IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) OUTSIDE OF THE UNITED STATES

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED THEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

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

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

The attached offering circular is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129 (and any amendments thereto) (the "EU Prospectus Regulation"). The attached offering circular has been prepared on the basis that all offers of the Securities made to persons in the European Economic Area (the "EEA") will be made pursuant to an exemption under the EU Prospectus Regulation from the requirement to produce a prospectus in connection with offers of the Securities.

Prohibition of sales to EEA retail investors – The securities described in the attached offering circular are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU as amended ("MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), as amended or superseded, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 as amended (the "PRIIPs Regulation") for offering or selling the securities described in the attached offering circular or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities described in the attached offering circular or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of sales to UK retail investors – The Notes are not intended to be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes: (a) a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and (b) an offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the securities described in the attached offering circular has led to the conclusion that: (i) the target market for the securities described in the attached offering circular is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the securities described in the attached offering circular to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the securities described in the attached offering circular (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the securities described in the attached offering circular (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

The communication of the attached offering circular and any other document or materials relating to the issue of the securities described in the attached offering circular is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the UK's Financial Services and Markets Act 2000, as amended (the "FSMA"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the UK. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the UK who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the UK, the securities described in the attached offering circular are only available to, and any investment or investment activity to which the attached offering circular relates will be engaged in only with, relevant persons. Any person in the UK that is not a relevant person should not act or rely on the attached offering circular or any of its contents.

Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") – the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the securities described in the attached offering circular are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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

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

The offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of Credit Suisse (Hong Kong) Limited, Deutsche Bank AG Hong Kong Branch, Crédit Agricole Corporate and Investment Bank, Fosun Hani Securities Limited, The Hongkong and Shanghai Banking Corporation Limited, Natixis and Standard Chartered Bank as the initial purchasers (the "Initial Purchasers"), or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The information in this preliminary offering circular is not complete and may be changed. This preliminary offering circular is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where such offer or sale is not permitted.

SUBJECT TO COMPLETION

PRELIMINARY OFFERING CIRCULAR DATED JANUARY 20, 2021

Fortune Star (BVI) Limited

(incorporated in the British Virgin Islands with limited liability)

US$ % Senior Notes Due 20

UNCONDITIONALLY and IRREVOCABLY GUARANTEED BY

FOSUN INTERNATIONAL LIMITED

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

The US$ % Senior Notes due 20 (the "Notes") to be issued by Fortune Star (BVI) Limited (the "Issuer") will bear interest from and including (the "Issue Date") at the rate of % per annum, payable semi-annually in arrears on and of each year, commencing , 2021. The Notes will mature on .

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

The Issuer is a wholly-owned subsidiary of the Parent Guarantor established to issue the Notes, among other things.

At any time and from time to time on or after , the Issuer may at its option redeem the Notes, in whole or in part, at the redemption prices set forth under "Description of the Notes – Optional Redemption" plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to , the Issuer may redeem up to 35% of the Notes, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, in each case, using the net cash proceeds from sales of certain kinds of capital stock. In addition, the Issuer may redeem the Notes at any time prior to in whole or in part, at a price equal to 100% of the principal amount of the Notes plus (i) accrued and unpaid interest (if any) to the redemption date and (ii) a premium as set forth in this Offering Circular. Upon occurrence of a Change of Control Triggering Event (as defined in the indenture governing the Notes among the Issuer, the Parent Guarantor and The Bank of New York Mellon, London Branch, as Trustee, (the "Indenture")), the Issuer must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. The Issuer may redeem all but not some of the Notes upon the occurrence of certain changes in applicable tax laws at 100% of their principal amount plus accrued and unpaid interest.

The Notes are (1) senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes, (2) unsecured obligations, ranking at least pari passu in right of payment against the Issuer with all other unsecured, unsubordinated Indebtedness of the Issuer (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law) including the 3.3% Senior Notes due 2022 of Xingtao Assets Limited (the "2014 Notes"), the 5.5% Senior Notes due 2023 of Wealth Driven Limited (the "2016 Notes"), the 5.25% Senior Notes due 2022 of the Issuer (the "March 2017 Notes"), the 5.950% Senior Notes due 2023 of the Issuer (the "January 2018 Notes"), the 6.875% Senior Notes due 2021 of the Issuer (the "January 2019 Notes"), the 6.75% Senior Notes due 2023 of the Issuer (the "July 2019 Notes"), the 4.35% Senior Notes due 2023 of the Issuer (the "November 2019 Notes"), the 6.85% Senior Notes due 2024 of the Issuer (the "July 2020 Notes"), and the 5.95% Senior Notes due 2025 of the Issuer (the "October 2020 Notes" and, together with the 2014 Notes, the 2016 Notes, the March 2017 Notes, the January 2018 Notes, the January 2019 Notes, the July 2019 Notes, the November 2019 Notes and the July 2020 Notes, the "Existing Indebtedness"), (3) effectively subordinated to all secured obligations of the Parent Guarantor, to the extent of the assets serving as security therefor, and (4) effectively subordinated to all secured obligations of the Issuer, to the extent of the assets serving as security therefor. In addition, applicable law may limit the enforceability of the Parent Guarantee. See "Risk Factors – Risks Relating to the Notes and the Parent Guarantee." For a more detailed description of the Notes, see "Description of the Notes" beginning on page 181.

We are concurrently conducting an offer to purchase for cash of the March 2017 Notes (the "Concurrent Offer to Purchase"). We intend to finance the Concurrent Offer to Purchase with proceeds from this offering and/or our working capital.

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知, the "NDRC Circular") on September 14, 2015, which came into effect on the same day, we have registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC dated March 27, 2020 and December 24, 2020, respectively, evidencing such registration. Pursuant to the registration certificate we will cause relevant information relating to the issuance of the Notes be reported to the NDRC within 10 PRC working days after the issue date of the Notes.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 14.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, our subsidiaries, associated companies or the Notes. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000.

Issue Price: %

The Notes and the Parent Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities law of any other jurisdiction. The Notes are being offered and sold only to non-U.S. persons outside the United States in offshore transactions in reliance upon Regulation S under the Securities Act. For a description of certain restrictions on resale or transfer, see "Transfer Restrictions" beginning on page 221.

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

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Credit Suisse	**Deutsche Bank**	**Crédit Agricole CIB**	**Fosun Hani**	**HSBC**	**Natixis**	**Standard Chartered Bank**

The date of this Offering Circular is , 2021.

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

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

In making your investment decision, you should rely only on the information contained in this Offering Circular. We have not authorized any person to provide you with any information or represent anything about us or this offering that is not contained in this Offering Circular. If given or made, any such other information or representation should not be relied upon as having been authorized by us, Credit Suisse (Hong Kong) Limited, Deutsche Bank AG Hong Kong Branch, Crédit Agricole Corporate and Investment Bank, Fosun Hani Securities Limited, The Hongkong and Shanghai Banking Corporation Limited, Natixis and Standard Chartered Bank as initial purchasers (collectively, the "Initial Purchasers") or the Trustee.

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

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

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

None of the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent or the Registrar makes any express or implied representation or warranty as to the accuracy or completeness of the information set forth herein, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent or the Registrar whether as to the past or the future. The Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent and the Registrar have not independently verified such information and assume no responsibility for its accuracy or completeness. To the fullest extent permitted by law, none of the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent and the Registrar, accepts any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent or the Registrar or on its behalf in connection with the Issuer, the Parent Guarantor, or the issue and offering of the Notes. Each of the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent and the Registrar accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. Each person receiving this Offering Circular acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent or the Registrar or any person affiliated with such persons in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us and our subsidiaries and affiliates, or the Notes (other than as contained herein) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Trustee, the Paying Agent, the Transfer Agent or the Registrar. Notwithstanding anything herein to the contrary, the Paying Agent, the Transfer Agent and the Registrar are solely agents for the Issuer or the Trustee, as the case may be, and at no time assume duties, obligations or a position of trust for the holders of the Notes. Each of the Issuer and the Company accepts full responsibility for the information contained in this Offering Circular. To the best knowledge of each of the Issuer and the Company, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

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

This Offering Circular is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129 (the "EU Prospectus Regulation"). This offering circular has been prepared on the basis that all offers of the Notes made to persons in the European Economic Area (the "EEA") will be made pursuant to an exemption under the EU Prospectus Regulation from the requirement to produce a prospectus in connection with offers of the Notes.

Prohibition of sales to EEA retail investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU as amended ("MiFID II"): or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 as amended (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of Sales to UK Retail Investors – The Notes are not intended to be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes: (a) a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA")and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and (b) an offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

The communication of this Offering Circular and any other document or materials relating to the issue of the Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the UK's Financial Services and Markets Act 2000, as amended (the "FSMA"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the UK. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the UK who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the UK, the Notes offered hereby are only available to, and any investment or investment activity to which this Offering Circular relates will be engaged in only with, relevant persons. Any person in the UK that is not a relevant person should not act or rely on this Offering Circular or any of its contents.

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

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

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

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

This Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

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

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Notification under Section 309B(1)(c) of the SFA – the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

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

REFERENCES TO OUR COMPANY

Fosun International

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

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

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

High Technology

When we use the term "High Technology" and words of similar import, we are referring to Shanghai Fosun High Technology (Group) Company, Ltd. (上海復星高科技(集團)有限公司) by itself, or to Shanghai Fosun High Technology (Group) Company, Ltd. and its subsidiaries and joint ventures collectively as the context requires. High Technology is a direct wholly-owned subsidiary of Fosun International.

Our Business

We continued to achieve growth by operational excellence and increase product competitiveness through innovation as an innovation-driven consumer group, focusing on:

- our health business (the "Health business"), which includes three major segments: pharmaceutical ("Pharmaceutical"), medical services & health management ("Medical Services & Health Management") and healthcare products ("Healthcare Products");

- our happiness business (the "Happiness business"), which includes three major segments: tourism & leisure (Tourism & Leisure), fashion ("Fashion") and consumer & lifestyle ("Consumer & Lifestyle");

- our wealth business (the "Wealth business"), which includes three major segments: insurance ("Insurance"), finance ("Finance") and investment ("Investment").

