**	1,816,959	1,816,959
Value-added tax		**1,494,637**	758,962	758,962
Accrued utilities		**32,447**	113,131	113,131
Acquisition of subsidiaries		**60,600**	212,937	212,937
Current portion of other long term payables		**3,204,470**	134,489	134,489
Funding from third parties for business development		**6,430,831**	4,801,697	4,801,697
Other accrued expenses		**4,605,605**	3,302,562	3,302,562
Lease liabilities (note 15)	*(i)*	**2,327,549**	1,540,340	–
Others	*(i)*	**3,603,043**	8,293,551	8,318,621
		36,122,172	28,981,396	27,466,126

(i) As a result of the initial application of HKFRS 16, accrued lease payments of RMB25,070,000 previously included in "accrued liabilities and other payables" were adjusted to the right-of-use assets recognised at 1 January 2019 (refer to note 2.2(a) to the financial statements for further details).

The current portion of lease liabilities recognised upon the adoption of HKFRS 16 are included in accrual liabilities and other payables as at 1 January 2019 amounted to RMB1,540,340,000.

46. FINANCE LEASE PAYABLES

The Group classified certain leases as finance leases prior to HKFRS16 becoming effective on 1 January 2019.

At 31 December 2018, total future minimum lease payments under finance leases and their present values are as follows:

	2018 RMB'000
Repayable:	
Within one year	111,268
In the second year	132,624
In the third to fifth years, inclusive	467,341
Total minimum finance lease payments	711,233
Less: Future finance charges	(144,828)
	566,405
Portion classified as current finance lease payables	(88,827)
Non-current portion	477,578

47. DEPOSITS FROM CUSTOMERS

	2019 **RMB'000**	2018 RMB'000
Demand deposits		
– Corporate deposits	**37,030,696**	36,462,232
– Personal deposits	**3,582,062**	3,401,922
	40,612,758	39,864,154
Time deposits		
– Corporate deposits	**192,754**	1,754,440
– Personal deposits	**228,564**	166,276
	421,318	1,920,716
Total deposits from customers at amortised cost	**41,034,076**	41,784,870
Portion classified as current liabilities	**(40,892,261)**	(41,714,245)
Non-current portion	**141,815**	70,625

Deposits from customers which are related parties are disclosed in note 65 to the financial statements.

Included in the Group's deposits from customers are amounts placed by the Group's associates and joint ventures in the Finance Company, a subsidiary of the Group of RMB792,606,000 (2018: RMB839,245,000) and RMB10,000,000 (2018: RMB35,000,000), respectively.

48. UNEARNED PREMIUM PROVISIONS

	Notes	31 December 2019 Gross RMB'000	31 December 2019 Reinsurers' share RMB'000	31 December 2019 Net RMB'000	31 December 2018 Gross RMB'000	31 December 2018 Reinsurers' share RMB'000	31 December 2018 Net RMB'000
Life insurance	*(i)*	**133,319**	**(16,420)**	**116,899**	123,040	(6,421)	116,619
Non-life insurance	*(ii)*	**8,839,549**	**(1,281,484)**	**7,558,065**	6,561,279	(1,035,249)	5,526,030
		8,972,868	**(1,297,904)**	**7,674,964**	6,684,319	(1,041,670)	5,642,649

Notes:

(i) Analysis of movements in the unearned premium provisions for the life insurance business:

	31 December 2019 Gross RMB'000	31 December 2019 Reinsurers' share RMB'000	31 December 2019 Net RMB'000	31 December 2018 Gross RMB'000	31 December 2018 Reinsurers' share RMB'000	31 December 2018 Net RMB'000
At 1 January	**123,040**	**(6,421)**	**116,619**	32,620	(1,009)	31,611
Premiums written during the year	**7,903,707**	**(696,514)**	**7,207,193**	4,052,379	(121,732)	3,930,647
Acquisition of subsidiaries (note 60(a))	**28,865**	**(14,830)**	**14,035**	–	–	–
Premiums earned during the year	**(7,924,567)**	**702,471**	**(7,222,096)**	(3,965,664)	116,350	(3,849,314)
Exchange realignment	**2,274**	**(1,126)**	**1,148**	3,705	(30)	3,675
At 31 December	**133,319**	**(16,420)**	**116,899**	123,040	(6,421)	116,619

(ii) Analysis of movements in the unearned premium provisions for the non-life insurance business:

	31 December 2019 Gross RMB'000	31 December 2019 Reinsurers' share RMB'000	31 December 2019 Net RMB'000	31 December 2018 Gross RMB'000	31 December 2018 Reinsurers' share RMB'000	31 December 2018 Net RMB'000
At 1 January	**6,561,279**	**(1,035,249)**	**5,526,030**	5,812,647	(818,830)	4,993,817
Premiums written during the year	**30,413,294**	**(5,480,130)**	**24,933,164**	24,325,157	(3,920,186)	20,404,971
Acquisition of subsidiaries (note 60(a))	**1,211,654**	**(395,743)**	**815,911**	–	–	–
Premiums earned during the year	**(29,433,926)**	**5,390,920**	**(24,043,006)**	(23,704,422)	3,758,211	(19,946,211)
Exchange realignment	**87,248**	**238,718**	**325,966**	127,897	(54,444)	73,453
At 31 December	**8,839,549**	**(1,281,484)**	**7,558,065**	6,561,279	(1,035,249)	5,526,030

49. PROVISION FOR OUTSTANDING CLAIMS

		31 December 2019			31 December 2018		
			Reinsurers'			Reinsurers'	
		Gross	share	Net	Gross	share	Net
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Life insurance	*(i)*	**3,453,733**	**(354,731)**	**3,099,002**	2,449,022	(74,415)	2,374,607
Non-life insurance	*(ii)*	**35,699,278**	**(8,393,748)**	**27,305,530**	31,444,469	(6,707,342)	24,737,127
		39,153,011	**(8,748,479)**	**30,404,532**	33,893,491	(6,781,757)	27,111,734
Portion classified as current liabilities		**(21,321,027)**			(15,740,723)		
Non-current portion		**17,831,984**			18,152,768		

Notes:

(i) Analysis of movements in the provision for outstanding claims for the life insurance business:

	31 December 2019			31 December 2018		
		Reinsurers'			Reinsurers'	
	Gross	share	Net	Gross	share	Net
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	**2,449,022**	**(74,415)**	**2,374,607**	2,294,170	(83,668)	2,210,502
Claims paid during the year	**(3,533,095)**	**511,828**	**(3,021,267)**	(2,415,452)	66,287	(2,349,165)
Acquisition of subsidiaries (note 60 (a))	**545,779**	**(251,573)**	**294,206**	–	–	–
Claims incurred during the year	**3,963,433**	**(537,376)**	**3,426,057**	2,494,090	(56,596)	2,437,494
Exchange realignment	**28,594**	**(3,195)**	**25,399**	76,214	(438)	75,776
At 31 December	**3,453,733**	**(354,731)**	**3,099,002**	2,449,022	(74,415)	2,374,607

(ii) Analysis of movements in the provision for outstanding claims for the non-life insurance business:

	31 December 2019			31 December 2018		
		Reinsurers'			Reinsurers'	
	Gross	share	Net	Gross	share	Net
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	**31,444,469**	**(6,707,342)**	**24,737,127**	29,323,182	(5,810,187)	23,512,995
Claims paid during the year	**(18,214,021)**	**3,469,394**	**(14,744,627)**	(15,233,804)	2,609,793	(12,624,011)
Acquisition of subsidiaries (note 60 (a))	**1,123,862**	**(360,468)**	**763,394**	–	–	–
Claims incurred during the year	**21,096,942**	**(4,679,433)**	**16,417,509**	16,518,891	(3,233,897)	13,284,994
Exchange realignment	**248,026**	**(115,899)**	**132,127**	836,200	(273,051)	563,149
At 31 December	**35,699,278**	**(8,393,748)**	**27,305,530**	31,444,469	(6,707,342)	24,737,127

50. FINANCIAL LIABILITIES FOR UNIT-LINKED CONTRACTS AND INVESTMENT CONTRACT LIABILITIES

	Notes	2019 RMB'000	2018 RMB'000
Financial liabilities for unit-linked contracts	*(i)*	**1,084,187**	316,142
Investment contract liabilities	*(ii)*	**68,669,164**	72,479,089
Commissions on the issue of financial products		**(43,977)**	(89,064)
		69,709,374	72,706,167
Portion classified as current liabilities		**(7,754,262)**	(7,737,575)
Non-current portion		**61,955,112**	64,968,592

Notes:

(i) Unit-linked contracts

	2019 RMB'000	2018 RMB'000
At 1 January	**316,142**	1,370,019
Issues	**789,388**	15,315
Redemptions	**(35,121)**	(1,061,742)
Profit or loss	**17,621**	(10,167)
Other	**(1,005)**	(321)
Exchange realignment	**(2,838)**	3,038
At 31 December	**1,084,187**	316,142

(ii) Other investment contract liabilities

	2019 RMB'000	2018 RMB'000
At 1 January	**72,479,089**	65,602,113
Issues	**8,401,535**	22,201,258
Redemptions	**(12,183,348)**	(16,251,090)
Profit or loss	**315,879**	586,148
Other	**(57,433)**	(67,495)
Exchange realignment	**(286,558)**	408,155
At 31 December	**68,669,164**	72,479,089

51. OTHER LIFE INSURANCE CONTRACT LIABILITIES

31 December 2019

	Life RMB'000	Non-life RMB'000	Total RMB'000
Mathematical provision for life insurance	**25,014,596**	**–**	**25,014,596**
Provision for profit sharing	**667,195**	**14**	**667,209**
Provision for interest rate commitments	**229,713**	**–**	**229,713**
Provision for portfolio stabilisation	**206,814**	**–**	**206,814**
	26,118,318	**14**	**26,118,332**
Portion classified as current liabilities			**(1,756,869)**
Non-current portion			**24,361,463**

31 December 2018

	Life RMB'000	Non-life RMB'000	Total RMB'000
Mathematical provision for life insurance	15,466,919	–	15,466,919
Provision for profit sharing	636,290	161	636,451
Provision for interest rate commitments	178,001	–	178,001
Provision for portfolio stabilisation	206,023	–	206,023
	16,487,233	161	16,487,394
Portion classified as current liabilities			(1,674,062)
Non-current portion			14,813,332

51. OTHER LIFE INSURANCE CONTRACT LIABILITIES *(Continued)*

31 December 2019

Analysis of movements of other life insurance contract liabilities:

	Mathematical provision for life insurance RMB'000	Provision for profit sharing RMB'000	Provision for interest rate commitments RMB'000	Provision for portfolio stabilisation RMB'000	Total RMB'000
At 1 January	**15,466,919**	**636,451**	**178,001**	**206,023**	**16,487,394**
Liabilities originated in the period and interest attributed	**2,640,171**	**73,501**	**51,780**	**1,609**	**2,767,061**
Acquisition of subsidiaries (note 60(a))	**6,564,894**	**–**	**–**	**–**	**6,564,894**
Amount attributable to insured from shareholders' equity	**–**	**52,762**	**–**	**–**	**52,762**
Change in deferred acquisition costs	**(4,891)**	**–**	**–**	**–**	**(4,891)**
Other movements	**(9,373)**	**–**	**–**	**–**	**(9,373)**
Income distributed	**299,746**	**(97,017)**	**–**	**–**	**202,729**
Exchange realignment	**57,130**	**1,512**	**(68)**	**(818)**	**57,756**
At 31 December	**25,014,596**	**667,209**	**229,713**	**206,814**	**26,118,332**

31 December 2018

Analysis of movements of other life insurance contract liabilities:

	Mathematical provision for life insurance RMB'000	Provision for profit sharing RMB'000	Provision for interest rate commitments RMB'000	Provision for portfolio stabilisation RMB'000	Total RMB'000
At 1 January	14,225,168	864,104	58,680	190,416	15,338,368
Liabilities originated in the period and interest attributed	991,055	128,297	118,438	14,443	1,252,233
Amount attributable to insured from shareholders' equity	–	(228,727)	–	–	(228,727)
Change in deferred acquisition costs	(2,936)	–	–	–	(2,936)
Other movements	(90,856)	–	–	–	(90,856)
Income distributed	257,124	(131,141)	–	–	125,983
Exchange realignment	87,364	3,918	883	1,164	93,329
At 31 December	15,466,919	636,451	178,001	206,023	16,487,394

52. INSURANCE AND REINSURANCE CREDITORS

	2019 RMB'000	2018 RMB'000
Amounts due to insurance customers and reinsurers	**6,899,424**	7,149,489
Amounts due to insurance intermediaries	**621,468**	707,587
Deposits retained from reinsurers/retrocessionaires	**626,097**	468,964
Prepaid premiums received	**216,846**	195,222
	8,363,835	8,521,262
Portion classified as current liabilities	**(8,217,474)**	(8,380,093)
Non-current portion	**146,361**	141,169

The following is an ageing analysis of the amounts due to insurance customers and reinsurers:

	2019 RMB'000	2018 RMB'000
Amounts due to insurance customers and reinsurers:		
Within 90 days	**6,925,963**	5,045,959
91 to 180 days	**573,719**	2,435,077
181 to 365 days	**406,436**	619,456
1 to 2 years	**103,094**	53,131
2 to 3 years	**17,399**	31,529
Over 3 years	**337,224**	336,110
	8,363,835	8,521,262

53. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Gold leases	**2,245,801**	1,825,082

Yuyuan, a subsidiary of the Group, signed gold lease contracts with banks, pursuant to which Yuyuan will lease in gold and return the same quantity of gold to the banks. Financial liabilities at fair value through profit or loss mainly represent the fair value of the gold to be returned under the gold lease agreements between Yuyuan and the banks as at 31 December 2019.

54. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2019 RMB'000	2018 RMB'000
Due to European Central Bank	**447,658**	456,827
Due to:		
Banks in Germany	**362,682**	597,016
Banks in other European countries	**1,183,553**	960,213
Banks in other countries and regions	**169**	649
	1,546,404	1,557,878
Total	**1,994,062**	2,014,705
Portion classified as current liabilities	**(1,994,062)**	(1,557,878)
Non-current portion	**–**	456,827

55. DEFERRED INCOME

Deferred income represents government grants received related to assets.

	2019 RMB'000	2018 RMB'000
Special purpose fund for technology improvement	**453,186**	493,426
Government grants for property development and fixed asset construction	**732,511**	473,533
	1,185,697	966,959

56. OTHER LONG TERM PAYABLES

	Notes	31 December 2019 RMB'000	1 January 2019 RMB'000	31 December 2018 RMB'000
Payables for rehabilitation	*(i)*	**231,489**	164,417	164,417
Payables for employee benefits	*(ii)*	**1,017,856**	1,148,112	1,148,112
Payables for acquisition of additional interests in subsidiaries		**35,613**	209,625	209,625
Share redemption options granted to non-controlling shareholders of subsidiaries		**3,279,162**	3,066,565	3,066,565
Loans from non-controlling shareholders of subsidiaries		**260,446**	3,831,231	3,831,231
Lease liabilities (note 15)	*(iii)*	**12,103,171**	9,700,249	–
Others	*(iii)*	**1,437,040**	1,972,433	2,166,018
		18,364,777	20,092,632	10,585,968

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Notes:

(i) The movements of payables for rehabilitation are set out below:

	2019 RMB'000	2018 RMB'000
At 1 January	**164,417**	194,513
Additions	**21,592**	–
Acquisition of subsidiaries	**74,916**	–
Payments made	**(11,451)**	(14,096)
Classified as current portion	**(20,362)**	(16,420)
Exchange realignment	**2,377**	420
At 31 December	**231,489**	164,417

Payables for rehabilitation are in relation to the costs of the Group's obligations for land reclamation, decoration and restoration for the leased properties.