Our Portfolio Companies

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

Our Parent Companies

"Fosun Holdings" means Fosun Holdings Limited, a company incorporated in Hong Kong and the owner of 71.74% of our outstanding share capital as of December 31, 2020. The remaining 28.91% of our share capital is publicly owned and traded on the Hong Kong Stock Exchange.

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

COUNTRIES AND REGIONS

"BVI" means the British Virgin Islands.

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

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

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

GOVERNMENT AND ADMINISTRATIVE AGENCIES

"CBIRC" means the China Banking and Insurance Regulatory Commission and its subordinate agencies, previously known as China Banking Regulatory Commission and China Insurance Regulatory Commission before their consolidation in 2018.

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

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

"MLR" means the Ministry of Land and Resources of the PRC, which was reorganized in 2018 to form the Ministry of Natural Resources.

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

"MOHURD" means the Ministry of Housing and Urban and Rural Development of the PRC.

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

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

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

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

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

"SAMR" means the State Administration for Market Regulation of the PRC and its subordinated agencies, previously known as the State Administration for Industry and Commerce of the PRC before its consolidation in 2018.

"NMPA" means the National Medical Product Administration of the PRC, the successor of the China Food and Drug Administration of the PRC.

PUBLICLY-TRADED SHARES

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

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

CURRENCY PRESENTATION

References in this Offering Circular to "U.S. dollars" and "US$" are to United States dollars; references to "H.K. dollars" and "HK$" are to Hong Kong dollars, the lawful currency of Hong Kong; references to "RMB" or "Renminbi" are to Renminbi, the lawful currency of the PRC; and references to "Euro" or "€" or "EUR" are to euro, the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the treaty establishing the European Community, as amended from time to time.

Solely for the convenience of the reader, this Offering Circular contains translations of certain H.K. dollar, RMB and Euro amounts into U.S. dollars. All H.K. dollar translations have been made at the rate of HK$7.7501 to US$1.00, the noon buying rate for U.S. dollars in The City of New York for cable transfers in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2020. All translations from RMB to U.S. dollars have been made at a rate of RMB7.0651 to US$1.00, the noon buying rate for U.S. dollars in The City of New York for cable transfers in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2020. All translations from Euro to U.S. dollars have been made at a rate of US$1.1237 to EUR1.00, the noon buying rate for U.S. dollars in The City of New York for cable transfers in Euro as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2020. See "Exchange Rate Information" in this Offering Circular. No representation is made that the H.K. dollar, Euro and RMB amounts stated herein could have been, or could be, converted into U.S. dollars at such rates or at any other rate.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements, including those regarding our future financial condition and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and statements that include the words "believe," "expect," "aim," "intend," "plan," "will," "may," "anticipate," "seek," "should" or similar expressions. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include the following:

- disruption in the global capital markets;
- volatility in the markets for iron ore and other metal products, real properties and pharmaceutical products in China;
- general political and economic conditions, including those related to China, trade disputes between China and the United States, and developments in the PRC legal system;
- our ability to effectively manage a diversified investment portfolio consisting of companies in different industries;
- our ability to grow our new business segments as we anticipate;
- possible disruptions to commercial activities due to natural or human-induced disasters, including terrorist activities and armed conflict;
- exchange rate fluctuations;
- increasing competition in, and the conditions of, the relevant global and PRC industries in which our portfolio companies operate;
- significant movements in the price for the raw materials on which we rely;
- fluctuations in real estate markets, particularly in and around Shanghai, Beijing and other markets where we operate and may operate our property business in the future;
- PRC Government policies affecting property development in China, such as mortgage rates, minimum down payment requirements, restrictions on resales and other restrictions, or affecting the mining industries, including industrial licensing, environmental regulations, safety regulations, import restrictions and duties, excise duties, sales taxes and other taxes;

- changes in designed, expected or estimated production capacity or utilization of our existing or new facilities in our health and resources businesses;

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

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

- other operating risks and factors identified in this Offering Circular.

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

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is incorporated in the BVI. Any final and conclusive monetary judgment for a definite sum obtained against the Issuer in a competent foreign court in respect of the Notes would be treated by the courts of the BVI as a cause of action in itself and sued upon as a debt at common law so that no retrial of the issues would be necessary provided that:

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

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

(iii) in obtaining judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of the foreign court;

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

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

Fosun International is a company incorporated in Hong Kong under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). All of Fosun International's directors and executive officers reside in the PRC or in Hong Kong. All or a substantial portion of the assets of such persons and Fosun International are located outside the United States. As a result, purchasers of the Notes might not be able to effect service of process within the United States upon such persons or Fosun International or to enforce against them United States court judgments predicated upon the civil liability provisions of the federal securities laws of the United States. In practice, judgments of U.S. courts are often difficult or impossible to enforce in Hong Kong. While U.S. court civil judgments for a monetary sum in respect of private law liabilities are, in principle, enforceable in Hong Kong if certain criteria are satisfied (relating to matters including jurisdiction, finality, due process and the absence of fraud), those criteria are often not satisfied and even where they are, arguably, satisfied, the procedure for demonstrating this often proves costly, time-consuming and uncertain. Where the U.S. court judgment is based on the civil liability provisions of the U.S. federal securities laws, the defendant will often have scope for raising a further objection to the effect that such liabilities are, in substance, public or penal in nature and, as such, unenforceable in Hong Kong.

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

We have appointed Fosun Management (US) Inc. as our agent to receive process with respect to any action brought against us in any New York State or United States Federal court sitting in the Borough of Manhattan, The City of New York, in relation to the indenture governing the Notes.

PRESENTATION OF FINANCIAL INFORMATION

We have prepared our consolidated financial statements in accordance with HKFRS (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. Ernst & Young, our independent auditors, have audited our consolidated financial statements as of and for each of the years ended December 31, 2017, 2018 and 2019, including the notes thereto, appearing elsewhere in this Offering Circular in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

The summary unaudited consolidated financial information as of and for the six months ended June 30, 2019 and 2020 set forth below is derived from our unaudited condensed consolidated financial statements for the six months ended June 30, 2020, which have been reviewed by Ernst & Young, our independent auditors, and are included elsewhere in this offering circular, and should be read in conjunction with such unaudited condensed consolidated financial statements, including the notes thereto. Consequently the unaudited financial information for the six months ended June 30, 2019 and 2020 should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. Our financial position and results of operations as of and for the six months ended June 30, 2020 should not be taken as an indication of the expected financial position and results of operations as at and for the full year ending December 31, 2020.

To reflect the change of reporting segments of the Group as of and for the year ended December 31, 2018, the comparative financial information as of and for the year ended December 31, 2017 has been restated in our audited consolidated financial statements as of and for the year ended December 31, 2018. Please refer to Note 5 starting on page F-328 and Note 73 on page F-451 of this Offering Circular. Investors are advised to exercise caution when reviewing our financial statements.

SUMMARY

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

OVERVIEW

Rooted in China, we create customer-to-maker (C2M) ecosystems in health, happiness and wealth and provide high-quality products and services for families around the world through innovation. As a result of our rapid growth since our incorporation, we have established a high-quality business combination which has benefited from China's economic growth, urbanization and industrialization. We have broad experience in managing different businesses worldwide and have successfully developed our core businesses into strong market players with widely recognized brands within their respective industries. We seek sustainable and rapid growth of our investment value through continuous portfolio optimization and management upgrade at our portfolio companies. Our historical superior investment returns and our rich operational experience in different industries have given us a strong competitive advantage in continuously capturing investment opportunities. This investment platform enables us to identify investment opportunities that will benefit us from China's rapid growth, and complement our existing health, happiness and wealth businesses.

Our in-depth understanding of China's macroeconomic and microeconomic trends and our established operational experience in managing different business lines worldwide have positioned us to capture investment opportunities and achieve operational excellence in each industry vertical. We have extensive experience in promoting brands, enhancing management structures and building sales networks, which effectively facilitate the development of each investee company's business. In addition, as a diversified and privately-owned enterprise in a rapidly growing market, we have developed strong execution capabilities that allow us to respond quickly to opportunities and challenges emerging from rapid economic development. We also have diversified financing channels that give us access to a wide range of capital resources to support our sustainable development.

We continued to achieve operational excellence and increase product competitiveness through innovation, focusing on our Health, Happiness and Wealth businesses to maintain sustainable and healthy growth. Our Health business includes three major segments: Pharmaceutical, Medical Services & Health Management and Healthcare Products. Our Happiness business includes three major segments: Tourism & Leisure, Fashion and Consumer & Lifestyle. Our Wealth business includes three major segments: Insurance, Finance and Investment. We believe that our principal portfolio companies enjoy competitive advantages within their respective industries with significant growth potential. In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our revenue was RMB88,025.2 million, RMB109,351.6 million, RMB142,982.1 million, RMB68,475.4 million and RMB63,269.2 million, respectively, and our profit for the period was RMB16,796.0 million, RMB17,009.5 million, RMB20,169.4 million, RMB11,217.8 million and RMB3,172.3 million, respectively.

RECENT DEVELOPMENTS

The COVID-19 Pandemic

The COVID-19 novel coronavirus outbreak, which was first reported in December 2019, has spread to most countries around the world. On March 11, 2020, the World Health Organization (the "WHO") declared the COVID-19 outbreak a global pandemic. Large populations remain under threat of the pandemic's further progression. Leveraging our rich resources around the globe, we immediately initiated the first phase of a global medical supplies deployment plan on January 24, 2020. Under the direct supervision of Chairman Guo Guangchang and Co-Chairman Wang Qunbin, we established a global medical supplies allocation working group, and gradually built a global procurement network covering 23 countries over the world. With the support of a powerful supply chain and global resource coordination capabilities, 2.88 million pieces of medical supply were delivered to support Wuhan and other affected cities in China. On March 1, 2020, we officially launched the second phase of our fight against COVID-19 by urgently deploying resources from China to support the rest of the world. As of June 30, 2020, we had deployed an aggregate of 34 million pieces of medical supply, including masks, protective suits and nucleic acid test kits, to key countries with rapid spread, including Italy, the United States, France, Germany, the United Kingdom, Portugal, Japan, South Korea, India and others. Our action's to fight the outbreak, especially our capacity to deploy global resources, have won high recognition from the world and also demonstrated our strong coordination and execution capabilities as a globalized enterprise.

The COVID-19 pandemic has evolved into a global public health crisis of no parallel in recent times. In response, governments across the world have imposed travel restrictions on their own citizens and foreign nationals to contain its transmission, creating an unprecedented level of disruptions to social and economic activities in time of peace. All major countries in the world, including China, the United States, members of the European Union and the United Kingdom, have put in place strict restrictions on the movements of people. In many parts of the developed and developing world, a large portion of the workforce was kept away from the workplace under government guidelines in the first half of 2020. There is no assurance as to when travel restrictions will be lifted or further escalated in response to the pandemic in the rest of 2020.

The ongoing pandemic and containment measures may adversely and materially affect the manufacturing, exports and imports and consumption of goods and services globally. There is evidence of contraction in global manufacturing and service sectors. There is no assurance when manufacturing and service sectors will resume to normal. The development of pandemic may adversely and materially affect economic growth globally due to reduce in demand and supply. In June 2020, the Organization for Economic Co-operation and Development projected a negative 2020 GDP growth rate for almost all economies. Moreover, the pandemic may further adversely and materially affect the stability of global financial markets. The unfolding pandemic may significantly reduce global market liquidity and depress economic activities.

Meanwhile, Fosun Pharma's self-developed COVID-19 nucleic acid test kit, with CE certification from the European Union and emergency approval from the NMPA, has contributed to the revenue and profit of Fosun Pharma, together with other anti-pandemic products such as negative pressure ambulances and ventilators.

Our operations are located in Mainland China, Europe, United States and other parts of the world where governments have imposed unprecedented measures to halt the spread of the COVID-19 pandemic, including lockdowns and travel bans. Such measures have affected the operations of our various business lines. As a result of counter-pandemic measures introduced by governments in China since January 2020 and governments in other parts of the world since late March out of public health concerns, business and leisure travel has declined significantly, and many of our resorts and hotels worldwide have suspended their operations in compliance with local regulations and policies. See "Business – Our Businesses – Happiness – FTG" for details. Many of such regulations and policies are still ongoing, and it is difficult to predict when they will end. The actual impact may differ from the current views and estimates of FTG.

Besides our resort, hotel and travel business, our consumer & lifestyle business has also been impacted as consumer demands decreased due to the overall economic downturn. Our manufacturing business was impacted in the first half of 2020 as certain of our facilities were suspended, raw material supply delayed, and workers ordered to stay at home under lockdown. Our insurance business was affected as the pandemic led to a reduction in new policies due to social distancing and some mark-to-market adjustment on the investments in the insurance segment. See "Business – Our Businesses – Wealth – Insurance" for details.

We have implemented various measures to mitigate the above impacts, and will continue to closely follow the development of COVID-19. We are actively monitoring and assessing the impacts on our financial position and operating results as well. We will also make further announcements as and when appropriate pursuant to our obligations under the Listing Rules.

Proposed Spin-off and Separate Listing of Gland Pharma

On July 10, 2020, the board of directors of Fosun Pharma and the board of directors of Fosun International announced that Fosun Pharma and Fosun International had made a joint application to the Hong Kong Stock Exchange for the approval of the proposed spin-off and separate listing of Gland Pharma Limited, or Gland Pharma and the Hong Kong Stock Exchange had confirmed that Fosun Pharma and Fosun International might proceed with the proposed spin-off and separate listing.

On November 12 and November 13, 2020, Gland Pharma filed a prospectus dated November 12, 2020 with the relevant regulatory bodies in India for the listing of its equity shares on the National Stock Exchange of India Limited and BSE Limited, offering an aggregate of 43,196,968 equity shares at an offer price of INR1,500 per share. On November 20, 2020, the board of directors of Fosun Pharma and the board of directors of Fosun International jointly announced that the proposed overseas listing of Gland Pharma was completed. The trading of Gland Pharma's equity shares on the National Stock Exchange of India Limited (Symbol: GLAND) and BSE Limited (Scrip ID: GLAND) commenced on November 20, 2020.

Co-development of COVID-19 Vaccine with BioNtech

On March 13, 2020, Fosun Pharmaceutical Industrial Development Co. Ltd ("Fosun Pharmaceutical Industrial"), a subsidiary of us, entered into a development and license agreement with BioNTech SE ("BioNTech"), a biopharmaceutical company based in Germany, pursuant to which BioNTech granted an exclusive license to Fosun Pharmaceutical Industrial to develop and commercialize the vaccine product targeting COVID-19 developed based on its proprietary mRNA technology platform, including the mRNA-based BNT162b2 vaccine, in Mainland China, Hong Kong, Macau and Taiwan.

On November 13, 2020, Fosun Pharmaceutical Industrial received approval from the NMPA to initiate a phase II clinical trial for its in-licensed vaccine product BNT162b2 targeting the COVID-19 disease in China. On November 18, 2020, Pfizer Inc. and BioNTech announced that they concluded the Phase 3 clinical study on the BNT162b2 vaccine. The vaccine subsequently obtained approval from the relevant regulatory authorities in the United Kingdom, the United States and the European Union on December 2, December 11 and December 21, 2020 respectively. The inoculation of the vaccine in the stated areas started shortly after the approvals. We are subject to various risks associated with the development, production, transportation and storage of our pharmaceutical products, including vaccines. See "Risk Factors – Risks Relating to Our Health Business" for details.

On December 15, 2020, BioNTech and Fosun Pharmaceutical Industrial entered into a supply agreement and an amendment agreement to the development and license agreement in relation to, among others, the proposed supply of certain COVID-19 vaccine products in Mainland China. Under the supply agreement, subject to the approvals from relevant regulatory authorities and orders to be furnished by Fosun Pharmaceutical Industrial, BioNTech agrees to supply no less than 100 million doses of the COVID-19 vaccine products in Mainland China in 2021.

Recent Acquisitions by Yuyuan

Yuyuan has acquired 55.4% equity interests in Djula, a French fashion jewellery brand, and entered into an agreement with a high-end Italian jewellery group to jointly develop the Damiani and Salvini brands in the Chinese market.

Yuyuan has also completed the acquisition of 29.99998% equity interest in Jinhui Liquor Co., Ltd. (listed on The Shanghai Stock Exchange with stock code 603919) in August 2020 to extend its whole product chain in food and beverage industry. On September 7, 2020, Jinhui Liquor Co., Ltd. announced that Yuyuan made a tender offer to acquire an additional 8% of its share at a price of RMB17.62 per share from the secondary market. Upon completion of the proposed tender offer, Yuyuan will hold up to 38% of Jinhui Liquor Co., Ltd.

On December 31, 2020, Yuyuang signed a confirmation on its proposed acquisition of 70% equity interest of Sichuan Tuopai Shede Group Co., Ltd., a high-end Chinese liquor brand, from an auction company in a judicial auction. The total consideration is RMB4.53 billion. The proposed acquisition will further solidify Yuyuan's strategic footprint on Chinese liquor business. The completion of the acquisition is subject to conditions precedent including the payment of the balance of the consideration, the issuance of an auction closing order by the relevant court in the PRC and the registration of the transfer of equity interest.

July 2020 Notes

On July 2, 2020, we issued US$600.0 million 6.85% Senior Notes due 2024. See "Description of Other Material Indebtedness – Senior Notes – July 2020 Notes" for details.

October 2020 Notes

On October 19, 2020 and December 1, 2020, we issued US$700.0 million 5.95% Senior Notes due 2025. See "Description of Other Material Indebtedness – Senior Notes – October 2020 Notes" for details.

COMPETITIVE STRENGTHS

We believe we have the following competitive strengths:

- Diversified industry portfolio and healthy growth in global business;
- Disciplined investment approach and well-established investment management procedures;
- Balance value investment with accretive divestments;
- Stronger balance sheet and consistently improving asset liquidity; and
- Strong corporate governance and experienced and visionary leadership team.

BUSINESS STRATEGIES

We, as a global company rooted in China, will continue to focus on long-term development with "Industrial Operations + Industrial Investment" as our growth drivers. We remain focus towards the family consumption worldwide for "health, happiness and wealth" products and services, with a view to building a global ecosystem that brings harmony to everyone. To achieve this goal, we have formulated the following business strategies:

- Creating multiple market leaders across multiple product lines through "1+N" Strategy;
- Speeding up the establishment of a global happiness ecosystem centered around families;
- Accelerating development of "smart mid-office" through digitization and upgrading our business with big data and AI;
- Focusing on our distinct development model of "Industrial Operations + Industrial Investment";
- Driving business development with technology and innovation;
- Ensuring sustainable growth and continuing to solidify our financial position; and
- Continuing to optimize our debt profile, enhance asset liquidity and improve credit rating management.

GENERAL INFORMATION

We are a company incorporated in Hong Kong with limited liability under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). We were incorporated on December 24, 2004, and our certificate of incorporation number is 942079. Our registered office is located at Room 808, ICBC Tower, 3 Garden Road, Central, Hong Kong. The telephone number of the Company's registered office is +852 2509 3228. Our shares have been listed on the Main Board of the Hong Kong Stock Exchange since July 16, 2007 under the stock code "00656". Our website is *www. fosun.com*. None of the information contained on our websites constitutes part of this Offering Circular.

The Issuer is a BVI business company with limited liability established on February 28, 2017 under the laws of the BVI (BVI Company Number: 1938036). Its registered address is at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. The telephone number of the Issuer is +852 2509 3228. The Issuer is incorporated solely for purpose of financing activities, including the issuance of the March 2017 Notes, the January 2018 Notes, the January 2019 Notes, the July 2019 Notes, the November 2019 Notes, the July 2020 Notes, the October 2020 Notes and the Notes. The Issuer is a direct wholly-owned subsidiary of Industrial Holdings, and is an indirect wholly-owned subsidiary of the Company.