(ii) The movements of payables for employee benefits are set out below:

	2019 RMB'000	2018 RMB'000
At 1 January	**1,148,112**	657,490
Additions	**90,012**	441,136
Acquisition of subsidiaries	**11,200**	144,308
Interest increment (note 7)	**18,241**	9,203
Payments made	**(51,496)**	(35,497)
Disposal of subsidiaries	**(134,333)**	–
Classified as current portion	**(62,995)**	(71,216)
Exchange realignment	**(885)**	2,688
At 31 December	**1,017,856**	1,148,112

Payables for employee benefits are based on estimates of future payments made by management and are discounted at rates in the range of 0.77% to 3.66% (2018: 1.34% to 3.06%).

(iii) As a result of the initial application of HKFRS 16, accrued lease payments of RMB193,585,000 previously included in "other long term payables" were adjusted to the right-of-use assets recognised at 1 January 2019 (refer to note 2.2(a) to the financial statements for further details).

The non-current portion of lease liabilities recognised upon the adoption of HKFRS 16 are included in other long-term payables as at 1 January 2019 amounted to RMB9,700,249,000.

57. SHARE CAPITAL

Shares

	2019 RMB'000	2018 RMB'000
Issued and fully paid: 8,537,541,244 (2018: 8,546,928,994) ordinary shares	**36,714,828**	36,660,729

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Issued capital RMB'000
At 1 January 2018	8,587,720,344	36,485,351
Share award scheme (note 62)	5,367,150	75,970
Re-purchase of shares	(55,858,500)	–
Conversion of convertible bonds to ordinary shares	9,700,000	99,408
At 31 December 2018 and 1 January 2019	8,546,928,994	36,660,729
Share award scheme (note 62)	6,262,250	54,099
Re-purchase of shares	(15,650,000)	–
At 31 December 2019	8,537,541,244	36,714,828

Note:

According to the share award scheme announced by the Company, the Company issued and the employee benefit trust established by the Company allotted 6,262,250 (2018: 5,367,150) new shares which were awarded to selected participants and will be vested based on certain vesting conditions.

58. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(a) Other deficits

The opening balance of other deficits as at 1 January 2009 represented the acquisition of the entire equity interest in Fosun Group pursuant to the restructuring of the Group prior to the listing of its shares on the Hong Kong Stock Exchange, after netting off the paid-up capital and capital reserve (arising from the bonus share issue of its subsidiaries) of Fosun Group.

(b) Surplus reserve

In accordance with the Company Law of the PRC and the respective articles of association of the subsidiaries established in Chinese Mainland (the "PRC Subsidiaries"), each PRC Subsidiary is required to allocate 10% of its profit after tax, as determined in accordance with the applicable PRC accounting standards and regulations, to the surplus reserve until this reserve reaches 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the surplus reserve can be capitalised as paid-up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

In accordance with the Company Law of Portugal, a percentage of not less than 10% or 5% of each year's net profit, depending on whether a company is an insurance or other company, must be transferred to the legal reserve, until the legal reserve totals the amount of share capital, or the legal reserve totals 20% of the registered capital. The legal reserve may not be distributed, but only be used to increase share capital or offset accumulated losses.

59. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2019	2018
Percentage of equity interest held by non-controlling interests:		
Fosun Pharma	61.90%	62.45%
Portuguese Insurance Group	15.01%	15.01%

Fidelidade – Companhia de Seguros, S.A., Multicare – Seguros de Saúde, S.A. and Fidelidade Assistência – Companhia de Seguros, S.A. are collectively referred to as "Portuguese Insurance Group".

	2019 RMB'000	2018 RMB'000
Profit for the year allocated to non-controlling interests:		
Fosun Pharma	2,061,276	1,691,098
Portuguese Insurance Group	284,633	338,882
Dividends paid to non-controlling interests:		
Fosun Pharma	508,058	613,241
Accumulated balances of non-controlling interests at the reporting dates:		
Fosun Pharma	19,745,522	17,477,644
Portuguese Insurance Group	3,024,187	2,430,947

59. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2019	**Portuguese Insurance Group RMB'000**	**Fosun Pharma RMB'000**
Revenue	**22,646,093**	**28,389,277**
Total expenses	**(20,604,658)**	**(24,645,755)**
Profit for the year	**2,041,435**	**3,743,522**
Total comprehensive income for the year	**4,432,952**	**3,525,696**
Current assets	**37,705,800**	**20,403,368**
Non-current assets	**120,947,593**	**55,659,391**
Current liabilities	**(30,002,339)**	**(17,433,766)**
Non-current liabilities	**(101,623,154)**	**(19,481,667)**
Net cash flows from operating activities	**323,142**	**3,222,412**
Net cash flows used in investing activities	**(4,948,226)**	**(171,962)**
Net cash flows from/(used in) financing activities	**1,126,234**	**(1,935,978)**

2018	Portuguese Insurance Group RMB'000	Fosun Pharma RMB'000
Revenue	17,325,819	24,713,875
Total expenses	(15,032,887)	(21,693,993)
Profit for the year	2,292,932	3,019,882
Total comprehensive (loss)/income for the year	(2,893,515)	2,351,197
Current assets	57,635,553	18,001,727
Non-current assets	82,537,311	52,492,747
Current liabilities	(24,009,989)	(17,923,246)
Non-current liabilities	(94,027,698)	(19,035,401)
Net cash flows from operating activities	3,439,159	2,950,106
Net cash flows from/(used in) investing activities	8,313,767	(5,244,915)
Net cash flows (used in)/from financing activities	(267,822)	3,137,535

60. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries

(I) ACQUISITION OF SUBSIDIARIES ACCOUNTED FOR AS BUSINESS COMBINATIONS NOT UNDER COMMON CONTROL

The major acquisition of subsidiaries accounted for as business combinations not under common control is set out as follows:

In January 2019, Longrun Portugal, SGPS, S.A., a subsidiary of the Group, acquired 51% equity interests in La Positiva Seguros y Reaseguros at a consideration of 349,604,000 Peruvian Soles (equivalent to RMB727,487,000). The acquisition was undertaken to further develop the insurance business of the Group.

In January 2019, Yuyuan, a subsidiary of the Group, acquired a 79.99% equity interests in International Gemological Institute at a consideration of USD112,022,265 (equivalent to RMB750,829,000). The acquisition was undertaken to further develop the business under happiness segment of the Group.

In January 2019, Yuyuan, a subsidiary of the Group, acquired a 100% equity interest in Shanghai Xingjue Investment Management Co., Ltd ("Shanghai Xingjue") at a consideration of RMB2,031,658,000. The acquisition was undertaken to further develop the business under happiness segment of the Group.

In December 2019, Yuyuan, a subsidiary of the Group, acquired a 100% equity interest in Shanghai Xingqi Investment Management Co., Ltd ("Shanghai Xingqi") at a consideration of RMB1,778,136,000. The acquisition was undertaken to further develop the business under happiness segment of the Group.

As at 31 December 2018, the Group held a 26.89% equity interest in Tom Tailor Holding SE ("Tom Tailor") and Tom Tailor was accounted for as an associate of the Group. In July 2019, upon completion of the voluntary public takeover offer of shares of Tom Tailor, the Group increased its equity interest in Tom Tailor to 76.75% at a total payment of the consideration of EUR40,491,000 (equivalent to RMB309,706,000), the Group has a total of 76.75% equity interest in Tom Tailor and Tom Tailor has been consolidated into the Group since then. The acquisition was undertaken to further develop the business under happiness segment of the Group.

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

60. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

(I) ACQUISITION OF SUBSIDIARIES ACCOUNTED FOR AS BUSINESS COMBINATIONS NOT UNDER COMMON CONTROL *(Continued)*

The fair values of the identifiable assets and liabilities of all the subsidiaries acquired during the year were as follows:

	2019 Fair value recognised on acquisition RMB'000
Property, plant and equipment (note 13)	2,508,480
Intangible assets (note 19)	3,796,888
Right-of-use assets (note 15)	2,663,088
Cash and bank balances	4,419,347
Investments in associates	380,536
Investment properties (note 14)	4,192,333
Financial assets at fair value through profit or loss	861,956
Debt investments at fair value through other comprehensive income	6,407,458
Deferred tax assets (note 30)	219,234
Trade and notes receivables	761,798
Prepayments, other receivables and other assets	1,891,574
Inventories	1,437,924
Properties under development	8,529,416
Completed properties for sale	3,558,280
Insurance and reinsurance debtors	1,091,403
Reinsurers' share of insurance contract provisions	964,169
Interest-bearing bank and other borrowings	(9,158,715)
Trade and notes payables	(926,209)
Accrued liabilities and other payables (excluding lease liabilities)	(3,447,383)
Due to related companies	(647,149)
Tax payable	(453,517)
Deferred Income	(177,010)
Other long term payables (excluding lease liabilities)	(408,481)
Lease liabilities (note 15)	(2,874,552)
Contract liabilities	(2,471,464)
Unearned premium provisions (note 48)	(1,240,519)
Provision for unexpired risks	(1,847)
Provision for outstanding claims (note 49)	(1,669,641)
Other life insurance contract liabilities (note 51)	(6,564,894)
Insurance and reinsurance creditors	(862,803)
Deferred tax liabilities (note 30)	(1,297,146)
Total identifiable net assets at fair value	11,482,554
Non-controlling interests	(2,512,961)
Total net assets acquired	8,969,593
Gain on bargain purchase of subsidiaries (note 6)	(64,338)
Goodwill on acquisition (note 20)	1,285,867
	10,191,122

60. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

(I) ACQUISITION OF SUBSIDIARIES ACCOUNTED FOR AS BUSINESS COMBINATIONS NOT UNDER COMMON CONTROL *(Continued)*

	RMB'000
Satisfied by:	
Cash	**7,863,827**
Investments in joint venture	**1,896,255**
Prepayments, other receivables and other assets	**24,461**
Investments in associates	**406,579**
	10,191,122

The fair values of the trade receivables and prepayments, other receivables and other assets as at the dates of acquisition amounted to RMB761,798,000 and RMB1,891,574,000, respectively. The gross contractual amounts of trade receivables and prepayments, other receivables and other assets were RMB868,697,000 and RMB1,891,574,000, respectively, among which RMB106,899,000 about the trade receivables were expected to be uncollectible.

The Group incurred transaction costs of RMB845,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses or administrative expenses in the consolidated statement of profit or loss.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

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

Since the acquisition, the acquired subsidiaries contributed RMB7,701,640,000 to the Group's turnover and net profit of RMB266,833,000 to the consolidated profit for the year ended 31 December 2019.

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 2019 would have been RMB148,947,592,000 and RMB20,371,872,000, respectively.

(II) AN ANALYSIS OF THE CASH FLOWS IN RESPECT OF THE ACQUISITION OF SUBSIDIARIES AS SET OUT IN (I) ABOVE IS AS FOLLOWS:

	RMB'000
Consideration settled by cash	**(7,863,827)**
Cash and cash equivalents acquired	**4,419,347**
Cash consideration unpaid	**652,773**
Payment of unpaid cash consideration as at 31 December 2018	**(81,507)**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(2,873,214)**
Transaction costs of these acquisitions included in cash flows from operating activities	**(845)**
	(2,874,059)

60. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of subsidiaries

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

In March 2019, a subsidiary of Forte disposed of its 100% equity interests in Guangzhou Xingjian Xingsui Real Estate Co., Ltd. ("Xingjian Xingsui") to Dansville Assets PTE. LTD. at a total consideration of approximately RMB2,917,982,000.

In September 2019, the Company and the third party investors signed a share subscription agreement in relation to the purchase of share of Fosun Fashion Group (Cayman) Limited ("FFG"), a wholly owned subsidiary of the Group. On 18 October 2019, the subscription was completed and the Group's equity interest in FFG was diluted to 83.40%. Upon the completion of the subscription, the Group has no power to direct the relevant activities of FFG and lost the control. The Group can still exercise significant influence over FFG and the remaining 83.40% equity interest in FFG was accounted for as an investment in an associate in the consolidated financial statements.

The total net assets disposed of in respect of the disposal of the subsidiaries during the year were as follows:

	2019 RMB'000	2018 RMB'000
Net assets disposed of:		
Property, plant and equipment (note 13)	405,852	57,664
Intangible assets (note 19)	679,809	47,798
Right-of-use assets (note 15)	567,920	–
Prepaid land lease payments	–	2,933
Completed properties for sale	–	262,696
Goodwill (note 20)	131,738	19,637
Investments in associates	14,150	–
Deferred tax assets (note 30)	14,093	1,661
Properties under development	1,879,693	11,593,668
Investment properties (note 14)	–	680,883
Cash and bank balances	338,198	135,164
Financial assets at fair value through profit or loss	18,149	–
Trade and notes receivables	169,617	18,849
Due from related parties	158,906	244
Prepayments, other receivables and other assets	214,023	117,740
Inventories	350,719	9,091
Deferred income	(2)	–
Interest-bearing bank and other borrowings	(751,510)	(374,271)
Trade and notes payables	(171,006)	(84,858)
Due to related companies	(819)	(3,410,993)
Accrued liabilities and other payables (excluding lease liabilities)	(177,259)	(1,024,306)
Contract liabilities	(10,144)	–
Deferred tax liabilities (note 30)	(162,767)	(3,432)
Other long term payables (excluding lease liabilities)	(134,333)	–
Lease liabilities (note 15)	(668,726)	–
Non-controlling interests	(398,734)	(19,800)
	2,467,567	8,030,368
Fair value of the retained interests in subsidiaries disposed of	(3,562,583)	(3,891,659)
Net gain on disposal of subsidiaries (note 6)	4,029,184	45,059
	2,934,168	4,183,768
Satisfied by:		
Cash	2,934,168	4,183,768

60. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of subsidiaries *(Continued)*

An analysis of the cash flows in respect of the disposal of subsidiaries is as follows:

	2019 RMB'000	2018 RMB'000
Cash consideration	**2,934,168**	4,183,768
Cash and cash equivalents disposed of	**(338,198)**	(135,164)
Advance receipt of cash consideration in previous years	**–**	(14,599)
Receipt of unreceived cash consideration for disposal as at 31 December 2018	**25,672**	–
Cash consideration unreceived as at 31 December 2019	**(1,007,574)**	(28,840)
Net inflow of cash and cash equivalents included in cash flows from investing activities	**1,614,068**	4,005,165

61. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,692,100,000 and RMB2,692,100,000, respectively, in respect of lease arrangements for land, buildings, machinery, furniture, fixtures and other equipment (2018: Nil).