THE OFFERING OF THE NOTES

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

Issuer	Fortune Star (BVI) Limited.
Parent Guarantor	Fosun International Limited (the "Company" or the "Parent Guarantor").
Notes Offered	US$ aggregate principal amount of % Senior Notes due 20 (the "Notes").
Offering Price	100% of the principal amount of the Notes.
Issue Date	, 2021.
Maturity Date	.
Interest	The Notes bear interest at a rate of % per annum, payable semi-annually in arrears on and of each year, commencing , 2021.
Ranking of the Notes	The Notes are:

- general obligations of the Issuer;
- senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes;
- unsecured obligations, ranking at least *pari passu* in right of payment with all other unsecured, unsubordinated indebtedness of the Issuer (subject to any priority rights of such unsecured, unsubordinated indebtedness pursuant to applicable law), including the Existing Indebtedness;
- guaranteed by the Parent Guarantor on a senior basis, subject to the limitations described under "Description of the Notes – The Parent Guarantee" and "Risk Factors – Risks Relating to the Notes and the Parent Guarantee";
- effectively subordinated to all secured obligations of the Parent Guarantor, to the extent of the assets serving as security therefor; and
- effectively subordinated to all secured obligations of the Issuer, to the extent of the assets serving as security therefor.

Parent Guarantee	The Parent Guarantor guarantees the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes and the Indenture.
Ranking of the Parent Guarantee	The Parent Guarantee is: • a general obligation of the Parent Guarantor; • senior in right of payment to all future obligations of the Parent Guarantor expressly subordinated in right of payment to the Parent Guarantee; • effectively subordinated to the secured obligations (if any) of the Parent Guarantor, to the extent of the assets serving as security therefor; and • at least *pari passu* with all unsecured, unsubordinated indebtedness of the Parent Guarantor, including the Existing Indebtedness (subject to any priority rights of such unsecured unsubordinated indebtedness pursuant to applicable law). See "Risk Factors – Risks Relating to the Notes and the Parent Guarantee."
Use of Proceeds	We intend to use the net proceeds from this offering to refinance some of our existing offshore indebtedness, including any payment in connection with the Concurrent Offer to Purchase, and for working capital and general corporate purposes. See "Use of Proceeds."
Optional Redemption of the Notes	At any time and from time to time on or after , the Issuer may at its option redeem the Notes, in whole or in part, at the redemption prices set forth under "Description of the Notes – Optional Redemption" plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time prior to , the Issuer may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100%, of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to , the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Parent Guarantor in an Equity Offering at a redemption price of 100% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes issued remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Repurchase of Notes Upon a Change of Control Triggering Event	Upon the occurrence of a Change of Control Triggering Event, the Issuer or the Parent Guarantor will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date. See "Description of the Notes – Repurchase of Notes Upon a Change of Control Triggering Event."
Redemption for Taxation Reason	Subject to certain exceptions and as more fully described herein, the Issuer or Parent Guarantor may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption, if the Issuer, the Parent Guarantor would become obliged to pay certain additional amounts as a result of certain changes in specified tax laws. See "Description of the Notes – Redemption for Taxation Reasons."
Covenants	The Notes and the Indenture limit the Parent Guarantor's ability to, among other things, create liens or effect a consolidation or merger. These covenants are subject to a number of important qualifications and exceptions described in "Description of the Notes – Certain Covenants."
Transfer Restrictions	The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to restrictions on transfer and resale. See "Transfer Restrictions."
Form, Denomination and Registration	The Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof and will be initially represented by a global note registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.
Book-Entry Only	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see "Description of the Notes – Book-Entry; Delivery and Form."
Delivery of the Notes	The Issuer expects to make delivery of the Notes, against payment therefor in same-day funds, on or about , 2021.
Trustee and Paying Agent	The Bank of New York Mellon, London Branch.

Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Listing	Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000.
Governing Law	The Notes and the Indenture are governed by and construed in accordance with the laws of the State of New York.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see "Risk Factors."
ISIN/Common Code	**ISIN**: XS2281321799 / **Common Code**: 228132179
Concurrent Offer to Purchase	We are concurrently conducting an offer to purchase for cash of the March 2017 Notes. We intend to finance the Concurrent Offer to Purchase with proceeds from this offering and/or our working capital.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The summary financial data as of and for the years ended December 31, 2017, 2018 and 2019 set forth below have been derived from our consolidated financial statements for the years ended December 31, 2017, 2018 and 2019, which have been audited by Ernst & Young, independent auditors, and are included elsewhere in this Offering Circular. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principle in other jurisdictions. The selected financial data below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this Offering Circular.

The summary unaudited consolidated financial information as of and for the six months ended June 30, 2019 and 2020 set forth below is derived from our unaudited condensed consolidated financial statements for the six months ended June 30, 2020, which have been reviewed by Ernst & Young, independent auditors, and are included elsewhere in this offering circular, and should be read in conjunction with such unaudited condensed consolidated financial statements, including the notes thereto. Consequently the unaudited financial information for the six months ended June 30, 2019 and 2020 should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. Our financial position and results of operations as of and for the six months ended June 30, 2020 should not be taken as an indication of the expected financial position and results of operations as at and for the full year ending December 31, 2020.

To reflect the change of reporting segments of the Group as of and for the year ended December 31, 2018, the comparative financial information as of and for the year ended December 31, 2017 has been restated in our audited consolidated financial statements as of and for the year ended December 31, 2018. Please refer to Note 5 starting on page F-328 and Note 73 on page F-451 of this Offering Circular. Investors are advised to exercise caution when reviewing our financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS DATA

	Year ended December 31,				Six months ended June 30,		
	2017	2018	2019		2019	2020	
	RMB	*RMB*	*RMB*	*US$* (unaudited)	*RMB*	*RMB* (unaudited)	*US$*
				(in millions)			
Revenue	88,025.2	109,351.6	142,982.1	20,237.8	68,475.4	63,269.2	8,955.2
Cost of sales	(55,874.9)	(67,728.6)	(89,026.7)	(12,600.9)	(43,749.8)	(38,708.6)	(5,478.9)
Gross profit	32,150.3	41,623.0	53,955.4	7,636.9	24,725.6	24,560.6	3,476.3
Other income and gains	24,529.1	19,728.9	27,372.2	3,874.3	13,018.3	7,383.2	1,045.0
Amount reported in profit or loss applying overlay approach	–	2,742.5	(1,323.1)	(187.3)	(493.4)	982.1	139.0
Selling and distribution expenses	(13,167.9)	(17,955.6)	(22,158.6)	(3,136.3)	(10,429.2)	(10,008.7)	(1,416.6)
Administrative expenses	(13,472.9)	(18,054.1)	(21,866.2)	(3,095.0)	(10,370.7)	(10,301.5)	(1,458.1)
Other expenses	(5,997.5)	(4,817.6)	(5,371.9)	(760.3)	(1,954.2)	(5,177.4)	(732.8)
Finance costs	(5,583.8)	(7,230.4)	(10,220.8)	(1,446.7)	(4,934.3)	(5,038.0)	(713.1)
Share of profits and losses of:							
Joint ventures	1,492.6	1,779.7	2,045.4	289.5	309.5	900.5	127.5
Associates	3,021.1	4,178.2	5,084.9	719.7	3,616.2	2,071.7	293.2
Profit before tax	22,971.0	21,994.6	27,517.3	3,894.8	13,487.8	5,372.5	760.4
Tax	(6,175.0)	(4,985.1)	(7,347.9)	(1,040.0)	(2,270.0)	(2,200.2)	(311.4)
Profit for the year/period	16,796.0	17,009.5	20,169.4	2,854.8	11,217.8	3,172.3	449.0
Attributable to:							
Owners of the parent	13,161.3	13,406.4	14,800.9	2,094.9	7,608.8	2,012.1	284.8
Non-controlling interests	3,634.7	3,603.1	5,368.5	759.9	3,609.0	1,160.2	164.2
	16,796.0	17,009.5	20,169.4	2,854.8	11,217.8	3,172.3	449.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	RMB	*RMB*	*RMB*	*US$* (unaudited)	*RMB*	*US$* (unaudited)
			(in millions)			
Total non-current assets	324,272.2	362,038.1	435,949.0	61,704.6	438,375.6	62,048.0
Cash and bank balances	81,651.6	105,905.7	93,647.2	13,254.9	114,662.8	16,229.5
Total current assets	209,515.9	276,845.8	279,732.2	39,593.5	306,610.0	43,397.8
Total current liabilities	193,356.1	233,560.5	268,399.1	37,989.4	305,049.5	43,177.0
Net current assets	16,159.8	43,285.3	11,333.1	1,604.1	1,560.5	220.8
Total non-current liabilities	204,019.7	244,882.3	266,357.8	37,700.5	263,481.5	37,293.3
Equity attributable to owners of the parent	100,960.8	108,528.9	122,552.4	17,346.2	120,522.9	17,058.9
Non-controlling interests	35,451.5	51,912.2	58,371.9	8,262.0	55,931.7	7,916.6
Total equity	136,412.3	160,441.1	180,924.3	25,608.2	176,454.6	24,975.5

EBITDA Data:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
EBITDA[(1)] (RMB in millions)	30,789.2	32,710.4	44,103.3	21,124.5	13,776.9
EBITDA to net interest expenditures ratio	6.0x	4.7x	4.5x	4.4x	2.9x

Note:

(1) EBITDA for the year/period is defined as profit before tax for the year/period plus net interest expenditures, depreciation of items of property, plant and equipment, depreciation of items of right-of-use assets and amortization. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense, depreciation of items of property, plant and equipment and amortization. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to service debt and pay taxes. EBITDA presented in this Offering Circular may not be comparable to similarly titled measures presented by other companies. You should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Set forth below is a reconciliation of EBITDA for the year/period to the most directly comparable HKFRS measure, profit before tax for the year/period.