(b) Changes in liabilities arising from financing activities

	Bank and other loans RMB'000	Loans from non-controlling shareholders of subsidiaries RMB'000	Finance lease payable/Lease liabilities RMB'000	Interest payable RMB'000
At 31 December 2018	186,140,351	3,831,231	566,405	1,816,958
Effect of adoption of HKFRS 16	–	–	10,674,184	–
At 1 January 2019 (restated)	186,140,351	3,831,231	11,240,589	1,816,958
Changes from financing cash flows	12,702,315	(1,243,785)	(2,187,395)	–
Interest paid	(78,319)	–	–	(10,199,765)
New leases	–	–	2,692,100	–
Early termination of leases	–	–	(155,838)	–
Foreign exchange movement	994,514	–	55,524	42,673
Interest expense	120,991	–	579,914	9,171,475
Interest capitalised under properties under development	–	–	–	1,582,381
Interest capitalised under property, plant and equipment	–	–	–	22,606
Increase arising from acquisition of subsidiaries	9,158,715	–	2,874,552	–
Decrease arising from disposal of subsidiaries	(751,510)	–	(668,726)	–
At 31 December 2019	**208,287,057**	**2,587,446***	**14,430,720**	**2,436,328**

* Included in other long term payables and accrued liabilities and other payables

61. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(b) Changes in liabilities arising from financing activities *(Continued)*

	Bank and other loans RMB'000	Loans from non-controlling shareholders of subsidiaries included in other long term payables RMB'000	Finance lease payable RMB'000	Convertible bond RMB'000	Interest payable RMB'000
At 31 December 2017	150,375,064	1,143,177	337,234	81,428	1,353,994
Changes from financing cash flows	22,758,833	2,688,054	(4,536)	–	–
Conversion into equity	–	–	–	(81,354)	–
Interest paid	(212,205)	–	–	(1,076)	(7,442,481)
New finance lease	–	–	84,925	–	–
Foreign exchange movement	2,082,475	–	–	320	136,059
Interest expense	301,940	–	–	682	6,538,625
Interest capitalised under properties under development	–	–	–	–	1,174,670
Interest capitalised under property, plant and equipment	–	–	–	–	56,091
Increase arising from acquisition of subsidiaries	11,208,515	–	148,782	–	–
Decrease arising from disposal of subsidiaries	(374,271)	–	–	–	–
At 31 December 2018	186,140,351	3,831,231	566,405	–	1,816,958

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 RMB'000
Within operating activities	**511,005**
Within investing activities	**535,769**
Within financing activities	**2,187,395**
	3,234,169

62. SHARE-BASED PAYMENTS

(a) Share award scheme of the Company

The Company adopts a share award scheme ("Share Award Scheme") for the purpose to align the interests of the eligible persons with those of the Group through ownership of shares, dividends and other distributions paid on shares and/or the increase in value of the shares; and to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group.

SHARE AWARD SCHEME II

On 1 April 2016, the Board of Directors of the Company has resolved to award an aggregate of 5,410,000 award shares ("Award Shares 2016") to 69 selected participants under the share award scheme ("Share Award Scheme II"). Award Shares are awarded to selected participants by way of issue and allotment of new shares pursuant to a specific mandate obtained in the annual general meeting held on 1 June 2016.

Award Shares 2016 shall be locked up immediately upon granting. The Award Shares 2016 granted to participants shall be subject to various lock-up periods ranging from one year to three years, respectively, immediately from the date of grant. Award Shares 2016 held by participants shall be unlocked in three tranches in the proportion of 33%, 33% and 34% of the total number of the Award Shares 2016 granted upon the expiry of each lock-up period.

The aggregate fair value of the Award Shares 2016 granted amounted to approximately HKD52,048,000. The Group has recognised an amount of HKD1,944,000 (equivalent to RMB1,711,000) as expenses for the year ended 31 December 2019 (2018: equivalent to RMB6,430,000).

SHARE AWARD SCHEME III

On 4 May 2017, the Board of Directors of the Company has resolved to award an aggregate of 5,275,000 award shares ("Award Shares 2017") to 65 selected participants under the share award scheme ("Share Award Scheme III"). Award Shares are awarded to selected participants by way of issue and allotment of new shares pursuant to a specific mandate obtained in the annual general meeting held on 6 June 2017.

Award Shares 2017 shall be locked up immediately upon granting. The Award Shares 2017 granted to participants shall be subject to various lock-up periods ranging from one year to three years, respectively, immediately from the date of grant. Award Shares 2017 held by participants shall be unlocked in three tranches in the proportion of 33%, 33% and 34% of the total number of the Award Shares 2017 granted upon the expiry of each lock-up period.

The aggregate fair value of the Award Shares 2017 granted amounted to approximately HKD58,264,000. The Group has recognised an amount of HKD10,967,000 (equivalent to RMB9,651,000) as expenses for the year ended 31 December 2019 (2018: equivalent to RMB20,771,000).

62. SHARE-BASED PAYMENTS *(Continued)*

(a) Share award scheme of the Company *(Continued)*

SHARE AWARD SCHEME IV

On 28 March 2018, the Board of Directors of the Company has resolved to award an aggregate of 5,902,000 award shares ("Award Shares 2018") to 70 selected participants under the share award scheme ("Share Award Scheme IV"). Award Shares are awarded to selected participants by way of issue and allotment of new shares pursuant to a specific mandate obtained in the annual general meeting held on 6 June 2018.

Award Shares 2018 shall be locked up immediately upon granting. The Award Shares 2018 granted to participants shall be subject to various lock-up periods ranging from one year to three years, respectively, immediately from the date of grant. Award Shares 2018 held by participants shall be unlocked in three tranches in the proportion of 33%, 33% and 34% of the total number of the Award Shares 2018 granted upon the expiry of each lock-up period.

The aggregate fair value of the Award Shares 2018 granted amounted to approximately HKD82,575,000. The Group has recognised an amount of HKD40,621,000 (equivalent to RMB35,747,000) as expenses for the year ended 31 December 2019 (2018: equivalent to RMB29,155,000)

SHARE AWARD SCHEME V

On 27 March 2019, the Board of Directors of the Company has resolved to award an aggregate of 6,283,000 award shares ("Award Shares 2019 I") to 92 selected participants under the share award scheme ("Share Award Scheme V"). Award Shares are awarded to selected participants by way of issue and allotment of new shares pursuant to a specific mandate obtained in the annual general meeting held on 5 June 2019.

Award Shares 2019 I shall be locked up immediately upon granting. The Award Shares 2019 I granted to participants shall be subject to various lock-up periods ranging from one year to three years, respectively, immediately from the date of grant. Award Shares 2019 I held by participants shall be unlocked in three tranches in the proportion of 33%, 33% and 34% of the total number of the Award Shares 2019 I granted upon the expiry of each lock-up period.

The aggregate fair value of the Award Shares 2019 I granted amounted to approximately HKD55,031,000. The Group has recognised an amount of HKD23,018,000 (equivalent to RMB20,256,000) as expenses for the year ended 31 December 2019.

SHARE AWARD SCHEME VI

On 28 August 2019, the Board of Directors of the Company has resolved to award an aggregate of 420,000 award shares ("Award Shares 2019 II") to 10 selected participants under the share award scheme ("Share Award Scheme VI"). Award Shares are awarded to selected participants by way of issue and allotment of new shares pursuant to a specific mandate obtained in the special general meeting held on 30 October 2019.

Award Shares 2019 II shall be locked up immediately upon granting. The Award Shares 2019 II granted to participants shall be subject to various lock-up periods ranging from one year to three years, respectively, immediately from the date of grant. Award Shares 2019 II held by participants shall be unlocked in three tranches in the proportion of 33%, 33% and 34% of the total number of the Award Shares 2019 granted upon the expiry of each lock-up period.

The aggregate fair value of the Award Shares 2019 II granted amounted to approximately HKD3,790,000 The Group has recognised an amount of HKD462,000 (equivalent to RMB406,000) as expenses for the year ended 31 December 2019.

62. SHARE-BASED PAYMENTS *(Continued)*

(a) Share award scheme of the Company *(Continued)*

SHARE AWARD SCHEME VI *(Continued)*

The following shares were outstanding under the Share Award Scheme during the year:

	2019	2018
At 1 January	**10,612,200**	9,533,800
Granted during the year	**6,703,000**	5,902,000
Forfeited and cancelled during the year	**(374,750)**	(386,750)
Unblocked during the year	**(5,078,760)**	(4,436,850)
At 31 December	**11,861,690**	10,612,200

The number of outstanding shares as at 31 December 2019 for each tranche of share award is as follows:

	2019	2018
Share Award Scheme II	**–**	1,550,400
Share Award Scheme III	**1,645,600**	3,309,800
Share Award Scheme IV	**3,770,090**	5,752,000
Share Award Scheme V	**6,116,000**	–
Share Award Scheme VI	**330,000**	–
At 31 December	**11,861,690**	10,612,200

62. SHARE-BASED PAYMENTS *(Continued)*

(b) Share option scheme of the Company

The Company adopts a share option scheme ("Share Option Scheme") for the purpose of providing incentive and/or reward to eligible persons for their contribution to the Group, and continuing efforts to promote the interests of the Group.

SHARE OPTION SCHEME I

On 8 January 2016, the Company granted 111,000,000 options ("Options 2016") to subscribe for an aggregate of 111,000,000 ordinary shares in the Company under its Share Option Scheme. Each of the Options 2016 shall entitle the holder of such Option 2016 to subscribe for one share upon exercise of such Option 2016 at an exercise price of HKD11.53 per share.

The Options 2016 are exercisable by each grantee in three tranches as set out below:

i. up to the first 20% of the Options 2016, at any time from the date falling on the fifth anniversary of the date of grant till the end of the 10-year period commencing from the date of grant ("Option Period 2016");

ii. up to a further 30% of the Options 2016, at any time from the date falling on the sixth anniversary of the date of grant till the end of the Option Period 2016; and

iii. in respect of the remaining 50% of the Options 2016, which, for the avoidance of doubt, comprise those Options 2016 which have not been exercised (and have not lapsed) since the fifth anniversary of the date of grant, at any time from the date falling on the seventh anniversary of the date of grant till the end of the Option Period 2016.

The aggregate fair value of the Share Option Scheme granted amounted to approximately HKD315,876,000. The Group has recognised an amount of HKD51,383,000 (equivalent to RMB45,218,000) as expenses for the year ended 31 December 2019 (2018: equivalent to RMB43,491,000).

SHARE OPTION SCHEME II

On 4 May 2017, the Company has granted 56,400,000 options ("Options 2017") to subscribe for an aggregate of 56,400,000 ordinary shares in the Company under its Share Option Scheme. Each of the Options 2017 shall entitle the holder of such Option 2017 to subscribe for one share upon exercise of such Option 2017 at an exercise price of HKD11.75 per share.

The Options 2017 are exercisable by each grantee in three tranches as set out below:

i. up to the first 20% of the Options 2017, at any time from the date falling on the fifth anniversary of the date of grant till the end of the 10-year period commencing from the date of grant ("Option Period 2017");

ii. up to a further 30% of the Options 2017, at any time from the date falling on the sixth anniversary of the date of grant till the end of the Option Period 2017; and

iii. in respect of the remaining 50% of the Options 2017, which, for the avoidance of doubt, comprise those Options 2017 which have not been exercised (and have not lapsed) since the fifth anniversary of the date of grant, at any time from the date falling on the seventh anniversary of the date of grant till the end of the Option Period 2017.

The aggregate fair value of the Share Option Scheme granted amounted to approximately HKD155,132,000. The Group has recognised an amount of HKD25,235,000 (equivalent to RMB22,207,000) as expenses for the year ended 31 December 2019 (2018: equivalent to RMB21,359,000).

62. SHARE-BASED PAYMENTS *(Continued)*

(b) Share option scheme of the Company *(Continued)*

SHARE OPTION SCHEME III

On 28 March 2018, the Company has granted 51,701,000 options ("Options 2018") to subscribe for an aggregate of 51,701,000 ordinary shares in the Company under its Share Option Scheme, of which (i) 27,000,000 option shares are granted to selected global core management; and (ii) 24,701,000 option shares are granted to selected outstanding employees. Each of the Options 2018 shall entitle the holder of such Option 2018 to subscribe for one share upon exercise of such Option 2018 at an exercise price of HKD17.58 per share.

The Options 2018 granted to selected global core management are exercisable by each grantee in three tranches as set out below:

i. up to the first 20% of the Options 2018, at any time from the date falling on the fifth anniversary of the date of grant till the end of the 10-year period commencing from the date of grant ("Option Period 2018");

ii. up to a further 30% of the Options 2018, at any time from the date falling on the sixth anniversary of the date of grant till the end of the Option Period 2018; and

iii. in respect of the remaining 50% of the Options 2018, which, for the avoidance of doubt, comprise those Options 2018 which have not been exercised (and have not lapsed) since the fifth anniversary of the date of grant, at any time from the date falling on the seventh anniversary of the date of grant till the end of the Option Period 2018.

The Options 2018 granted to selected outstanding employees are exercisable by each grantee in five tranches as set out below:

i. up to the first 20% of the Options 2018, at any time from the date falling on the first anniversary of the date of grant till the end of the 10-year period commencing from the date of grant ("Option Period 2018");

ii. up to a further 20% of the Options 2018, at any time from the date falling on the second anniversary of the date of grant till the end of the Option Period 2018; and

iii. up to a further 20% of the Options 2018, at any time from the date falling on the third anniversary of the date of grant till the end of the Option Period 2018; and

iv. up to a further 20% of the Options 2018, at any time from the date falling on the fourth anniversary of the date of grant till the end of the Option Period 2018; and

v. in respect of the remaining 20% of the Options 2018, which, for the avoidance of doubt, comprise those Options 2018 which have not been exercised (and have not lapsed) since the first anniversary of the date of grant, at any time from the date falling on the fifth anniversary of the date of grant till the end of the Option Period 2018.

The aggregate fair value of the Share Option Scheme granted amounted to approximately HKD221,051,000. The Group has recognised an amount of HKD51,151,000(equivalent to RMB45,014,000) as expenses for the year ended 31 December 2019 (2018: equivalent to RMB46,766,000).

62. SHARE-BASED PAYMENTS *(Continued)*

(b) Share option scheme of the Company *(Continued)*

SHARE OPTION SCHEME IV

On 27 March 2019, the Company has granted 83,880,000 options ("Options 2019 I") to subscribe for an aggregate of 83,880,000 ordinary shares in the Company under its Share Option Scheme, of which (i) 66,000,000 option shares are granted to selected global core management; and (ii) 17,880,000 option shares are granted to selected outstanding employees. Each of the Options 2019 I shall entitle the holder of such Option 2019 I to subscribe for one share upon exercise of such Option 2019 I at an exercise price of HKD12.86 per share.

The Options 2019 I granted to selected global core managements are exercisable by each grantee in three tranches as set out below:

i. up to the first 20% of the Options 2019 I, at any time from the date falling on the fifth anniversary of the date of grant till the end of the 10-year period commencing from the date of grant ("Option Period 2019 I");

ii. up to a further 30% of the Options 2019 I, at any time from the date falling on the sixth anniversary of the date of grant till the end of the Option Period 2019 I; and

iii. in respect of the remaining 50% of the Options 2019 I, which, for the avoidance of doubt, comprise those Options 2019 I which have not been exercised (and have not lapsed) since the fifth anniversary of the date of grant, at any time from the date falling on the seventh anniversary of the date of grant till the end of the Option Period 2019 I.

The Options 2019 I granted to selected outstanding employees are exercisable by each grantee in five tranches as set out below:

i. up to the first 20% of the Options 2019 I, at any time from the date falling on the first anniversary of the date of grant till the end of the 10-year period commencing from the date of grant ("Option Period 2019 I");

ii. up to a further 20% of the Options 2019 I, at any time from the date falling on the second anniversary of the date of grant till the end of the Option Period 2019 I; and

iii. up to a further 20% of the Options 2019 I, at any time from the date falling on the third anniversary of the date of grant till the end of the Option Period 2019; and

iv. up to a further 20% of the Options 2019 I, at any time from the date falling on the fourth anniversary of the date of grant till the end of the Option Period 2019 I; and

v. in respect of the remaining 20% of the Options 2019 I, which, for the avoidance of doubt, comprise those Options 2019 I which have not been exercised (and have not lapsed) since the first anniversary of the date of grant, at any time from the date falling on the fifth anniversary of the date of grant till the end of the Option Period 2019 I.

The aggregate fair value of the Share Option Scheme granted amounted to approximately HKD196,264,000. The Group has recognised an amount of HKD43,197,000 (equivalent to RMB38,014,000) as expenses for the year ended 31 December 2019.

62. SHARE-BASED PAYMENTS *(Continued)*

(b) Share option scheme of the Company *(Continued)*

SHARE OPTION SCHEME V

On 28 August 2019, the Company has granted 2,380,000 options ("Options 2019 II") to subscribe for an aggregate of 2,380,000 ordinary shares in the Company under its Share Option Scheme, Each of the options 2019 II shall entitle the holder of such Option 2019 II to subscribe for one share upon exercise of such Option 2019 II at an exercise price of HKD9.95 per share.

The Options 2019 II which are classified as type I and type II are granted to newly-joined management staff and the intelligent technology professionals of the Group.

TYPE I EXERCISING SCHEDULE:

i. up to the first 25% of the Options 2019 II, at any time from the date falling on the first anniversary of the date of grant till the end of the 10-year period commencing from the date of grant ("Option Period 2019 II");

ii. up to a further 25% of the Options 2019 II, at any time from the date falling on the second anniversary of the date of grant till the end of the Option Period 2019 II; and

iii. up to a further 25% of the Options 2019 II, at any time from the date falling on the third anniversary of the date of grant till the end of the Option Period 2019 II; and

iv. in respect of the remaining 25% of the Options 2019 II, which, for the avoidance of doubt, comprise those Options 2019 II which have not been exercised (and not lapsed) since the first anniversary of the date of grant, at any time from the date falling on the fourth anniversary of the date of grant till the end of the Option Period 2019 II.

TYPE II EXERCISING SCHEDULE:

i. up to the first 50% of the Options 2019 II, at any time from the date falling on the second anniversary of the date of grant till the end of the 10-year period commencing from the date of grant ("Option Period 2019 II");

ii. up to a further 25% of the Options 2019 II, at any time from the date falling on the third anniversary of the date of grant till the end of the Option Period 2019 II; and

iii. in respect of the remaining 25% of the Options 2019 II, which, for the avoidance of doubt, comprise those Options 2019 II which have not been exercised (and have not lapsed) since the second anniversary of the date of grant, at any time from the date falling on the fourth anniversary of the date of grant till the end of the Option Period 2019 II.

The aggregate fair value of the Share Option Scheme granted amounted to approximately HKD6,289,000. The Group has recognised an amount of HKD1,036,000 (equivalent to RMB911,000) as expenses for the year ended 31 December 2019.

62. SHARE-BASED PAYMENTS *(Continued)*

(b) Share option scheme of the Company *(Continued)*

SHARE OPTION SCHEME V *(Continued)*

The fair value of equity-settled share options granted was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the major inputs to the model used:

Share option:	Scheme I	Scheme II	Scheme III
Share price (HKD per share)	10.80	11.68	17.58
Volatility (%)	30.00	25.17	32.12
Risk-free interest rate (%)	1.36	1.23	1.91
Expected life of options (year)	10	10	10
Dividend yield (%)	1.57	1.80	1.99

Share option:	Scheme IV	Scheme V
Share price (HKD per share)	12.86	9.95
Volatility (%)	38.59	36.71
Risk-free interest rate (%)	1.43	1.01
Expected life of options (year)	10	10
Dividend yield (%)	2.88	3.17

The following options were outstanding under the Share Option Scheme during the year:

	2019	2018
At 1 January	**194,312,000**	145,400,000
Granted during the year	**86,260,000**	51,701,000
Forfeited and other changes during the year	**(32,777,000)**	(2,789,000)
At 31 December	**247,795,000**	194,312,000

The weighted average exercise price of share options which were granted during 2019 was HKD12.78 (2018: HKD17.58), and the weighted average exercise price of share options which was forfeited during 2019 were HKD17.58 (2018: HKD17.58).

The number of outstanding share options granted as at 31 December 2019 for each tranche of the share option scheme is as follows:

	2019	2018
Share Option Scheme I	**89,000,000**	89,000,000
Share Option Scheme II	**56,400,000**	56,400,000
Share Option Scheme III	**19,280,000**	48,912,000
Share Option Scheme IV	**81,185,000**	–
Share Option Scheme V	**1,930,000**	–
At 31 December	**247,795,000**	194,312,000

62. SHARE-BASED PAYMENTS *(Continued)*

(c) Equity-settled share-based payment of subsidiaries of the Group

FOSUN PHARMA

During the year of 2018, the shares of restricted A-share incentive scheme of Fosun Pharma had been all unlocked. The amount of cost of share-based payments recognised in profit or loss during the year is nil in 2019 (2018: RMB642,000).

SHANGHAI HENLIUS BIOTECH CO., LTD. ("HENLIUS")

As at 14 April 2018, the second extraordinary general meeting of Henlix, a subsidiary of the Group, passed a share incentive scheme and granted 22,750,000 restricted shares to eligible participants at a price of RMB9.21 per share. Henlix has recognised an amount of RMB123,734,000 as related expenses and R&D investment for the year ended 31 December 2019 (2018:RMB 92,547,000).

FOSUN TOURISM GROUP ("FTG")

FTG, a subsidiary of the Group, has granted certain share options during previous years. The fair value of the share options granted was RMB184,620,000 (RMB3.47 to RMB4.59 each), based on different vesting periods, of which the Group recognised a share option expense of RMB54,845,000 during the year ended 31 December 2019 (the year ended 31 December 2018: RMB56,707,000).

On 4 July 2018, pursuant to the free share ownership plan of FTG, share units for 3,505,537 ordinary shares of FTG were granted to eligible participants with vesting periods from one to four years. The aggregate fair value of the free shares granted was amounted to approximately RMB55,162,000. FTG has recognised a expense of RMB13,302,000 for the year ended 31 December 2019 (For the year ended 31 December 2018: RMB20,447,000).

YUYUAN

Pursuant to the restricted share incentive schemes and share incentive schemes of Yuyuan, share units for 21,148,000 restricted share and ordinary shares of Yuyuan were granted to eligible participants with vesting periods from one to five years. The aggregate fair value of the free shares granted was amounted to approximately RMB58,748,000. Yuyuan has recognised a expense of RMB15,216,000 for the year ended 31 December 2019 (For the year ended 31 December 2018: RMB1,970,000).

BAIHE JIAYUAN

Baihe Jiayuan, a subsidiary of the Group, has recognised an amount of RMB35,520,000 as expenses for the year ended 31 December 2019. (For the year ended 31 December 2018: RMB 84,882,000).

63. COMMITMENTS

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

	2019 RMB'000	2018 RMB'000
Contracted, but not provided for:		
Plant and machinery	**3,906,608**	2,722,616
Properties under development	**2,755,842**	10,717,758
Investments	**2,552,079**	6,997,321
Oil and gas assets	**389,272**	–
	9,603,801	20,437,695

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	2019 RMB'000	2018 RMB'000
Contracted but not provided for:		
Properties under development	**784,706**	866,864
	784,706	866,864

(b) Operating lease commitments as at 31 December 2018

The Group leases certain of its office properties, shop lots, land and plants under operating lease arrangements, with negotiated terms ranging from one to ten years.

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000
Within one year	1,925,437
In the second to fifth years, inclusive	5,817,481
Over five years	8,073,474
	15,816,392

(c)

The Group has various lease contracts that have not yet commenced as at 31 December 2019. The future lease payments for these non-cancellable lease contracts are RMB62,855,000 due within one year, RMB738,048,000 due in the second to fifth years, inclusive and RMB2,178,352,000 due after five years.

64. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the end of the reporting period:

	Note	2019 RMB'000	2018 RMB'000
Principal amount of the guaranteed bank loans and corporate bonds of:			
Related parties		–	21,935
Third parties		11,402	27,403
Qualified buyers' mortgage loans	(1)	8,591,399	5,692,919
		8,602,801	5,742,257

Notes:

(1) As at 31 December 2019, the Group provided guarantees of approximately RMB8,591,399,000 (31 December 2018: RMB5,692,919,000) in favour of their customers in respect of mortgage loans provided by banks to these customers for their purchases of the Group's developed properties where the underlying real estate certificates can only be provided to the banks in a time delayed manner due to administrative procedures in the PRC. These guarantees provided by the Group will be released when the customers pledge their real estate certificates as security to the banks for the mortgage loans granted by the banks.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the outstanding principal together with the accrued interest and penalties, and therefore, no provision has been made in the financial statements for the guarantees.

(2) Owing to the nature of the insurance business, the insurance segment of the Group is involved in legal proceedings in the ordinary course of its activities, including being the plaintiff or the defendant in litigation and arbitration proceedings. Most of such legal proceedings involve claims concerning insurance policies, which are already provisioned, and some additional losses arising therefrom will be indemnified either by reinsurers or by other recoveries, like salvages. Although the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the Group believes that any resulting liabilities will not have a material adverse effect on its financial position or operating results.

65. 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	2019 RMB'000	2018 RMB'000
Sales of goods			
Sinopharm Group Co., Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	**3,135,245**	2,328,131
C.Q. Pharmaceutical Holding Co., Ltd (Notes 2 & 7)	Sales of pharmaceutical products	**448,804**	366,319
Intuitive Surgical-Fosun (HongKong) Co., Ltd (Notes 2 & 7)	Sales of pharmaceutical products	**217,368**	–
Nanjing Iron & Steel Co., Ltd. (Notes 2 & 7)	Sales of powdered iron	**157,015**	11,372
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd (Notes 2 & 7)	Sales of pharmaceutical products	**66,288**	861
Shanghai Xingyao Medical Technology Development Co., Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	**17,696**	23,484
Shanghai Lingjian Information Technology Co., Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	**8,111**	4,396
Shanghai Diai Medical Instrument Co., Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	**5,102**	3,668
Healthy Harmony Holdings LP. (Notes 2 & 7)	Sales of pharmaceutical products	**4,042**	1,657
Jinfukang Pharmaceutical Group Co., Ltd (Notes 2 & 7)	Sales of pharmaceutical products	**3,104**	31
Chindex International., Inc (Notes 2 & 7)	Sales of pharmaceutical products	**–**	20,628
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	**–**	3,034
Fosun Kite Biological Technology Co., Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	**–**	406
Total sales of goods		**4,062,775**	2,763,987
Purchases of goods			
Sinopharm Group Co., Ltd. (Notes 2 & 7)	Purchases of pharmaceutical products	**288,007**	194,478
Nanjing Iron & Steel Co., Ltd. (Notes 2 & 7)	Purchases of steel products	**27,953**	–
Saladax Biomedical, Inc. (Notes 2 & 7)	Purchases of pharmaceutical products	**7,520**	2,722
Anhui Sunhere Pharmaceuticals Excipients Co., Ltd. (Notes 2 & 7)	Purchases of pharmaceutical products	**6,254**	1,894
C.Q. Pharmaceutical Holding Co., Ltd. (Notes 2 & 7)	Purchases of pharmaceutical products	**5,602**	–
Shanghai Xingyao Medical Technology Development Co., Ltd. (Notes 2 & 7)	Purchases of pharmaceutical products	**4,231**	2,681
CMIC (Suzhou) Pharmaceutical Technology Co., Ltd. (Notes 2 & 7)	Purchases of pharmaceutical products	**3,237**	2,476
SINNOWA Medical Science & Technology Co., Ltd. (Notes 2 & 7)	Purchases of pharmaceutical products	**2,710**	1,098
Yong'an Property Insurance Company Limited (Notes 2 & 7)	Purchases of insurance products	**117**	718
Total purchases of goods		**345,631**	206,067

65. RELATED PARTY TRANSACTIONS *(Continued)*

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year: *(Continued)*

Name of related parties	Nature of transactions	2019 RMB'000	2018 RMB'000
Service income			
National General Insurance Corporation N.V. (Notes 2 & 8)	Reinsurance services provided to the related company	**369,733**	335,165
Wuhan Fosun Hanzheng Street Property Development Co., Ltd (Notes 2 & 8)	Platform service provided to the related company	**26,151**	–
Yong'an Property Insurance Company Limited (Notes 2 & 8)	Other services provided to the related company	**16,228**	72,043
Fosun United Health Insurance Co., Ltd (Notes 2 & 8)	Consulting services provided to the related company	**7,274**	2,697
Fosun Kite Biotechnology Co., Ltd. (Notes 2 & 8)	Medical related services provided to the related company	**3,573**	–
Kuyi International Travel Agency (Shanghai) Co., Ltd (Notes 2 & 8)	Consulting services provided to the related company	**1,827**	9,852
Shanghai Longza Fosun Pharmaceutical Science and Technology Development (Notes 2 & 8)	Medical related services provided to the related company	**1,677**	–
Shanghai Hongkou Guangxin Microcredit Co., Ltd. (Notes 2 & 8)	Other services provided to the related company	**1,456**	–
Tianjin Jiewei Power Industry Co., Ltd. (Notes 2 & 8)	Other services provided to the related company	**507**	–
Shanghai Qinmiao Technology Co., Ltd. (Notes 2 & 8)	Other services provided to the related company	**506**	–
Shanghai Qinmiao Technology Co., Ltd. (Notes 2 & 8)	Consulting services provided to the related company	**380**	–
Shanghai Dijie Real Estate Co., Ltd. (Notes 2 & 8)	Other services provided to the related company	**94**	–
Sinopharm Group Co., Ltd. (Notes 2 & 8)	Medical related services provided to the related company	**22**	–
Nanjing Nangang Iron & Steel United Co., Ltd. (Notes 2 & 8)	Consulting services provided to the related company	**–**	3,386
Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (Notes 4 & 8)	Other services provided to the related company	**–**	2,533
Nanjing Iron & Steel Co., Ltd. (Notes 2 & 8)	Consulting services provided to the related company	**–**	710
Pramerica Fosun Life Insurance. Company Ltd (Notes 2 & 8)	Travel agency services provided to the related company	**–**	523
Pramerica Fosun Life Insurance. Company Ltd (Notes 2 & 8)	Consulting services provided to the related company	**–**	274
Total service income		**429,428**	427,183