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
			(RMB in millions)		
Profit before tax	22,971.0	21,994.6	27,517.3	13,487.8	5,372.5
Adjustments:					
Add:					
Net interest expenditures	5,133.4	6,887.6	9,888.0	4,810.6	4,734.3
Depreciation of items of property, plant and equipment	1,794.2	2,546.5	2,939.0	1,358.7	1,539.1
Depreciation of items of right-of-use assets	–	–	2,162.2	823.9	1,228.6
Amortization	890.6	1,281.7	1,596.8	643.5	902.4
EBITDA	30,789.2	32,710.4	44,103.3	21,124.5	13,776.9

RISK FACTORS

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

Risks Relating to Our General Operations

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

We have experienced significant growth in recent years. A large portion of our growth has been attributable to the increase in scale of our existing operations through organic expansion and the broadening of the scope of our business through investments and acquisitions. Although we plan to continue to grow our business through organic expansion as well as investments and acquisitions, we may not be able to grow at a rate comparable to our growth rate in the past, either in terms of revenue or profit.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our results of operations, financial condition and cash flow may be adversely and materially affected by the COVID-19 pandemic.

The COVID-19 novel coronavirus outbreak which was first reported at the end of 2019 has spread to most countries around the world. On March 11, 2020, WHO declared COVID-19 outbreak a global pandemic. Large populations remain under threat of the pandemic's further progression.

The COVID-19 pandemic has evolved into a global public health crisis of no parallel in recent times. In response, governments across the world have imposed travel restrictions on their own citizens and foreign nationals to contain its transmission, creating an unprecedented level of disruptions to social and economic activities in time of peace. All major countries in the world, including China, the United States, members of the European Union and the United Kingdom, have put in place strict restrictions on the movements of people. In many parts of the developed and developing world, a large portion of the workforce is kept away from the workplace by government advice. There is no assurance that travel restrictions will not further escalate in response to the pandemic.

The ongoing pandemic and containment measures may adversely and materially affect the manufacturing, exports and imports and consumption of goods and services globally. There is evidence of contraction in China's manufacturing and service sectors. There is no assurance that manufacturing and service sectors will not contract in other countries. The development of pandemic may adversely and materially affect economic growth globally due to reduce in demand and supply. In June 2020, the Organization for Economic Co-operation and Development projected a negative 2020 GDP growth rate for almost all economies. Further, the pandemic may adversely and materially affect the stability of global financial markets. The unfolding pandemic may significantly reduce global market liquidity and depress economic activities.

We have a significant portion of our operations in China, Europe, United States and other parts of the world. We rely upon our facilities and third-party facilities to support our business where we operate. As a result of government measures to control the spread of the virus, such as lockdowns and travel restrictions, we cannot guarantee that our facilities and third-party facilities will have materials, capacity or capability to manufacture to our schedule and specifications, or our customers will maintain their current level of purchase. The sale and development of our property development may be suspended, which in turn, may materially and adversely affected the results of operation, financial condition and cash flow of our business. The COVID-19 pandemic resulted in travel restrictions imposed by governments throughout the world, reduced business travels by companies and cancelled leisure travels by consumers. Our resorts, hotel, travel business, investment banking business, and insurance brokerage business may be material and adversely affected by the decrease of global and domestic travel due to pandemic and travel restrictions. A general reduction or shift in discretionary spending could result in decreased demand for consumer goods, such as clothing, alcoholic beverages and cosmetics. Our portfolio companies in fashion segment and consumer & lifestyle segment may be materially and adversely affected by the decrease in consumer demands of their goods and services. The continuous spread of COVID-19 could increase the insurance claims on insurance policies issued by our portfolio companies in health and wealth businesses, which in turn, could materially and adversely affected the results of operation, financial condition and cash flow of our business. Our revenue from the Health business decreased by 0.3% from RMB16,465.4 million in the six months ended June 30, 2019 to RMB16,423.9 million in the six months ended June 30, 2020. See "Business – Our Businesses – Health" for details.

COVID-19 pandemic also materially and adversely affected our tourism business. Many countries have imposed unprecedented measures to halt the spread of the COVID-19 pandemic, including lockdowns and travel bans. As a result, tourism industry in general and our tourism business in particular experienced significant setback as people are generally reluctant to travel out of fear for the pandemic and the hurdles caused by related quarantine measures and travel restrictions. Our revenue from the Happiness business decreased by 12.8% from RMB30,893.9 million in the six months ended June 30, 2019 to RMB26,940.4 million in the six months ended June 30, 2020, which was mainly due to the significant revenue decrease of FTG as impacted by the COVID-19 pandemic. See "Business – Our Businesses – Happiness" for details.

In light of the spread of COVID-19, we and our portfolio companies have taken or may take temporary precautionary measures to help minimize the risk of the virus to our employees, our customers, and the markets in which we operates. Although we continue to monitor the situation and may adjust our current policies as more information and guidance become available, temporarily suspending travel and doing business in-person could negatively impact our marketing efforts, challenge our ability to enter into customer contracts in a timely manner, slow down our recruiting efforts, or create operational or other challenges due to work-from-home measures, any of which could harm our business.

In addition, our operations could be disrupted if any of our employees or employees of our portfolio companies were suspected of having coronavirus or other illnesses since this could require us or our portfolio companies to quarantine such employees or disinfect our facilities. We cannot guarantee that our operation and the operation of our portfolio companies located in China, Europe, United States and other parties of the world will not be affected by the pandemic and travel restrictions, which in turn, may adversely and materially affected our results of operation, financial condition and cash flow. The uncertainty created by the COVID-19 pandemic has reduced and may continue to reduce stock prices worldwide, which may adversely and materially affected the value of our listed portfolio companies. Further, depressed economic and investment activities as a result of COVID-19 pandemic has reduced and may continue to reduce global market liquidity. The value of our investments in portfolio companies, properties, financial assets and other forms may be adversely and materially affected by the COVID-19 pandemic, which in turn, may adversely and materially affect our results of operation, financial condition and cash flows. In our wealth business, we recorded loss attributable to owners of the parent of RMB1,057.9 million in the six months ended June 30, 2020 as compared to profit attributable to owners of the parent of RMB1,015.9 million in the six months ended June 30, 2019, which was mainly due to the loss on fair value adjustment of Insurance segment investment due to the volatility of financial market. See "Business – Our Business – Wealth Insurance" for details.

In the six months ended June 30, 2020, revenue of the Group amounted to RMB63,269.2 million, representing a decrease of RMB5,206.2 million, or approximately 7.6%, compared to the same period in 2019, mainly due to the impact of the COVID-19 pandemic globally across industry sectors. Some of our portfolio companies also experienced financial distress as a result of the COVID-19 pandemic.

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

We have relied on both short-term and long-term borrowings to fund a portion of our capital requirements and expect to continue to do so in the future. As of June 30, 2020, we had total interest-bearing bank and other borrowings of RMB232,563.3 million, of which RMB108,278.7 million were classified as current liabilities and RMB124,284.5 million were classified as non-current liabilities, and our ratio of total interest-bearing bank and other borrowings to total assets was 31%.

Our results of operations may be adversely affected by an increase in the effective interest rate of our borrowings, including as a result of increases in LIBOR, HIBOR or other benchmarks to which our floating rate borrowings are linked. See "Description of Other Material Indebtedness." In recent years, the PBOC has adjusted the bank deposit and lending rates a number of times and may make further adjustments in the future depending on macroeconomic factors. On December 29, 2019, the PBOC issued the People's Bank of China No. 30 [2019] Announcement, stating that the benchmark of the existing floating rate loans granted by PRC banks should be converted from PBOC benchmark lending rates into loan prime rate (LPR). Prior to this, PBOC was the only authority that would set the interest rate that commercial banks can charge their customers for their loans. This reform aims to ensure more market-based lending rates, so changes in borrowing costs actually serve the real economy.

We require significant funding for our capital expenditure and investment programs as a result of our continued growth and other operational needs. We had capital commitments of RMB9,590.5 million as of June 30, 2020. We also have a significant amount of interest expenses. Interest payments reduce funds available for our working capital, capital expenditures and other business purposes. Any funding shortage could limit our ability to respond to changing market conditions or to grow our business, make us more vulnerable to adverse economic and industry conditions, and place us at a competitive disadvantage compared to our competitors with less indebtedness.

As of June 30, 2020, RMB61,459.8 million of our borrowings was secured by properties or other assets. We may continue to incur secured borrowings from time to time.

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

Our Company received long-term ratings of "BB" with a negative outlook from S&P Global Ratings in August 2020 and "Ba3" with a negative outlook from Moody's Investors Service Hong Kong Ltd ("Moody's") in July 2020. These ratings reflect the rating agencies' views of our Company's ability to make timely payment of principal and interest on senior unsecured debts. There is no assurance that these ratings or outlook will remain in effect for any given period or that the ratings or outlook will not be revised by the rating agencies at any time in the future if, in their judgment, circumstances so warrant.

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

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

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

- Our scale of operations has grown significantly in recent years, a large part of which has been attributable to investments and acquisitions.

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

- We have recognized substantial other income from interest income, revenues generated by our subsidiaries outside their core business activities such as, dividends from available-for-sale investments, dividends and interest from financial assets at fair value through profit and loss, dividends from debt investments at fair value through other comprehensive income, government grants and exchange gains, gains from our disposal of interests in subsidiaries, gain on bargain purchase of subsidiaries, gain on deemed disposal of investments in associates, gain on disposal of available-for-sale investments, and gain on disposal of debt instruments at fair value through other comprehensive income. We may not be able to realize similar gains from our portfolio companies in the future.

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

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

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

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

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

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

A portion of the borrowings of our portfolio companies are guaranteed by companies at the holding company level. Although none of our portfolio companies have defaulted on their borrowings in the past, if a portfolio company defaults on any such borrowings, the relevant lender may exercise its right under the guarantee to demand payment from companies at the holding company level. This may result in a funding shortage at the holding company level and adversely affect the financial support that companies at the holding company level may offer to its portfolio companies in other segments.