65. RELATED PARTY TRANSACTIONS *(Continued)*

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year: *(Continued)*

Name of related parties	Nature of transactions	2019 RMB'000	2018 RMB'000
Interest income			
Wuhan Fosun Hanzheng Street Property Development Co.,Ltd (Notes 2 & 10)	Interest income	98,505	–
Zhejiang Dongyang China Woodcarving City Investment and Development Co., Ltd. (Notes 2 & 10)	Interest income	83,702	70,939
HCo Lux S.à r.l. (Notes 2 & 10)	Interest income	58,139	55,843
Acacias Property S.à.r.l. (Notes 2 & 10)	Interest income	10,186	–
Tianjin Jiewei Power Industry Co., Ltd. (Notes 2 & 10)	Interest income	8,634	3,920
FPH Europe Holdings III (HK) Limited (Notes 2 & 10)	Interest income	6,339	15,783
Fosun Kite Biotechnology Co., Ltd. (Notes 2 & 10)	Interest income	5,716	3,218
Nanjing Iron & Steel Co., Ltd. (Notes 2 & 10)	Interest income	2,106	–
Nature's sunshine(Far East) limited (Notes 2 & 10)	Interest income	303	27
Shanghai Xingyao Real Estate Development Co., Ltd. (Notes 2 & 10)	Interest income	–	55,488
Tianjin Dragon Steel Industrial Co., Ltd. (Notes 2 & 10)	Interest income	–	15,937
Zhejiang Dongyang China Woodcarving City Co., Ltd. (Notes 2 & 10)	Interest income	–	7,215
Taizhou Xingyao Real Estate Development Co., Ltd. (Notes 2 & 10)	Interest income	–	6,876
Fuyang Furun Property Co., Ltd. (Notes 2 & 10)	Interest income	–	4,364
Easyprint (Beijing) Information Technology Co., Ltd. (Notes 2 & 10)	Interest income	–	2,279
Shanghai Fosun Bund Property Co., Ltd (Notes 2 & 10)	Interest income	–	762
Total interest income		273,630	242,651

65. RELATED PARTY TRANSACTIONS *(Continued)*

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year: *(Continued)*

Name of related parties	Nature of transactions	2019 RMB'000	2018 RMB'000
Rental income			
Fosun Kite Biotechnology Co., Ltd. (Notes 2 & 8)	Operating lease in respect of office buildings leased to the related company	**12,247**	10,183
Shanghai Xingyao Medical Technology Development Co., Ltd. (Notes 2 & 8)	Operating lease in respect of office buildings leased to the related company	**1,877**	1,016
Tongde Equity Investment and Management (Shanghai) Co., Ltd. (Notes 2 & 8)	Operating lease in respect of office buildings leased to the related company	**907**	803
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development. (Notes 2 & 8)	Operating lease in respect of office buildings leased to the related company	**647**	212
Shanghai Qinmiao Technology Co., Ltd. (Notes 2 & 8)	Operating lease in respect of office buildings leased to the related company	**352**	–
Kuyi International Travel Service (Shanghai) Co., Ltd. (Notes 2 & 8)	Operating lease in respect of office buildings leased to the related company	**325**	947
Healthy Harmony Holdings L.P (Notes 2 & 8)	Operating lease in respect of office buildings leased to the related company	**264**	–
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. (Notes 2 & 8)	Operating lease in respect of office buildings leased to	**166**	321
Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (Notes 4 & 8)	Operating lease in respect of office buildings leased to the related company	**–**	9,624
Total rental income		**16,785**	23,106
Rental expense			
Shanghai Fosun Bund Property Co., Ltd. (Notes 2 & 9)	Operating lease in respect of office buildings leased from the related company	**–**	110,071
Carthago (Notes 2 & 9)	Operating lease from the related company	**3,095**	–
Total rental expense		**3,095**	110,071

65. RELATED PARTY TRANSACTIONS *(Continued)*

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year: *(Continued)*

Name of related parties	Nature of transactions	2019 RMB'000	2018 RMB'000
Interest expense			
Kuyi International Travel Service (Shanghai) Co., Ltd. (Notes 2 & 10)	Interest expense	360	–
Interest paid for deposits from related parties			
Nanjing Nangang Iron & Steel United Co., Ltd. (Notes 2 & 5)	Interest paid for deposits	10,766	–
Shanghai Hongkou Guangxin Microcredit Co., Ltd. (Notes 2 & 5)	Interest paid for deposits	3,468	2,107
Shanghai Aifudi Automation Technology Co., Ltd. (Notes 2 & 5)	Interest paid for deposits	1,106	–
Taizhou Hangshaotai High-speed Railway Investment Management Partnership (Limited Partnership) (Notes 2 & 5)	Interest paid for deposits	527	–
Tianjin Jiewei Power Industry Co., Ltd. (Notes 2 & 5)	Interest paid for deposits	274	–
Nanjing Iron & Steel United Co., Ltd (Notes 2 & 5)	Interest paid for deposits	170	788
Nanjing Iron & Steel Co., Ltd. (Notes 2 & 5)	Interest paid for deposits	31	939
Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (Notes 4 & 5)	Interest paid for deposits	–	5,120
Shanghai Xingyao Real Estate Interest income Development Co., Ltd. (Notes 2 & 5)	Interest paid for deposits	–	873
Others	Interest paid for deposits	–	1,086
Total interest paid for deposits from related parties		16,342	10,913

65. RELATED PARTY TRANSACTIONS *(Continued)*

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year: *(Continued)*

Name of related parties	Nature of transactions	2019 RMB'000	2018 RMB'000
Other expenses			
Hainan Haigang Group Co., Ltd. (Notes 3 & 9)	Operating lease in respect of land leased from the related company	**12,419**	13,048
Increase of deposits from related companies			
Nanjing Nangang Iron & Steel United Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**5,357,616**	1,000,808
Tianjin Jiewei Power Industry Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**1,600,478**	762,436
Shanghai Hongkou Guangxin Microcredit Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**883,243**	448,151
Nanjing Iron & Steel Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**872,286**	1,750,959
Shanghai Aifudi Automation Technology Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**735,944**	–
Taizhou Hangshaotai High-speed Railway Investment Management Partnership (Limited Partnership) (Notes 2 & 5)	Increase of deposits from the related company	**516,675**	–
Zhejiang Dongyang China Woodcarving City Investment and Development Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**492,149**	790,779
Shanghai Xingmai Information Technology Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**170,236**	–
Shanghai Fosun Bund Property Co.,Ltd (Notes 2&5)	Increase of deposits from the related company	**150,686**	120,963
Wuhan Fosun Hanzheng Street Property Development Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**150,001**	168,328
Aifudi (Shanghai) Manufacturing System Engineering Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**88,876**	–
Nanjing Iron & Steel United Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**51,500**	1,344,327
Shanghai Qinmiao Technology Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**20,789**	–
Yuyao Xinglv Real Estate Development Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**16,027**	–
Yadong Supervision and BEWG Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**4,449**	15,904
Tianjin Dragon Steel Industrial Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**1**	757,845
Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (Notes 4 & 5)	Increase of deposits from the related company	**–**	3,508,997
Fuyang Furun Property Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**–**	457,509
Shanghai Xingyao Real Estate Development Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**–**	356,575
Taizhou Xingyao Real Estate Development Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**–**	207,783
Others	Increase of deposits from the related company	**–**	5
Total increase of deposits from related companies		**11,110,956**	11,691,369

65. RELATED PARTY TRANSACTIONS *(Continued)*

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year: *(Continued)*

Name of related parties	Nature of transactions	2019 RMB'000	2018 RMB'000
Guarantees of bank loans and corporate bonds			
Fosun Holdings Limited (Notes 1, 6 & 11)	Bank loans guaranteed by the related company	**1,000,000**	–
Holiday Hotel AG (Notes 2 & 11)	Bank loans guarantee for the related company	**19,203**	21,935
Increase of loans to related companies			
Shanghai Fuyi Industrial Development Co., Ltd. (Notes 2 & 10)	Increase of shareholder loans provided to the related company	**1,591,946**	–
Tianjin Jiewei Power Industry Co., Ltd. (Notes 2 & 10)	Increase of loans provided to the related company	**406,083**	180,000
Wuhan Fosun Hanzheng Street Property Development Co., Ltd. (Notes 2 & 10)	Increase of loans provided to the related company	**384,474**	–
Fosun Kite Biotechnology Co., Ltd. (Notes 2 & 10)	Increase of loans provided to the related company	**121,278**	67,562
Nanjing Iron & Steel Co., Ltd. (Notes 2 & 10)	Increase of loans provided to the related company	**90,000**	–
Acacias Property S.à.r.l. (Notes 2 & 10)	Increase of loans provided to the related company	**40,906**	13,538
Nature's sunshine (Far East) limited (Notes 2 & 10)	Increase of loans provided to the related company	**164**	10,402
HCo Lux S.à.r.l. (Notes 2 & 10)	Increase of shareholder loans provided to the related company	**–**	733,491
Zhejiang Dongyang China Woodcarving City Investment and Development Co., Ltd. (Notes 2 & 10)	Increase of loans provided to the related company	**–**	307,370
Tangshan Jianlong Special Steel Co., Ltd. (Notes 2 & 10)	Increase of loans provided to the related company	**–**	260,000
Zhejiang Dongyang China Woodcarving City Co., Ltd. (Notes 2 & 10)	Increase of loans provided to the related company	**–**	78,000
Fuyang Furun Property Co., Ltd. (Notes 2 & 10)	Increase of loans provided to the related company	**–**	4,499
FPH Europe Holdings III (HK) Limited (Notes 2 & 10)	Increase of shareholder loans provided to the related company	**–**	181
Total increase of loans to related companies		**2,634,851**	1,655,043

65. RELATED PARTY TRANSACTIONS *(Continued)*

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year: *(Continued)*

Notes:

(1) It is the holding company of the Group.

(2) They are associates and joint ventures of the Group.

(3) They are non-controlling shareholders of the subsidiaries of the Group.

(4) Yuyuan was an associate of the Group as at 31 December 2017, and Shenyang Yuyuan Tourist Mart Property Co., Ltd. ("Shenyang Yuyuan") was its subsidiary. In July 2018, Yuyuan completed its asset restructuring and the Group increased its equity interest in Yuyuan from 26.45% to 68.49% and Yuyuan became a subsidiary of the Group since July 2018.

(5) Interest paid for deposits from related parties represents interest paid for deposits placed by related parties in Finance Company, a subsidiary of the Group. The deposits from related parties carry interest which are determined in accordance with the benchmark deposit interest rate of PBOC and the prevailing market deposit interest rate.

(6) These transactions constituted connected transactions or continuing connected transactions of the Group under Chapter 14A of the Listing Rules. They are exempted from the disclosure requirements under Chapter 14A of the Listing Rules.

(7) The directors consider that the sales and purchases were undertaken on commercial terms similar to those offered to/by unrelated customers/suppliers in the ordinary course of business of the relevant companies.

(8) The directors consider that the income for, labour services, reinsurance services and rental were determined based on prices available to third party customers.

(9) The directors consider that the fees for services provided by the related companies were determined based on prices charged to third parties by related companies.

(10) The loans provided by/to the related companies are unsecured and repayable on demand. The directors consider that the applicable interest rates are determined in accordance with the prevailing market borrowing rates.

(11) The bank loans were guaranteed by the related companies free of charge. The guarantees were given by the Group for bank loans of the related companies free of charge.

(12) Compensation of key management personnel of the Group:

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	**68,774**	84,478
Equity-settled share award/option scheme expenses	**59,279**	57,365
Pension scheme contributions	**417**	455
Total compensation paid to key management personnel	**128,470**	142,298

66. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of the Group's financial instruments as at the end of each reporting period are as follows:

2019

FINANCIAL ASSETS

	Financial assets at fair value through profit or loss					Financial assets at fair value through other comprehensive income				
	Designated as such upon initial recognition RMB'000	Other investments* RMB'000	Held for trading RMB'000	Hedging instruments designated in fair value hedges RMB'000	Associates measured at fair value through profit or loss RMB'000	Debt investments RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Hedging instruments designated in cash flow/net investment hedges RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	–	–	–	–	898,596	–	–	898,596
Debt investments at fair value through other comprehensive income	–	–	–	–	–	88,442,330	–	–	–	88,442,330
Debt investments at amortised cost	–	–	–	–	–	–	–	33,578,380	–	33,578,380
Cash and bank balances	–	–	–	–	–	–	–	93,647,199	–	93,647,199
Term deposits	–	–	–	–	–	–	–	1,253,305	–	1,253,305
Financial assets at fair value through profit or loss	–	32,465,898	28,931,467	–	–	–	–	–	–	61,397,365
Trade and notes receivables	–	–	–	–	–	–	–	7,694,125	–	7,694,125
Financial assets included in prepayments, other receivables and other assets (note 29)	–	–	–	–	–	–	–	13,738,644	–	13,738,644
Due from related companies	–	–	–	–	–	–	–	14,600,196	–	14,600,196
Derivative financial instruments	–	–	1,229,433	34,791	–	–	–	–	16,752	1,280,976
Policyholder account assets in respect of unit-linked contracts	995,547	–	–	–	–	–	–	88,640	–	1,084,187
Loans and advances to customers	–	–	–	–	–	–	–	4,622,258	–	4,622,258
Placements with and loans to banks and other financial institutions	–	–	–	–	–	–	–	312,589	–	312,589
Associates measured at fair value through profit or loss	–	–	–	–	7,454,219	–	–	–	–	7,454,219
Finance lease receivables	–	–	–	–	–	–	–	2,218,043	–	2,218,043
	995,547	32,465,898	30,160,900	34,791	7,454,219	88,442,330	898,596	171,753,379	16,752	332,222,412

* Other investments include i) financial assets whose contractual cash flows are not solely payments of principal and interest; ii) investments which have not been irrevocably designated as equity investments at FVOCI; and iii) investments which have not been managed within the business model of only holding to collect contractual cash flows or both collecting contractual cash flows and selling the financial assets.

66. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of the Group's financial instruments as at the end of each reporting period are as follows: *(Continued)*

2019 *(Continued)*

FINANCIAL LIABILITIES

	Financial liabilities at fair value through profit or loss				
	Designated as such upon initial recognition RMB'000	Held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Hedging instruments designated in cash flow/ net investment hedges RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	–	208,287,057	–	208,287,057
Trade and notes payables	–	–	16,718,466	–	16,718,466
Financial liabilities included in accrued liabilities and other payables (note 45)	343,132*	–	25,069,584	–	25,412,716
Due to related companies and the holding company	–	–	6,399,608	–	6,399,608
Deposits from customers	–	–	41,034,076	–	41,034,076
Financial liabilities included in other long term payables (note 56)	2,608,958*	–	14,506,474	–	17,115,432
Derivative financial instruments	326,165	1,372,954	–	285,343	1,984,462
Financial liabilities at fair value through profit or loss	–	2,245,801	–	–	2,245,801
Investment contract liabilities	–	–	68,625,187	–	68,625,187
Financial liabilities for unit-linked contracts	995,547	–	88,640	–	1,084,187
Accounts payable to brokerage clients	–	–	156,513	–	156,513
Placements from banks and other financial institutions	–	–	17,501	–	17,501
Due to banks and other financial institutions	–	–	1,994,062	–	1,994,062
	4,273,802	3,618,755	382,897,168	285,343	391,075,068

* The amount includes the share redemption option granted to non-controlling shareholders of several subsidiaries, of which fair value change is recognised in reserves due to the nature of the equity transaction with non-controlling shareholders of the subsidiaries of the Group.

66. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of the Group's financial instruments as at the end of each reporting period are as follows: *(Continued)*

2018

FINANCIAL ASSETS

	Financial assets at fair value through profit or loss					Financial assets at fair value through other comprehensive income				
	Designated as such upon initial recognition RMB'000	Other investments* RMB'000	Held for trading RMB'000	Hedging instruments designated in fair value hedges RMB'000	Associates measured at fair value through profit or loss RMB'000	Debt investments RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Hedging instruments designated in cash flow/net investment hedges RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	–	–	–	–	1,645,118	–	–	1,645,118
Debt investments at fair value through other comprehensive income	–	–	–	–	–	84,149,165	–	–	–	84,149,165
Debt investments at amortised cost	–	–	–	–	–	–	–	20,123,356	–	20,123,356
Cash and bank balances	–	–	–	–	–	–	–	105,905,697	–	105,905,697
Term deposits	–	–	–	–	–	–	–	410,812	–	410,812
Financial assets at fair value through profit or loss	–	40,786,038	8,229,760	–	–	–	–	–	–	49,015,798
Trade and notes receivables	–	–	–	–	–	–	–	7,755,027	–	7,755,027
Financial assets included in prepayments, other receivables and other assets (note 29)	–	–	–	–	–	–	–	11,773,025	–	11,773,025
Due from related companies	–	–	–	–	–	–	–	15,367,403	–	15,367,403
Derivative financial instruments	–	–	1,038,521	64,412	–	–	–	–	48,695	1,151,628
Policyholder account assets in respect of unit-linked contracts	231,026	–	–	–	–	–	–	85,124	–	316,150
Loans and advances to customers	–	–	–	–	–	–	–	5,283,314	–	5,283,314
Placements with and loans to banks and other financial institutions	–	–	–	–	–	–	–	117,800	–	117,800
Associates measured at fair value through profit or loss	–	–	–	–	6,076,315	–	–	–	–	6,076,315
Finance lease receivables	–	–	–	–	–	–	–	2,395,948	–	2,395,948
	231,026	40,786,038	9,268,281	64,412	6,076,315	84,149,165	1,645,118	169,217,506	48,695	311,486,556

* Other investments include i) financial assets whose contractual cash flows are not solely payments of principal and interest; ii) investments which have not been irrevocably designated as equity investments at FVOCI; and iii) investments which have not been managed within the business model of only holding to collect contractual cash flows or both collecting contractual cash flows and selling the financial assets.

66. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of the Group's financial instruments as at the end of each reporting period are as follows: *(Continued)*

2018 *(Continued)*

FINANCIAL LIABILITIES

	Financial liabilities at fair value through profit or loss				
	Designated as such upon initial recognition RMB'000	Held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Hedging instruments designated in cash flow/ net investment hedges RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	–	186,140,351	–	186,140,351
Trade and notes payables	–	–	14,105,942	–	14,105,942
Financial liabilities included in accrued liabilities and other payables (note 45)	397,858*	–	19,788,574	–	20,186,432
Due to related companies and the holding company	–	–	7,798,077	–	7,798,077
Deposits from customers	–	–	41,784,870	–	41,784,870
Financial liabilities included in other long term payables (note 56)	3,169,513*	–	6,103,926	–	9,273,439
Finance lease payables	–	–	566,405	–	566,405
Derivative financial instruments	299,430	1,213,714	–	118,234	1,631,378
Financial liabilities at fair value through profit or loss	–	1,825,082	–	–	1,825,082
Investment contract liabilities	–	–	72,390,025	–	72,390,025
Financial liabilities for unit-linked contracts	231,026	–	85,116	–	316,142
Accounts payable to brokerage clients	–	–	85,051	–	85,051
Placements from banks and other financial institutions	–	–	140,119	–	140,119
Due to banks and other financial institutions	–	–	2,014,705	–	2,014,705
	4,097,827	3,038,796	351,003,161	118,234	358,258,018

* The amount includes the share redemption option granted to non-controlling shareholders of several subsidiaries, of which fair value change is recognised in reserves due to the nature of the equity transaction with non-controlling shareholders of the subsidiaries of the Group.

67. TRANSFERS OF FINANCIAL ASSETS

At 31 December 2019, the Group endorsed certain notes receivable accepted by banks in the PRC (the "Endorsed Notes") to certain of its suppliers in order to settle the trade payables due to these suppliers with an aggregate carrying amount of RMB1,310,443,000 (2018: RMB780,279,000). In addition, the Group discounted certain notes receivable accepted by banks in the PRC (the "Discounted Notes") to certain banks to finance its operating cash flows with an aggregate carrying amount of RMB988,834,000 (2018: RMB208,990,000). The Endorsed Notes and the Discounted Notes had maturity from one to seven months at the end of the reporting period. In accordance with the relevant laws and regulations in the PRC and relevant discounting arrangement with certain banks, the holders of the Endorsed Notes and the Discounted Notes have a right of recourse against the Group if the accepting banks default (the "Continuing Involvement").

In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Endorsed Notes and the Discounted Notes. Accordingly, it has derecognised the full carrying amounts of the Endorsed Notes and the Discounted Notes. The maximum exposure to loss from the Group's Continuing Involvement in the Endorsed Notes and the Discounted Notes and the undiscounted cash flows to repurchase these Endorsed Notes and Discounted Notes is equal to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group's Continuing Involvement in the Endorsed Notes and the Discounted Notes are not significant.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Endorsed Notes and the Discounted Notes. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement and the discount have been made evenly throughout the year.

68. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	**898,596**	1,645,118	**898,596**	1,645,118
Debt investments at fair value through other comprehensive income	**88,442,330**	84,149,165	**88,442,330**	84,149,165
Debt investments at amortised cost	**33,578,380**	20,123,356	**33,800,168**	20,097,201
Financial assets at fair value through profit or loss	**61,397,365**	49,015,798	**61,397,365**	49,015,798
Loans and advances to customers	**426,292**	653,693	**445,692**	665,854
Policyholder account assets in respect of unit-linked contracts	**995,547**	231,026	**995,547**	231,026
Derivative financial instruments	**1,280,976**	1,151,628	**1,280,976**	1,151,628
Associates measured at fair value through profit or loss	**7,454,219**	6,076,315	**7,454,219**	6,076,315
	194,473,705	163,046,099	**194,714,893**	163,032,105
Financial liabilities				
Interest-bearing bank and other borrowings	**125,548,919**	118,399,533	**126,644,234**	118,128,008
Financial liabilities at fair value through profit or loss	**2,245,801**	1,825,082	**2,245,801**	1,825,082
Financial liabilities included in accrued liabilities and other payables	**343,132**	397,858	**343,132**	397,858
Financial liabilities included in other long term payables	**5,012,261**	9,273,439	**5,012,261**	9,273,439
Deposits from customers	**141,815**	70,625	**141,728**	68,042
Due to banks and other financial institutions	**–**	456,827	**–**	456,827
Financial liabilities for unit-linked contracts	**995,547**	231,026	**995,547**	231,026
Derivative financial instruments	**1,984,462**	1,631,378	**1,984,462**	1,631,378
	136,271,937	132,285,768	**137,367,165**	132,011,660

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

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

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial liabilities included in other long term payables, and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the non-current portion of amounts due to related companies, financial liabilities included in other long term payables, and the non-current portion of interest-bearing bank and other borrowings as at 31 December 2019 was assessed to be insignificant. The fair values of listed bonds and senior notes are based on quoted market prices.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit ratings. Derivative financial instruments include commodity derivative contracts, forward currency contracts, and currency and interest rate swaps. As at 31 December 2019, the fair values of commodity derivative contracts were measured using quoted market prices of commodity future contracts, while the fair values of the forward currency contracts and the fair values of currency and interest rate swaps were measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties and interest rate curves. The carrying amounts of the commodity derivative contracts, forward currency contracts, and currency and interest rate swaps are the same as their fair values.

The fair values of listed equity investments without a lock-up period are based on quoted market prices. The fair values of listed equity investments with a lock-up period have been estimated based on assumptions that are supported by observable market prices and discount for lack of marketability. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income or profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required by fair value measurement are observable, the instruments are included in level 2. If one or more of the significant inputs is not based on observable market data, the instruments are included in level 3.

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

For Level 3 financial assets, the Group adopts the valuation techniques to determine the fair value. Valuation techniques include the market comparison approach, income approach etc.. The fair value measurement of these financial instruments may involve unobservable inputs such as credit spread, liquidity discount, etc.. Fair value change resulting from changes in the unobservable inputs was not significant. The Group periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial assets in Level 3.

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31 December 2019:

Unobservable inputs and sensitivity analysis for Level 3 assets

The financial assets measured at fair value held by the Group which were classified in Level 3 primarily correspond to debt securities, investment funds and certain unlisted equity securities not quoted in an active market.

The fair value of debt securities, which consist of public and corporate bonds, is determined using broker quotes that cannot be corroborated with observable market transactions. Significant unobservable inputs for these bonds would include proprietary cash flow models and issuer spreads, which are comprised of credit, liquidity, and other security-specific features of the bonds. An increase (decrease) in these issuer spreads would result in a lower (higher) fair value.

The fair values of investment funds classified in Level 3 are based on net asset value (NAV) reports provided by the management of such funds.

For certain unlisted equity securities, the Group adopts the valuation techniques to determine the fair value. Valuation techniques include the market comparison approach, etc., which requires the Group to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as price to earnings multiples and price to book multiples, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. An increase (decrease) in multiples would result in a higher (lower) fair value. An increase (decrease) in liquidity discount would result in a lower (higher) fair value The Group periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.

Unobservable inputs and sensitivity analysis for Level 3 liabilities

Significant unobservable valuation inputs for the share redemption option granted to non-controlling shareholders of subsidiaries included in other long-term payables and accrued liabilities and other payables are certain financial ratios of relevant subsidiaries, such as EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation), net sales or other significant inputs, such as the latest equity transfer price.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Level 1: Fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

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

Fair value hierarchy *(Continued)*

ASSETS MEASURED AT FAIR VALUE:

AS AT 31 DECEMBER 2019

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	**66,105**	**494,007**	**338,484**	**898,596**
Debt investments at fair value through other comprehensive income	**82,543,057**	**5,831,100**	**68,173**	**88,442,330**
Financial assets at fair value through profit or loss	**26,954,892**	**26,080,299**	**8,362,174**	**61,397,365**
Policyholder account assets in respect of unit-linked contracts	**984,413**	**–**	**11,134**	**995,547**
Derivative financial instruments	**221,771**	**1,058,932**	**273**	**1,280,976**
Associates measured at fair value through profit or loss	**670,093**	**5,485,313**	**1,298,813**	**7,454,219**
	111,440,331	**38,949,651**	**10,079,051**	**160,469,033**

AS AT 31 DECEMBER 2018

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	767,206	480,314	397,598	1,645,118
Debt investments at fair value through other comprehensive income	68,322,054	15,620,498	206,613	84,149,165
Financial assets at fair value through profit or loss	22,143,743	17,572,945	9,299,110	49,015,798
Policyholder account assets in respect of unit-linked contracts	229,300	993	733	231,026
Derivative financial instruments	179,637	971,991	–	1,151,628
Associates measured at fair value through profit or loss	–	5,261,983	814,332	6,076,315
	91,641,940	39,908,724	10,718,386	142,269,050

During the year, the financial assets with a fair value of RMB673,093,000 in Level 2 as at 31 December 2018 were transferred out to Level 1 due to the end of the lock-up period for these equity investments in 2019 (2018: RMB1,247,135,000).

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

Fair value hierarchy *(Continued)*

ASSETS MEASURED AT FAIR VALUE: *(Continued)*

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

	Equity investments designated at fair value through other comprehensive income RMB'000	Debt investments at fair value through other comprehensive income RMB'000	Financial assets at fair value through profit or loss RMB'000	Policyholder account assets in respect of unit-linked contracts RMB'000	Derivative financial instruments RMB'000	Associates measured at fair value through profit or loss RMB'000	Total RMB'000
As at 31 December 2018	397,598	206,613	9,299,110	733	–	814,332	10,718,386
Total gains/(loss) recognised in the consolidated statement of profit or loss included in other gains	–	(9)	290,452	48	–	201,727	492,218
Total losses recognised in other comprehensive income	(60,816)	(367)	–	–	–	–	(61,183)
Addition	–	53,498	2,251,447	10,227	273	145,309	2,460,754
Disposals	(3,081)	(158,175)	(2,826,752)	–	–	–	(2,988,008)
Disposals of subsidiaries	–	–	(21,718)	–	–	–	(21,718)
Exchange realignment	4,783	423	49,906	126	–	3,507	58,745
Transfers*	–	(33,810)	(680,271)	–	–	133,938	(580,143)
	338,484	68,173	8,362,174	11,134	273	1,298,813	10,079,051

* During the year, the financial assets with a fair value of RMB1,389,009,000 in Level 3 as at 31 December 2018 were transferred out, and fair value of RMB808,866,000 in Level 2 as at 31 December 2018 were transferred in. The transfer was based on the significant input used in the fair value measurement as a whole.

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

Fair value hierarchy *(Continued)*

ASSETS MEASURED AT FAIR VALUE: *(Continued)*

	Equity investments designated at fair value through other comprehensive income RMB'000	Debt investments at fair value through other comprehensive income RMB'000	Financial assets at fair value through profit or loss RMB'000	Policyholder account assets in respect of unit-linked contracts RMB'000	Available-for-sale investment/ Investments at fair value through profit or loss RMB'000	Associates measured at fair value through profit or loss RMB'000	Total RMB'000
As at 31 December 2017	–	–	–	775	6,865,985	484,972	7,351,732
Impact of adopting HKFRS 9	218,897	819,637	7,559,391	–	(6,865,985)	–	1,731,940
As at 1 January 2018	218,897	819,637	7,559,391	775	–	484,972	9,083,672
Total gains/(loss) recognised in the consolidated statement of profit or loss included in other gains	–	–	646,457	(48)	–	119,360	765,769
Total losses recognised in other comprehensive income	(62,980)	(101,816)	–	–	–	–	(164,796)
Addition	–	–	1,495,147	–	–	210,000	1,705,147
Acquisition of subsidiaries	239,962	–	808,605	–	–	–	1,048,567
Disposals	–	(689,116)	(2,097,002)	–	–	–	(2,786,118)
Exchange realignment	1,719	177,908	1,023,347	6	–	–	1,202,980
Transfers	–	–	(136,835)	–	–	–	(136,835)
	397,598	206,613	9,299,110	733	–	814,332	10,718,386

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

Fair value hierarchy *(Continued)*

ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED:

AS AT 31 DECEMBER 2019

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Loans and advances to customers	–	–	445,692	445,692
Debt investments at amortised cost	26,769,031	6,270,886	760,251	33,800,168
	26,769,031	6,270,886	1,205,943	34,245,860

AS AT 31 DECEMBER 2018

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Loans and advances to customers	–	–	665,854	665,854
Debt investments at amortised cost	13,930,501	5,808,908	357,792	20,097,201
	13,930,501	5,808,908	1,023,646	20,763,055

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

Fair value hierarchy *(Continued)*

LIABILITIES MEASURED AT FAIR VALUE:

AS AT 31 DECEMBER 2019

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Financial liabilities for unit-linked contracts	**984,413**	**–**	**11,134**	**995,547**
Financial liabilities included in other long term payables	**–**	**–**	**2,608,958**	**2,608,958**
Financial liabilities included in other payables and accruals	**–**	**–**	**343,132**	**343,132**
Financial liabilities at fair value through profit or loss	**2,245,801**	**–**	**–**	**2,245,801**
Derivative financial instruments	**101,206**	**1,879,378**	**3,878**	**1,984,462**
	3,331,420	**1,879,378**	**2,967,102**	**8,177,900**

AS AT 31 DECEMBER 2018

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Financial liabilities for unit-linked contracts	229,300	993	733	231,026
Financial liabilities included in other long term payables	–	–	3,169,513	3,169,513
Financial liabilities included in other payables and accruals	–	–	397,858	397,858
Financial liabilities at fair value through profit or loss	1,825,082	–	–	1,825,082
Derivative financial instruments	135,124	1,496,254	–	1,631,378
	2,189,506	1,497,247	3,568,104	7,254,857

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

Fair value hierarchy *(Continued)*

LIABILITIES MEASURED AT FAIR VALUE: *(Continued)*

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

AS AT 31 DECEMBER 2019

	Financial liabilities included in other payables and accruals RMB'000	Financial liabilities for unit-linked contracts RMB'000	Financial liabilities included in other long term payables RMB'000	Derivative financial instruments RMB'000	Total RMB'000
At 1 January	**397,858**	**733**	**3,169,513**	**–**	**3,568,104**
Total gains recognised in the consolidated statement of profit or loss included in other income	**–**	**48**	**(59,619)**	**–**	**(59,571)**
Total losses recognised in other comprehensive income	**3,390**	**–**	**(48,947)**	**–**	**(45,557)**
Addition	**–**	**10,227**	**53,780**	**3,878**	**67,885**
Decrease	**(58,116)**	**–**	**(504,863)**	**–**	**(562,979)**
Exchange realignment	**–**	**126**	**(906)**	**–**	**(780)**
At 31 December	**343,132**	**11,134**	**2,608,958**	**3,878**	**2,967,102**

AS AT 31 DECEMBER 2018

	Financial liabilities included in other payables and accruals RMB'000	Financial liabilities for unit-linked contracts RMB'000	Financial liabilities included in other long term payables RMB'000	Total RMB'000
At 1 January	–	776	2,022,919	2,023,695
Total gains recognised in the consolidated statement of profit or loss included in other income	–	(48)	(60,407)	(60,455)
Addition	191,962	–	1,412,897	1,604,859
Transfers	205,896	–	(205,896)	–
Exchange realignment	–	5	–	5
At 31 December	397,858	733	3,169,513	3,568,104

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

Fair value hierarchy *(Continued)*

LIABILITIES FOR WHICH FAIR VALUES ARE DISCLOSED:

AS AT 31 DECEMBER 2019

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	**56,417,800**	**70,226,434**	**–**	**126,644,234**
Deposits from customers	**–**	**–**	**141,728**	**141,728**
Financial liabilities included in other long term payables	**–**	**1,733,099**	**670,204**	**2,403,303**
	56,417,800	**71,959,533**	**811,932**	**129,189,265**

AS AT 31 DECEMBER 2018

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	62,991,255	55,136,753	–	118,128,008
Deposits from customers	–	–	68,042	68,042
Due to banks and other financial institutions	–	–	456,827	456,827
Financial liabilities included in other long term payables	–	6,103,926	–	6,103,926
	62,991,255	61,240,679	524,869	124,756,803

69. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and other borrowings, finance lease receivables, amounts due from/to related companies, debt investments at amortised cost and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables, trade and notes payables and deposits from customers, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. At 31 December 2019, approximately 59% (2018: 57%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax RMB'000
2019	**75**	**(603,032)**
	(75)	**603,032**
2018	75	(440,583)
	(75)	440,583

69. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar, Hong Kong dollar and EUR exchange rates, with all other variables held constant, of the Group's profit before tax due to differences arising on settlement or translation of monetary assets and liabilities and the Group's equity excluding the impact of retained earnings due to the changes of exchange fluctuation reserve of certain overseas subsidiaries of which the functional currencies are currencies other than RMB.

	Increase/(decrease) in foreign currency rate %	Increase/(decrease) in profit before tax RMB'000
2019		
If RMB weakens against the United States dollar	**5**	**152,548**
If RMB strengthens against the United States dollar	**(5)**	**(152,548)**
If RMB weakens against the Hong Kong dollar	**5**	**91,651**
If RMB strengthens against the Hong Kong dollar	**(5)**	**(91,651)**
If RMB weakens against EUR	**5**	**(432,674)**
If RMB strengthens against EUR	**(5)**	**432,674**
2018		
If RMB weakens against the United States dollar	5	110,405
If RMB strengthens against the United States dollar	(5)	(110,405)
If RMB weakens against the Hong Kong dollar	5	59,171
If RMB strengthens against the Hong Kong dollar	(5)	(59,171)
If RMB weakens against EUR	5	(462,858)
If RMB strengthens against EUR	(5)	462,858

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.

MAXIMUM EXPOSURE AND YEAR-END STAGING

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification. The amounts presented are net carrying amounts for financial assets.

69. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Credit risk *(Continued)*

MAXIMUM EXPOSURE AND YEAR-END STAGING *(Continued)*

AS AT 31 DECEMBER 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Debt investments at fair value through other comprehensive income	88,086,066	294,173	62,091	–	88,442,330
Debt investments at amortised cost	33,578,380	–	–	–	33,578,380
Trade and notes receivables*	–	–	–	7,694,125	7,694,125
Financial assets included in prepayments, other receivables and other assets					
– Normal**	13,738,644	–	–	–	13,738,644
Term deposits					
– Not yet past due	1,253,305	–	–	–	1,253,305
Cash and bank balances					
– Not yet past due	93,647,199	–	–	–	93,647,199
Due from related companies					
– Not yet past due	14,600,196	–	–	–	14,600,196
Finance lease receivables	2,199,374	–	18,669	–	2,218,043
Loans and advances to customers	4,555,123	59,394	7,741	–	4,622,258
Placements with and loans to banks and other financial institutions	312,589	–	–	–	312,589
Policyholder account assets in respect of unit-linked contracts at amortised cost	88,640	–	–	–	88,640
	252,059,516	353,567	88,501	7,694,125	260,195,709

69. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Credit risk *(Continued)*

MAXIMUM EXPOSURE AND YEAR-END STAGING *(Continued)*

AS AT 31 DECEMBER 2018

	12-month ECLs		Lifetime ECLs		
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Debt investments at fair value through other comprehensive income	83,217,027	737,083	195,055	–	84,149,165
Debt investments at amortised cost	20,123,356	–	–	–	20,123,356
Trade and notes receivables*	–	–	–	7,755,027	7,755,027
Financial assets included in prepayments, other receivables and other assets					
– Normal**	11,773,025	–	–	–	11,773,025
Term deposits	410,812	–	–	–	410,812
Cash and bank balances					
– Not yet past due	105,905,697	–	–	–	105,905,697
Due from related companies					
– Not yet past due	15,367,403	–	–	–	15,367,403
Finance lease receivables	2,395,948	–	–	–	2,395,948
Loans and advances to customers	5,212,688	23,542	47,084	–	5,283,314
Placements with and loans to banks and other financial institutions	117,800	–	–	–	117,800
Policyholder account assets in respect of unit-linked contracts at amortised cost	85,124	–	–	–	85,124
	244,608,880	760,625	242,139	7,755,027	253,366,671

* For trade and notes receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 39 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

69. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing loans and other borrowings. 37% (2018: 33%) of the Group's debts would mature in less than one year as at 31 December 2019 based on the carrying value of borrowings reflected in the financial statements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2019

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	82,738,138	133,371,447	9,898,406	226,007,991
Trade and notes payables	4,090,379	12,628,087	–	–	16,718,466
Due to related companies and the holding company	6,399,608	–	–	–	6,399,608
Financial liabilities included in accrued liabilities and other payables (excluding lease liabilities)	20,124,047	2,961,120	–	–	23,085,167
Other long term payables (excluding lease liabilities)	–	–	5,012,261	–	5,012,261
Lease liabilities	–	2,327,549	7,623,025	7,169,518	17,120,092
Derivative financial instruments	1,425,644	82,875	475,943	–	1,984,462
Financial liabilities for unit-linked contracts	133,031	–	951,156	–	1,084,187
Investment contract liabilities	1,675,817	5,945,415	47,031,032	13,972,923	68,625,187
Financial liabilities at fair value through profit or loss	–	2,245,801	–	–	2,245,801
Deposits from customers	40,754,908	283,135	145,254	–	41,183,297
Accounts payable to brokerage clients	156,513	–	–	–	156,513
Placements from banks and other financial institutions	17,501	–	–	–	17,501
Due to banks and other financial institutions	1,546,404	447,658	–	–	1,994,062
Insurance and reinsurance creditors	2,383,289	5,834,185	146,361	–	8,363,835
	78,707,141	115,493,963	194,756,479	31,040,847	419,998,430

69. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows: *(Continued)*

2018

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	67,740,818	126,541,212	9,483,786	203,765,816
Trade and notes payables	4,835,389	9,270,553	–	–	14,105,942
Due to related companies and the holding company	7,798,077	–	–	–	7,798,077
Financial liabilities included in accrued liabilities and other payables	13,512,332	6,674,100	–	–	20,186,432
Other long term payables	–	–	9,245,384	28,055	9,273,439
Finance lease payables	–	111,289	599,945	–	711,234
Derivative financial instruments	261,513	868,999	518,673	676,103	2,325,288
Financial liabilities for unit-linked contracts	51,766	92,336	129,993	42,047	316,142
Investment contract liabilities	1,790,819	5,802,654	44,889,918	19,906,634	72,390,025
Financial liabilities at fair value through profit or loss	–	1,825,082	–	–	1,825,082
Deposits from customers	40,003,678	1,871,182	72,337	–	41,947,197
Accounts payable to brokerage clients	85,051	–	–	–	85,051
Placements from banks and other financial institutions	140,119	–	–	–	140,119
Due to banks and other financial institutions	1,557,878	–	456,827	–	2,014,705
Insurance and reinsurance creditors	1,551,711	6,828,382	141,169	–	8,521,262
	71,588,333	101,085,395	182,595,458	30,136,625	385,405,811

In addition, the guarantees provided by the Group will be called in the case of default in payments by the guaranteed companies as set out in note 64.

Price risk

Price risk is the risk that the fair values of equity and debt investments decrease or increase as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to price risk arising from individual investments classified as financial assets at fair value through profit or loss (note 24), equity investments designated at fair value through other comprehensive income (note 23), debt investments at fair value through other comprehensive income (note 25) and associates measured at fair value through profit or loss (note 22) as at 31 December 2019. The Group's listed investments that are listed on stock exchanges in Hong Kong, Shenzhen, Shanghai, New York, Singapore, and other countries in Europe, Oceania, North America, Latin America, Africa and Asia are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the financial 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 equity investments designated at fair value through other comprehensive income, and debt investments at fair value through other comprehensive income, the impact is deemed to be on the other comprehensive income. No account is given for factors such as impairment which might impact the statement of profit or loss, and no account is given for the impact on other life insurance contract liabilities (profit sharing provision).

69. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Price risk *(Continued)*

	Carrying amount of investments RMB'000	Increase/ (decrease) in equity or debt prices %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000*
2019				
Investments listed in:				
Hong Kong				
– Equity investments designated at fair value through other comprehensive income	64,551	5	–	3,228
		(5)	–	(3,228)
– Debt investments at fair value through other comprehensive income	7,458,278	5	–	372,914
		(5)	–	(372,914)
– Financial assets at fair value through profit or loss	7,012,245	5	350,612	–
		(5)	(350,612)	–
– Associates measured at fair value through profit or loss	670,093	5	33,505	–
		(5)	(33,505)	–
Shenzhen				
– Financial assets at fair value through profit or loss	2,629,197	5	131,460	–
		(5)	(131,460)	–
– Debt investments at fair value through other comprehensive income	13,080	5	–	654
		(5)	–	(654)
Shanghai				
– Financial assets at fair value through profit or loss	2,522,020	5	126,101	–
		(5)	(126,101)	–
– Debt investments at fair value through other comprehensive income	312,318	5	–	15,616
		(5)	–	(15,616)
United States				
– Equity investments designated at fair value through other comprehensive income	1,554	5	–	78
		(5)	–	(78)
– Debt investments at fair value through other comprehensive income	12,013,469	5	–	600,673
		(5)	–	(600,673)
– Financial assets at fair value through profit or loss	7,326,966	5	366,348	–
		(5)	(366,348)	–
Europe				
– Debt investments at fair value through other comprehensive income	54,340,372	5	–	2,717,019
		(5)	–	(2,717,019)
– Financial assets at fair value through profit or loss	8,481,935	5	424,097	–
		(5)	(424,097)	–

69. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Price risk *(Continued)*

	Carrying amount of investments RMB'000	Increase/ (decrease) in equity or debt prices %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000*
2019 *(Continued)*				
Investments listed in: *(Continued)*				
Oceania				
– Financial assets at fair value through profit or loss	4,383	5	219	–
		(5)	(219)	–
– Debt investments at fair value through other comprehensive income	118,342	5	–	5,917
		(5)	–	(5,917)
North America				
– Financial assets at fair value through profit or loss	31,711	5	1,586	–
		(5)	(1,586)	–
– Debt investments at fair value through other comprehensive income	781,386	5	–	39,069
		(5)	–	(39,069)
Latin America				
– Financial assets at fair value through profit or loss	340,596	5	17,030	–
		(5)	(17,030)	–
– Debt investments at fair value through other comprehensive income	6,890,946	5	–	344,547
		(5)	–	(344,547)
Asia				
– Financial assets at fair value through profit or loss	181,210	5	9,061	–
		(5)	(9,061)	–
– Debt investments at fair value through other comprehensive income	2,028,294	5	–	101,415
		(5)	–	(101,415)
Africa				
– Financial assets at fair value through profit or loss	1,099	5	55	–
		(5)	(55)	–
– Debt investments at fair value through other comprehensive income	113,070	5	–	5,654
		(5)	–	(5,654)

* Excluding retained profits

69. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Price risk *(Continued)*

	Carrying amount of investments RMB'000	Increase/ (decrease) in equity or debt prices %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000*
2018				
Investments listed in:				
Hong Kong				
– Equity investments designated at fair value through other comprehensive income	194,515	5	–	9,726
		(5)	–	(9,726)
– Debt investments at fair value through other comprehensive income	6,007,692	5	–	300,385
		(5)	–	(300,385)
– Financial assets at fair value through profit or loss	6,664,491	5	333,225	–
		(5)	(333,225)	–
– Associates measured at fair value through profit or loss	2,058,335	5	59,819	–
		(5)	(59,819)	–
Shenzhen				
– Financial assets at fair value through profit or loss	784,034	5	39,202	–
		(5)	(39,202)	–
– Debt investments at fair value through other comprehensive income	12,911	5	–	646
		(5)	–	(646)
Shanghai				
– Financial assets at fair value through profit or loss	1,521,684	5	76,084	–
		(5)	(76,084)	–
United States				
– Equity investments designated at fair value through other comprehensive income	2,157	5	–	108
		(5)	–	(108)
– Debt investments at fair value through other comprehensive income	14,613,818	5	–	730,691
		(5)	–	(730,691)
– Financial assets at fair value through profit or loss	8,950,847	5	447,542	–
		(5)	(447,542)	–
Europe				
– Equity investments designated at fair value through other comprehensive income	570,534	5	–	28,527
		(5)	–	(28,527)
– Debt investments at fair value through other comprehensive income	56,751,785	5	–	2,837,589
		(5)	–	(2,837,589)
– Financial assets at fair value through profit or loss	3,505,779	5	175,289	–
		(5)	(175,289)	–

69. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Price risk *(Continued)*

	Carrying amount of investments RMB'000	Increase/ (decrease) in equity or debt prices %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000*
2018 *(Continued)*				
Investments listed in: *(Continued)*				
Oceania				
– Financial assets at fair value through profit or loss	17,697	5	885	–
		(5)	(885)	–
– Debt investments at fair value through other comprehensive income	102,854	5	–	5,143
		(5)	–	(5,143)
North America				
– Financial assets at fair value through profit or loss	15,431	5	772	–
		(5)	(772)	–
– Debt investments at fair value through other comprehensive income	705,429	5	–	35,271
		(5)	–	(35,271)
Latin America				
– Financial assets at fair value through profit or loss	13,549	5	677	–
		(5)	(677)	–
– Debt investments at fair value through other comprehensive income	35,065	5	–	1,753
		(5)	–	(1,753)
Asia				
– Financial assets at fair value through profit or loss	185,321	5	9,266	–
		(5)	(9,266)	–
– Debt investments at fair value through other comprehensive income	1,930,470	5	–	96,524
		(5)	–	(96,524)
Africa				
– Debt investments at fair value through other comprehensive income	262,331	5	–	13,117
		(5)	–	(13,117)

* Excluding retained profits

69. 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 2019 and 31 December 2018.