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

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

We continued to achieve operational excellence and increase product competitiveness through innovation, focusing on our Health, Happiness and Wealth businesses to maintain a sustainable and healthy growth. Our Health business includes three major segments: Pharmaceutical, Medical Services & Health Management and Healthcare Products. Our Happiness business includes three major segments: Tourism & Leisure, Fashion and Consumer & Lifestyle. Our Wealth business includes three major segments: Insurance, Finance and Investment. There are a number of portfolio companies under each of the segments. The classification of segmentation is primarily made based upon our ownership structure, business operations and development strategies. These composition and the portfolio companies under each business segment may change from time to time, based on the development of our operations. As such, the financial information of each segment may change from time to time. For example, we changed our reportable segments in 2017, and further changed our reportable segments in 2018, and restated the comparative financial information as of and for the year ended December 31, 2017 in the audited consolidated financial statements in the audited consolidated financial statements as of and for the year ended December 31, 2018. Therefore, the financial information of our business segments may not be comparable from period to period or be indicative of the future financial results of such segment. Period-to-period comparisons of our historical operating results must be evaluated in light of the impact of such transactions and reclassifications.

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

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

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

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

Rapid growth may strain our management and operating resources.

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

Our voting interests in our portfolio companies may be diluted.

Our voting interests in our portfolio companies that are not currently publicly traded may be diluted if these entities become publicly traded.

In addition, our portfolio companies may from time to time need additional capital to achieve their expansion plans or other business objectives and may issue additional shares or other equity securities to meet their capital needs. We may choose not to, or be unable to, subscribe for the securities offered in any such additional issuances by our portfolio companies. If we fail to subscribe for additional securities of a portfolio company on a pro-rata basis consistent with our existing shareholding in such company, our equity interest in the company will be diluted.

Our voting interests in our portfolio companies could also be diluted as a result of the exercise, redemption or conversion of stock options or equity-linked instruments. A dilution of our equity interest in a portfolio company would reduce our share of the profits earned by such portfolio company, which may have an adverse effect on our results of operations. Further, if our ownership was reduced significantly, it may reduce our representation on such company's board, or otherwise reduce our ability to direct or influence the operations of that company.

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

We depend on cash from disposal of investments held by our Company and our receipt of cash dividends from High Technology and other overseas portfolio companies for our cash flow and ability to satisfy our debt obligations. See "– Risks Relating to Our Investment Segment – We may fail to realize any profits from our investment activities or may be unable to sell our investments for a considerable period of time or recover our investment costs" below for risks associated with our investments. The dividends paid to us by High Technology are dependent on dividends and distributions from our other portfolio companies. If our other portfolio companies fail to pay cash dividends to High Technology, our ability to receive cash dividends from High Technology may be materially adversely affected.

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

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

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

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

As of December 31, 2020, Messrs. Guo Guangchang and Wang Qunbin were Fosun International's controlling shareholders, who together beneficially owned 71.74% of its share capital through Fosun International Holdings and Fosun Holdings. See "Principal Shareholders." Our controlling shareholders may provide financial support to us from time to time. As a result of their ownership of our share capital and provision of financial support, they have the ability to exert significant influence over the management of our Company, including the ability to implement administrative policies, elect our directors and appoint members of our senior management. They may withdraw their financial support or take actions or direct us to take corporate actions that are not in the best interests of our Company or its non-controlling shareholders.

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

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

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

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

We face several legal uncertainties in our continued occupation of some of the land and properties we occupy. We do not have valid and enforceable title certificates, such as LURCs, BOCs, RECs or required government approvals, for certain properties we occupy. Our rights in relation to such properties and land, including the rights of occupation, utilization, profit and disposal, may not be recognized and protected under PRC law until we obtain the relevant title certificates and government approvals, and we cannot guarantee that we will be able to obtain them. We may be subject to penalties for occupying land in the absence of the required government approvals and may be required to return the land to its previous owner, demolish and remove buildings constructed on the land, restore the land to its original condition, or turn over the buildings to the government. We may be fined if we fail to obtain construction permits or if our commencement report is not approved under the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例) in relation to properties we use or have under construction.

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

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

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

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

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

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

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

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

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

We face various operational risks in connection with our business, including:

- production interruptions caused by operational errors, electricity outages, raw material shortages, the failure of equipment and other production risks;
- operating limitations imposed by environmental or other regulatory requirements;
- work-related personal injuries;
- economic loss due to product reclaim;
- on-site production accidents;
- social, political and labor unrest;
- disruption in global capital markets and global economy in general;
- loss on investments;
- environmental or industrial accidents; and
- catastrophic events such as fires, earthquakes, explosions, floods, mine collapses or other natural disasters.

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

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

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

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

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

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

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

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

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

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

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

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

- a lack of local presence and familiarity with cultural, regulatory and business practices;
- shortage of personnel with necessary language skills and technical capabilities;
- burden or cost of complying with foreign laws and regulations, including unexpected changes in laws that may have an adverse effect on foreign businesses;
- inherent difficulties and delays in contract enforcement through the use of foreign legal systems;
- slow down in global economic growth, including in the PRC;
- changes in political, regulatory or economic conditions, including from international trade disputes and Brexit;
- political and social instability, including wars and terrorism;
- volatility in currency exchange rates;
- potentially adverse tax consequences;
- labor unrest;
- import and export duties, quotas and controls, as well as general transportation costs;
- changes in domestic and international customs and tariffs;

- foreign exchange control or regulatory restrictions that could prevent us from repatriating income earned in such countries;

- difficulties in obtaining necessary permits, approvals, licenses or authorizations for our business and operations; and

- longer payment cycles and problems in collecting account receivables.

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

Acts of God, acts of war and terrorism, riots, epidemics and other disasters could affect our business. In particular, the occurrence of an epidemic or any other public health crisis around the world, and particularly in Asia-Pacific region, could materially and adversely affect our business, financial condition, results of operations, performance and prospects.

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

Epidemics and pandemics threaten people's lives and may materially and adversely affect their livelihood as well as their living and consumption patterns. Some cities where we or our portfolio companies operate have previously been affected by, or may be under the threat of, contagious diseases such as Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, H1N1 human swine flu, Middle East respiratory syndrome, Zika fever and COVID-19. An epidemic, a pandemic or an outbreak of contagious disease may result in a public health crisis and restrict the level of business activity in affected areas, which in turn could adversely affect our business, financial condition and results of operations. The SARS outbreaks in Hong Kong, the PRC and other Asian countries in 2003 had a material adverse impact on the economies of many of the affected regions. From 2006 to 2008, there have also been outbreaks of the H5N1 virus or "Avian Influenza A" among birds, in particular poultry, as well as some isolated cases of transmission of the virus to humans. In 2009 and 2010, there have also been outbreaks among humans of the H1N1 human swine flu, also known globally as influenza A (H1N1). Since December 2019 and up to the date of this Offering Circular, there is an on-going global outbreak of COVID-19. Please see "Risk Factors – Risks Relating to Our General Operations – Our results of operations, financial condition and cash flow may be adversely and materially affected by the COVID-19 pandemic."

Apart from the on-going outbreak of the COVID-19, there can be no assurance that there will not be another significant outbreak of a highly contagious disease in the future in the regions where we or our portfolio companies operate or that may affect us. Nor can there be any assurance that any precautionary measures taken against such outbreak will be effective. If there were another outbreak, together with any possible travel restriction and/or quarantine, the regional or national economy of affected regions or countries may be adversely and materially affected and business activities may be suspended, which could result in material disruptions to our operations and the operations of our portfolio companies, significant decreases in consumer purchases of our products and services, including but not limited to our healthcare products, entertainment, tourism- and culture-related services and our financial products and services, and significant increase in claims on our insurance policies, which in turn may adversely affect our financial condition and results of operations.

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

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

In the United Kingdom, a remain-or-leave referendum on its membership within the European Union was held in June 2016, the result of which favored the exit of the United Kingdom from the European Union ("Brexit"). On January 31, 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. The United Kingdom and the European Union are currently in a transition period until December 31, 2020 during which they negotiate, among others, trade agreements in details. Given the lack of precedent, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the United Kingdom, the European Union and globally. This event has resulted in a downgrade of the credit ratings of the United Kingdom and the uncertainty before, during and after the period of negotiation may also create a negative economic impact and increase volatility in global markets. These developments have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict our access to capital, which could have a material adverse effect on our business, financial condition and results of operations and reduce the price of the Notes.

Risks Relating to Our Health Business

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

As the health industry is monitored closely by the PRC Government, our operations are constrained in many ways. To introduce a new product to the market, we must obtain all the necessary permits and product certifications. We cannot assure you that regulatory authorities will approve all of our new products. Changes in regulations may also make the application process more difficult. We also need to comply with the relevant laws and regulations, maintain all required permits and product certifications and are subject to various standards for our daily production and operations.

In addition, regulatory authorities conduct periodic assessments of our operations to ensure that we comply with applicable laws. On September, 19, 2019, the NMPA issued the Notice of Learning, Publicizing and Implementing the Drug Administration Law of the People's Republic of China (國家藥監局關於學習宣傳貫徹《中華人民共和國藥品管理法》的通知), which states that the GMP certification and GSP certification are cancelled, and the drug supervision and administration department can conduct an inspection on the implementation of GMP and GSP at any time. Pursuant to the Drug Administration Law of the People's Republic of China (《中華人民共和國藥品管理法》) which became effective on December, 1, 2019, the State implements a drug marketing permit holder system for drug administration. Drug marketing permit holders (藥品上市許可持有人), which shall mean enterprises or drug research and development institutes that have obtained a drug registration certificate shall be responsible for drug safety, effectiveness and quality controllability throughout the drug research and development, production, management and use process pursuant to the aforesaid law. Drug marketing permit holders engaging in drug manufacturing on their own shall obtain a drug manufacturing permit and drug marketing permit holders engaging in drug retail activities shall obtain a drug business permit. We cannot assure you that we are able to comply with all these requirements, and as a result, we may be subject to fines, suspension of operations, revocation of business licenses.