The Group monitors capital using a total debt to total capital ratio, which is total debt divided by total equity plus total debt. Total debt includes interest-bearing bank and other borrowings. Total equity includes equity attributable to owners of the parent and non-controlling interests. The total debt to total capital ratios as at the end of the reporting periods were as follows:

	2019 **RMB'000**	2018 RMB'000
Interest-bearing bank and other borrowings	**208,287,057**	186,140,351
Total debt	**208,287,057**	186,140,351
Total equity	**180,924,216**	160,441,023
Total equity and total debt	**389,211,273**	346,581,374
Total debt to total capital ratio	**54%**	54%

70. EVENTS AFTER THE REPORTING PERIOD

1. The outbreak of the coronavirus disease ("COVID-19") in early 2020 has certain impacts on the Group's business operation and the Group has implemented various measures to mitigate such impacts. The Group will pay attention to the situation of COVID-19 and assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the approval of these financial statements, the assessment is still in progress.

2. On 20 March 2020, the Sanya Atlantis Asset-backed Securities Program (the "Special Program") was established and the issuance of the commercial mortgage backed securities ("CMBS") pursuant to the Special Program was completed. The term of the CMBS is for 24 years with effect from the date of establishment of the Special Program. The issue size of the prioritised CMBS is RMB6.8 billion, with a coupon rate of 5% and 48 repayment instalments every six months. The issue size of the subordinated CMBS is RMB201 million, which was subscribed by Shanghai Fosun Tourism Management Co., Ltd., a subsidiary of the FTG.

71. COMPARATIVE AMOUNTS

As further explained in note 2.2(a) to the financial statements, the Group adopted HKFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretations.

Certain comparative amounts, including the comparative segment information, have been reclassified to conform with current year's presentation and disclosures.

72. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**39,300,172**	38,010,972
Investment in associates	**20,700**	395,732
Deferred tax assets	**46,712**	89,955
Right-of-use assets	**13,434**	–
Debt investments at amortised cost	**227,542**	–
Total non-current assets	**39,608,560**	38,496,659
CURRENT ASSETS		
Cash and bank balances	**6,878,640**	4,168,026
Financial assets at fair value through profit or loss	**4,672,835**	4,531,822
Derivative financial instruments	**102,442**	36,070
Prepayments, other receivables and other assets	**254,283**	9,584
Due from subsidiaries	**69,368,515**	53,909,716
Trade and notes receivables	**11**	–
Debt investments at amortised cost	**373,398**	–
Due from related companies	**4**	–
Total current assets	**81,650,128**	62,655,218
CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**12,899,323**	7,617,633
Derivative financial instruments	**157,296**	205,714
Accrued liabilities and other payables	**120,974**	205,958
Due to the holding company	**3,059,343**	2,289,988
Due to subsidiaries	**40,746,024**	30,551,032
Total current liabilities	**56,982,960**	40,870,325
NET CURRENT ASSETS	**24,667,168**	21,784,893
TOTAL ASSETS LESS CURRENT LIABILITIES	**64,275,728**	60,281,552
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**13,423,671**	18,196,715
Total non-current liabilities	**13,423,671**	18,196,715
Net assets	**50,852,057**	42,084,837
EQUITY		
Share capital	**36,714,828**	36,660,729
Other reserves (note)	**14,137,229**	5,424,108
Total equity	**50,852,057**	42,084,837

Guo Guangchang
Director

Gong Ping
Director

72. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Continued)

Note:

A summary of the Company's reserves is as follows:

	Other reserves RMB'000	Exchange fluctuation reserve RMB'000	Fair value reserve RMB'000	Convertible bonds RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2018	48,348	(1,116,696)	238,960	18,054	4,973,517	4,162,183
Final dividend declared	–	–	–	–	(2,511,948)	(2,511,948)
Conversion of convertible bonds to ordinary shares	–	–	–	(18,054)	–	(18,054)
Repurchase of shares	–	–	–	–	(699,566)	(699,566)
Equity-settled share-based payments	92,845	–	–	–	–	92,845
Total comprehensive income for the year	–	1,913,267	(124,591)	–	2,609,972	4,398,648
At 31 December 2018 and 1 January 2019	141,193	796,571	114,369	–	4,371,975	5,424,108
Final 2018 and interim 2019 dividend	–	–	–	–	(3,759,121)	(3,759,121)
Repurchase of shares	–	–	–	–	(139,831)	(139,831)
Equity-settled share-based payments	166,972	–	–	–	–	166,972
Total comprehensive income for the year	–	1,076,214	–	–	11,368,887	12,445,101
At 31 December 2019	308,165	1,872,785	114,369	–	11,841,910	14,137,229

73. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2020.

EXECUTIVE DIRECTORS

Guo Guangchang *(Chairman)*
Wang Qunbin *(re-designated as Co-Chairman on 21 February 2020)*
Chen Qiyu *(re-designated as Co-Chief Executive Officer on 21 February 2020)*
Xu Xiaoliang *(re-designated as Co-Chief Executive Officer on 21 February 2020)*
Qin Xuetang
Gong Ping

NON-EXECUTIVE DIRECTOR

Chen Shucui

INDEPENDENT NON-EXECUTIVE DIRECTORS

Zhang Shengman
Zhang Huaqiao
David T. Zhang
Lee Kai-Fu

AUDIT COMMITTEE

Zhang Shengman *(Chairman)*
Zhang Huaqiao
David T. Zhang
Lee Kai-Fu

REMUNERATION COMMITTEE

Zhang Huaqiao *(Chairman)*
Zhang Shengman
David T. Zhang
Lee Kai-Fu

NOMINATION COMMITTEE

David T. Zhang *(Chairman)*
Zhang Shengman
Zhang Huaqiao
Lee Kai-Fu

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Lee Kai-Fu *(appointed as Chairman on 21 February 2020)*
Qin Xuetang
Zhang Shengman
Zhang Huaqiao
David T. Zhang

COMPANY SECRETARY

Sze Mei Ming

AUTHORIZED REPRESENTATIVES

Qin Xuetang
Sze Mei Ming

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

China Development Bank
Industrial and Commercial Bank of China
Bank of China
Shanghai Pudong Development Bank
China Merchants Bank
Ping An Bank
Ming Sheng Bank
China Construction Bank
China Citic Bank
Bank of Shanghai
The Export-Import Bank of China
Hongkong and Shanghai Banking Corporation Limited
Bank of East Asia
Standard Chartered Bank
Natixis Bank
Citi Bank

REGISTERED OFFICE

Room 808, ICBC Tower
3 Garden Road
Central
Hong Kong

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

00656

WEBSITE

http://www.fosun.com

Glossary

FORMULA

Management-adjusted NAV per share	=	(market value of listed investments held at the group level + the fair value of unlisted investments estimated by the management utilizing precedent transactions analysis or comparable company analysis – the net debt at the group level)/total issued number of shares of the Company
Capital employed	=	equity attributable to owners of the parent + total debt
EBITDA	=	profit for the year + tax + net interest expenditures + depreciation and amortisation
Interest coverage	=	EBITDA/net interest expenditures
Net debt	=	total debt – cash and bank balances and term deposits
Net interest expenditures	=	Interest expenses, net + interest on discounted bills + interest on finance leases
ROE	=	profit attributable to owners of the parent for the year/[(opening balance of equity attributable to owners of the parent + ending balance of equity attributable to owners of the parent)/2]
Total debt	=	current and non-current interest-bearing bank and other borrowings
Total debt to total capital ratio	=	total debts/(shareholder's equity + total debt)

ABBREVIATIONS

AHAVA	AHAVA Dead Sea Laboratories Ltd.
AmeriTrust	AmeriTrust Group, Inc. (formerly known as Meadowbrook Insurance Group, Inc.)
Articles of Association	the current articles of association of the Company with the latest amendments made on 17 June 2008
Babytree	Babytree Group, a company whose H shares are listed on the Hong Kong Stock Exchange with stock code 01761
Baihe Jiayuan	Baihe Jiayuan Network Group Co., Ltd (百合佳緣網絡集團股份有限公司)
BCP	Banco Comercial Português, S.A., a company whose shares are listed on the Euronext Lisbon with stock code BCP
the Board	the board of Directors
Cainiao	Cainiao Network Technology Co., Ltd. (菜鳥網絡科技有限公司)
CG Code	Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules
Chancheng Hospital	Foshan Chancheng Central Hospital Company Limited (佛山市禪城區中心醫院有限公司)
Club Med	Club Med SAS
the Company	Fosun International Limited
the Director(s)	the director(s) of the Company
EUR	Euro, the official currency of the Eurozone
FFG	Fosun Fashion Group (Cayman) Limited
FFT	FFT GmbH & Co. KGaA
Fidelidade	Fidelidade – Companhia de Seguros, S.A.
Fidelidade Assistência	Fidelidade Assistência – Companhia de Seguros, S.A. (formerly known as Cares – Companhia de Seguros, S.A.)
Fosun Capital	Shanghai Fosun Capital Investment Management Co., Ltd. (上海復星創富投資管理股份有限公司)
Fosun Hani Securities	Fosun Hani Securities Limited
Fosun Holdings	Fosun Holdings Limited

Fosun Insurance Portugal	Fidelidade, Multicare and Fidelidade Assistência
Fosun International Holdings	Fosun International Holdings Ltd.
Fosun Kite	Fosun Kite Biotechnology Co., Ltd. (復星凱特生物科技有限公司)
Fosun Orinove	Fosun Orinove (Suzhou) Pharmaceutical Technology Co., Ltd. (復星弘創(蘇州)醫藥科技有限公司)
Fosun Pharma	Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司), a company whose A shares are listed on the SSE with stock code 600196, and whose H shares are listed on the Hong Kong Stock Exchange with stock code 02196
Fosun United Health Insurance	Fosun United Health Insurance CO., LTD (復星聯合健康保險股份有限公司)
FTG	Fosun Tourism Group, a company whose H shares are listed on the Hong Kong Stock Exchange with stock code 01992
GFA	gross floor area
Gland Pharma	Gland Pharma Limited
the Group or Fosun	the Company and its subsidiaries
Guide	Guide Investimentos S.A. Corretora de Valores
H&A	Hauck & Aufhäuser Privatbankiers AG (formerly known as Hauck & Aufhäuser Privatbankiers KGaA)
Hainan Mining	Hainan Mining Co., Ltd. (海南礦業股份有限公司), a company whose A shares are listed on the SSE with stock code 601969
HKD	Hong Kong dollars, the official currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
IDERA	IDERA Capital Management Ltd.
INR	Indian Rupee, the official currency of India
JPY	Japanese yen, the official currency of Japan
La Positiva	La Positiva Seguros y Reaseguros S.A.
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Luz Saúde	Luz Saúde, S.A. (formerly known as ESPÍRITO SANTO SAÚDE – SGPS, SA), who has been delisted from the Euronext Lisbon in November 2018
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
Multicare	Multicare – Seguros de Saúde, S.A.
Mybank	Zhejiang E-Commerce Bank Co., Ltd. (浙江網商銀行股份有限公司)
Nanjing Iron & Steel	Nanjing Iron & Steel Co., Ltd. (南京鋼鐵股份有限公司), a company whose A share are listed on the SSE with stock code 600282
Nanjing Nangang	Nanjing Nangang Iron & Steel United Co., Ltd. (南京南鋼鋼鐵聯合有限公司)
NEEQ	National Equities Exchange and Quotations
Peak Reinsurance	Peak Reinsurance Company Limited
Pramerica Fosun Life Insurance	Pramerica Fosun Life Insurance Co., Ltd. (復星保德信人壽保險有限公司)
PRC or China	the People's Republic of China
Reporting Period	the year ended 31 December 2019
RMB	Renminbi, the official currency of the PRC
Sanyuan Foods	Beijing Sanyuan Foods Co., Ltd. (北京三元食品股份有限公司), a company whose A shares are listed on the SSE with stock code 600429
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shanghai Henlius	Shanghai Henlius Biotech, Inc. (上海復宏漢霖生物技術股份有限公司), a company whose H shares are listed on the Hong Kong Stock Exchange with stock code 02696

Share(s)	the share(s) of the Company
Silver Cross	Silver Cross Nurseries Limited
Sinopharm	Sinopharm Group Co., Ltd. (國藥控股股份有限公司), a company whose H shares are listed on the Hong Kong Stock Exchange with stock code 01099
Sisram Med	Sisram Medical Ltd, a company whose H shares are listed on the Hong Kong Stock Exchange with stock code 01696
SSE	the Shanghai Stock Exchange
Starcastle Senior Living	Shanghai Starcastle Senior Living Co., Ltd. (上海星堡老年服務有限公司), Starcastle (Shanghai) Investment Consultancy Co., Ltd. (星堡（上海）投資諮詢有限公司), Starcastle (Shanghai) Health Management Co., Ltd. (星堡（上海）健康管理有限公司), and Shanghai Pujiang Starcastle Senior Living Co., Ltd. (上海浦江星堡老年服務有限公司)
Tom Tailor	TOM TAILOR Holding SE, a company whose shares are listed on the Frankfurt Stock Exchange with stock code TTI
Tsingtao Brewery	Tsingtao Brewery Company Limited (青島啤酒股份有限公司), a company whose A shares are listed on the SSE with stock code 600600, and whose H shares are listed on the Hong Kong Stock Exchange with stock code 00168
USD	United States dollars, the official currency of the United States
Wolford	Wolford Aktiengesellschaft, a company whose shares are listed on the Vienna Stock Exchange with stock code WOL
Wolves	Wolverhampton Wanderers Football Club
Yong'an P&C Insurance	Yong'an Property Insurance Company Limited (永安財產保險股份有限公司)
Yuyuan	Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城（集團）股份有限公司), a company whose A shares are listed on the SSE with stock code 600655

FOSUN 复星