Further, during a public health crisis, such as the ongoing COVID-19 pandemic, we cannot assure you that we are able to maintain normal business operations of our Health business, as our hospitals, research and production facilities may be expropriated by the PRC government. We also cannot assure you that our staff will not be quarantined by the PRC government and their productivities will not be adversely affected by the public health crisis. In addition, we cannot assure that our suppliers, our distributors and our customers will not be adversely affected by the public health crisis. We may also donate our products and services during the public health crisis. If any aforementioned risks materialize, our business, results of operations and financial condition may be materially and adversely affected.

Our Health business is subject to strict price control.

Most of our pharmaceutical products are subject to price control in China, which typically involves the imposition of retail price ceilings. Pursuant to the Circular on Promoting the Reform of Drug Prices (關於印發《推進藥品價格改革意見》的通知), since June 1, 2015, the pharmaceutical products listed in the National Medical Insurance Drugs Catalogue and paid by the social medical insurance fund shall follow the price guidelines promulgated by relevant government agencies, and psychological drugs are subject to strict price controls, which involve the imposition of retail price ceilings. As of the date of this Offering Circular, some but not all provinces have issued guidelines on the pricing mechanism of drugs paid by the social medical insurance fund. The nature and scope of price controls may be varied by the PRC Government from time to time. Our ability to set and raise prices of our products which are included in the National Medical Insurance Drugs Catalogue is subject to price control. We derived a substantial portion of our revenue from sales of pharmaceutical products that were subject to price controls. Retail price controls imposed by the PRC Government significantly impact the selling prices of many of our pharmaceutical products. We cannot assure you that the PRC Government will not further expand the list of pharmaceutical products subject to price control, further lower the price ceilings or strengthen the existing price control measures. If such changes take place, our Health business may be adversely affected.

On December 26, 2016, eight central government agencies jointly promulgated the Notice on the Distribution of the Opinions on the Implementation of the "Two-Invoice System" in Drug Procurement by Public Medical Institutions (for trial implementation) (關於在公立醫療機構藥品採購中推行"兩票制"的實施意見(試行)). The "Two-Invoice System" generally requires that at most two invoices may be issued through the drug distribution chain, with one from the manufacturer to a distributor and another from the distributor to the end-user hospital. Such system significantly limits the options for companies to use multiple distributors to reach a larger geographic area in China. If the "Two-Invoice System" takes effect, compliance with the Two-Invoice System will be a prerequisite for pharmaceutical companies to participate in procurement processes with public hospitals, which provide most of China's healthcare. Manufacturers and distributors that fail to implement the Two-Invoice System may lose their qualifications to participate in the bidding process. Non-compliant manufacturers may also be blacklisted from engaging in drug sales to public hospitals in a locality. The Two-Invoice System was first implemented in 11 provinces that are involved in pilot comprehensive medical reforms.

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

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

In the PRC, eligible participants in the governmental basic medical insurance program who purchase drugs listed in the National Medical Insurance Drugs Catalogue and/or the Provincial Medical Insurance Drugs Catalogues are entitled to reimbursement from the social medical insurance fund, work-related injury insurance fund and maternity insurance fund. As a result, a pharmaceutical producer in China may want to have its products included in the National Medical Insurance Drugs Catalogue and/or the Provincial Medical Insurance Drugs Catalogues. This reimbursement is up to the entire cost of drugs that are included in such catalogues, and for this reason, hospitals in China frequently prescribe drugs included in the catalogues for their patients. The PRC central and provincial governmental authorities select drugs for the catalogues based on a variety of factors including treatment requirements, frequency of use, effectiveness and price, and they may also from time to time review the catalogues and adjust drugs included in them. Many of the pharmaceutical products that we manufacture are included in the National Medical Insurance Drugs Catalogue. We also have a large number of products included in the Provincial Medical Insurance Drug Catalogues. If any of our existing major pharmaceutical products are removed from any of the catalogues or new major products we launch in the future are not included in the catalogues, our business, financial condition and results of operations may be adversely affected.

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

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

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

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

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

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

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

In recent years a substantial portion of revenue from our Health business was derived from sales to hospitals and other medical institutions in the PRC. The purchase of pharmaceutical products by government-owned or government-controlled hospitals is generally subject to an annual statutory tender process run by the relevant local governments. With the recent introduction of a more centralized statutory tender system for essential drugs, which may lead to increasing competition among suppliers of essential drugs, the PRC Government is expected to apply further downward pricing pressure on pharmaceutical product manufacturers. We may fail to win the statutory tender process if our prices are not competitive, our pharmaceutical products fail to meet certain quality requirements or are less effective clinically than competing products, our reputation is adversely affected by unforeseen events, our service quality or any other aspect of our operation fails to meet the relevant requirements, or for other reasons. If we fail to win orders from hospitals or other medical institutions through the statutory tender process, we will not be able to sell our products to them and our pharmaceutical manufacturing business will be adversely impacted. On the other hand, even if we win the statutory tender process, we may have to share the orders with other co-winners, resulting in a decrease in our share in the relevant market.

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

An important element of our business strategy is to focus on the research and development of innovative drugs, biopharmaceutical generic drugs and first-to-market chemical generic drugs. We incur a significant amount of research and development expenses. However, the development process is complex, uncertain, time-consuming and costly. We cannot assure you that our research and development efforts will result in the development of commercially successful products, or that any such research projects will generate expected benefits. In particular, relatively few medical research and development programs successfully developed commercially viable products. In addition, a product candidate that appears promising at the early phases of development may fail to reach the market for a number of reasons, such as:

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

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

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

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

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

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

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

Negative publicity may damage our reputation and have a potential adverse impact on our business.

We value and rely on our reputation to maintain and grow our business operations. Our brand and reputation could be harmed by negative publicity or media reports. Negative publicity or media reports associated with our operations or corporate governance, regardless of the facts, may damage our reputation, adversely affect the image of our brands and services, divert our management's attention and consume our time and other resources. Any negative publicity and the resulting decrease in our brand value may have a material adverse effect on our business, results of operation and financial position.

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

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

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

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

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

Each of the pharmaceutical manufacturing, pharmaceutical distribution and retail, healthcare services, and diagnostic products and medical devices industries is highly competitive, and we face intense competition in each of these segments. Our pharmaceutical products may lose their market appeal as lower-priced products become available, as similar or new products are introduced or as other technological advances and developments render our products obsolete or less effective. Since we do not have intellectual property rights in these products or enjoy any administrative protection in respect of their production, we cannot preclude any third party from offering the same products at more competitive prices. Partly as a result of their non-proprietary nature, competition in the market segment for many of these products is intense. Our key competitors are multinational pharmaceutical companies as well as large domestic pharmaceutical companies, whose products have similar curative effects and can be used as substitutes for our products.

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

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

We are subject to product liability claims with respect to the pharmaceutical products, diagnostic products and medical devices we manufacture, distribute and/or sell. Such claims may arise if any of our products are deemed or proved to be unsafe, ineffective, defective or contaminated or when we are alleged to have engaged in practices such as improper filling of prescriptions, insufficient or improper labeling of products, provided inadequate warnings or insufficient or misleading disclosures of side effects, or unintentionally distributed counterfeit drugs. In the event that the use or misuse of any product manufactured and/or distributed by us results in personal injury or death, product liability and/or indemnity claims may be brought against us. We may be subject to product recalls, and the relevant regulatory authorities in the PRC may close down some of our related operations and take other administrative actions against us. In addition, as pharmaceutical manufacturers are responsible for all consequences arising from clinical trials of their new products in China, we could be subject to claims and expenses arising from any professional malpractice of medical practitioners or researchers with whom we contract for clinical trials. We may also be held responsible for professional malpractice by medical practitioners or researchers with whom we contract for clinical trials in other countries, such as the United States. Moreover, we may be subject to malpractice or other claims for injuries or wrongful death claims in our healthcare service business.

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

We cannot guarantee that such claims will not be filed against us in the future. A substantial claim or a substantial number of claims against us, if successful, would have a material adverse effect on the reputation, business, financial condition and results of operations of our Health business. We do not have product liability insurance for all of the products manufactured or sold by us. We maintain product liability insurance for most of the products manufactured or sold by our subsidiaries, including Guilin Pharma, Jiangsu Wanbang Biopharmaceutical Company Limited, Sichuan Hexin Pharmaceutical Company Limited, Huaiyin Medical Instruments Company Limited and Chongqing Carelife Pharmaceutical Company Limited. The product liability insurance covers personal injuries, diseases, death and loss of property resulting from the use, consumption or operation of the products of these subsidiaries globally. Our product liability insurance policy is now more product-oriented, and it now covers a significant portion of our major products. For the products for which we have insurance, our coverage, however, may not be sufficient to cover the amount of damages. If any of our products are alleged to be harmful, we may experience reduced sales of the products manufactured or distributed by us and may have to recall these products from the market. Any claims against us or any product recalls, regardless of merit, can strain our financial resources and consume the time and attention of our management. If any claims against us are successful, we may incur monetary liabilities, and our reputation may be severely damaged.

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

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

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

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

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

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

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

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

Our pharmaceutical products may not gain international accreditation.

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

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

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

Many of our pharmaceutical products require raw materials that are not readily available or are only manufactured by a limited number of suppliers. We have long-term supply agreements with some of these suppliers. Although we have been able to procure our required materials from our suppliers in the past, we cannot assure you that our suppliers will continue to supply materials at prices and on terms and conditions acceptable to us in the future, in particular during epidemics, such as the ongoing COVID-19 pandemic. The availability and market prices of these materials may be adversely affected by factors beyond our control, such as weather conditions, natural disasters, epidemics, changes in pricing principles or a sudden surge in demand. If the supply of raw materials is disrupted or the prices of the raw materials increase, our Health business may be adversely affected.

Disputes over intellectual property rights may adversely affect our Health business.

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

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

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

Risks Relating to Our Happiness Business

The business and results of operations of FTG depend on the number of customers that FTG is able to attract, which are subject to global economic conditions and certain risks common to the tourism & leisure industry.

FTG is one of the world's leading leisure-focused integrated tourism groups that provides customers with one-stop tourism & leisure lifestyle experiences by building a global ecosystem that covers the entire spectrum of tourism- and leisure-related services. It mainly operates resorts and tourism destinations and provide services and solutions in various tourism and leisure settings such as (i) entertainment, other tourism- and culture-related services; and (ii) a platform for family-focused tourism- and leisure-related offerings. As a result, the business of FTG is particularly sensitive to the general social and economic environment, which has affected and could affect levels of discretionary business and leisure tourism and discretionary business and consumer spending. In particular, the number of tourists traveling and the amount that customers spend when they travel could decrease if disposable income decreases, sales taxes or value-added taxes increase, unemployment rate increases, transport and fuel costs increase, the spending habits of customers change in response to increased uncertainty regarding economic conditions or consumer demands reduces in response to public health crisis, such as the ongoing COVID-19 pandemic.

The COVID-19 pandemic has spread to countries outside of China, including outbreaks in some countries and regions where FTG operates, such as Japan, France, Italy and other Southern European countries. The spread of COVID-19 has prompted all major countries, including those in which FTG operates, to impose strict restrictions on the movement of people, which has materially and adversely affected the tourism of their countries. Governments of affected countries may also take measures including shutting down borders and imposing travel restrictions and quarantines, which could further reduce demands for international travel. On March 11, 2020, the WHO declared COVID-19 outbreak a global pandemic, which has resulted and will continue to result in material decreases in travel activities globally, material disruptions to FTG's operations and adverse and material impact on our financial condition and results of operations.

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

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

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

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

In general, the economic success of a film is largely determined by the appeal of the film to a broad audience and by the effectiveness of the marketing of the film. We cannot precisely predict the economic success of any of the films distributed by the film company in which we have invested because a film's acceptance by the public cannot be predicted with certainty. In addition, the economic success of a film depends upon the public's acceptance of competing films, the availability of alternative forms of entertainment and leisure-time activities, general economic conditions and other tangible and intangible factors, all of which can change and none of which can be predicted with certainty. Accordingly, the performance of the film company in which we have invested may fluctuate significantly from period to period, and the results of any one period may not be indicative of the results for any future periods.

Risks Relating to Our Wealth Business

Our Wealth business consists of three major segments: Insurance, Finance and Investment. Risks relating to each of these segments are described below.

Risks Relating to Our Insurance Segment and Finance Segment

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

Pramerica Fosun Life Insurance and Peak Reinsurance were both established in 2012, and we acquired a controlling stake in Fosun Insurance Portugal in 2014. We privatized AmeriTrust by acquiring 100% of its equity interest (previously known as MIG) in July 2015. AmeriTrust is a professional property and casualty insurer and an insurance administration services company focusing on niche markets. Also in 2015, we acquired 100% of Ironshore Inc., a global specialty insurance company, which was disposed of by us in May 2017. We have limited operating history in the insurance industry for investors to evaluate our business operations and to forecast our future performance. Although we partner with Prudential Financial, Inc., which is one of the most reputable players in the insurance industry, there is no guarantee that its expertise, skills and distribution network may be immediately transferred to a new business entity. Further, we have no operational experience in offering reinsurance products. Although the management of Peak Reinsurance have experience in reinsurance business, and have recently expanded its operations by entering into definitive agreements to acquire a 100% equity interest in Lutece Holdings Ltd. and its subsidiary Lutece Investment Management Ltd., there is no assurance that their experience and connections can be applied in a new business entity as fast as we anticipate. As such, there is no assurance that we will be able to achieve our performance goals with respect to our Insurance segment, and if we cannot achieve our performance goals in accordance with our expected timetables, our business, results of operations and financial condition may be materially and adversely affected.

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

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

Competition in the insurance industry is becoming more rigid and our profitability and market share could be materially and adversely affected if we are unable to compete effectively.

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

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

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

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

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

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

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

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

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

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

Volatility in the securities markets could result in lower returns or losses on the investment assets under our Insurance segment.

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

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

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

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

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

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

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

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

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

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

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

Both our insurance and reinsurance businesses expose us to risks of liabilities for insurance claim payments relating to catastrophic events, which are covered by our insurance or the insurance for which we provide reinsurance services. Catastrophes can be caused by various natural hazards, including earthquakes, typhoons, floods, drought, windstorms, hailstorms, severe weather, fires and explosions. Catastrophes can also be man-made, such as terrorist attacks and industrial or engineering accidents. In addition, our life and health insurance businesses are exposed to the risk of catastrophic mortality and illness, such as a pandemic or other events that cause a large number of hospitalizations and deaths, such as the outbreak of severe acute respiratory syndrome in 2003 and the ongoing COVID-19 pandemic. Neither the likelihood, timing, nor the severity of a future pandemic can be predicted. If we offer group insurance products or reinsurance from group insurance products, a localized catastrophic event that affects the workplace of one or more of the group insurance customers could cause a significant loss due to mortality or morbidity claims. Catastrophes could also result in losses in our investment portfolios, due to, among others, the failure of our counterparties to perform their obligations or significant volatility or disruption in the financial markets, and could in turn have a material adverse effect on our business, financial condition and results of operations. We will likely in the future experience losses related to catastrophic events covered by our insurance policies or the insurance policies for which we provide reinsurance services that could materially and adversely affect our financial results. The extent of our losses from catastrophes is a function of their frequency and severity. In addition, catastrophic events, such as rainstorms, floods and typhoons, generally occur more frequently during the second half of each year in China, which have resulted, and will likely result in the future, in an increase of total claims and claim payments during such periods compared to the first half of each year. In the meantime, the COVID-19 situation may also have an adverse impact on our new insurance policies premiums due to the social distancing policies and overall economic downturn.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Relating to Our Investment Segment

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

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

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

- Sales of privately-held investments through privately negotiated transactions depend heavily on our ability to identify suitable buyers for the particular investment. It may be difficult for us to find suitable buyers for our investment in a privately-held company and we may be subject to market conditions, foreign exchange risks and regulatory approvals when exiting the investments.

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

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

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

Our investment company portfolio may expand to new businesses and geographic markets, which may result in additional risks and uncertainties in our businesses.

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

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

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

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

Adverse publicity concerning our failure or perceived failure to comply with legal and regulatory requirements, alleged accounting or financial reporting irregularities, regulatory scrutiny and further regulatory action or litigation could harm the reputation and cause the trading price of the securities of our investee companies to decline and fluctuate significantly, which may materially and adversely affect our ability to exit our investments in these companies at our target price, or at all. Our investee companies could potentially be the target of adverse publicity and other detrimental conducts. Such conducts include complaints, anonymous or otherwise, to regulatory agencies regarding their operations, accounting, revenues and regulatory compliance. Additionally, allegations may be posted on the internet by any person or entity which identifies itself or on an anonymous basis. If so, our exit plans and investment returns, and our financial condition and results of operation will be materially and adversely affected.

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

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

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

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

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

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

The regulation of finance companies by the CSRC may adversely affect the operating results of Fosun Finance Company.

The CSRC has put in place stringent requirements in relation to depositing funds in related parties by listed companies, as well as formation, structure and operation activities of private investment funds and institutions. As some companies within the Company are PRC listed companies, business transactions involving depositing funds by such listed companies with Fosun Finance

Company are to a certain extent restricted. In addition, there is no assurance that the PRC Government will not impose more stringent requirements on listed companies' fund deposit activities. If such more stringent requirements are imposed, the operating results of Fosun Finance Company may be adversely affected.

Business of Nanjing Nangang can be affected by the market conditions of the steel industry.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A decline in the pace of investment in the funds we manage would result in us receiving less management fees and carried interest.

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

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

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

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

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

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

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

Fraud and other deceptive practices could harm fund performance.

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

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

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

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

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

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

We might not be able to adjust production volume in a timely or cost-efficient manner in response to changes in demand. During periods of high demand, our ability to rapidly increase production capacity is limited, which could render us unable to satisfy our clients' demand for our products.

Conversely, we might have to operate at significant idle capacity during periods of weak demand. Operating at significant idle capacity might expose us to higher unit production costs since a significant portion of our cost structure is fixed in the short-term due to the high capital intensity of mining operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mining activities are subject to governmental regulation in the form of, among other obligations, taxes and royalties, which can have an important financial impact on our operations. The relevant government authorities may impose taxes, raise existing taxes and royalties, or change the basis on which they are calculated, in a manner that is unfavorable to us. For example, the PRC Government increased the resources tax rates effective August 1, 2007. On October 9, 2014, the MOF and the SAT further jointly issued the Circular on the Adjustment in the Resource Tax of Oil and National Gas (財政部、國家稅務總局關於調整原油、天然氣資源稅和有關政策的通知) to lift the resource tax to 6% for crude oil and natural gas and it was abolished on September 1, 2020. According to the Law of the PRC on Resource Tax (中華人民共和國資源稅法) promulgated by the Standing Committee of the NPC on August 26, 2019, and became effective on September 1, 2020, the resource tax for crude oil and natural gas is 6%. There is no assurance that the PRC Government will not further raise the rates of resources tax or other taxes.

Our plan to acquire additional mineral reserves may not succeed.

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

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

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

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

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

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

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

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

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

The Forte Entities have property development operations in major cities and provinces across China, including Beijing, Shanghai, Tianjin, Nanjing, Chongqing, Chengdu, Xi'an, Wuhan, Datong, Wuxi, Hangzhou, Taiyuan, Changsha, Changchun, Ningbo and Hainan. In addition, our investments in the property industry conducted through our Investment segment and wealth management segment may cover these and other regions in China. We cannot assure you that demand for new properties in the areas we operate or intend to expand will continue to grow. Increased competition may lead to increased acquisition costs for land use rights, and a longer waiting period for obtaining regulatory approval, and may depress property prices. In addition, because such growth has often been coupled with volatility in market conditions and fluctuations in property prices, we cannot assure you that property development and investment activities in the cities where we operate will maintain their current pace.

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

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

The PRC Government has announced various measures to slow down growth in the property segment. We expect these measures will discourage property development for the following reasons:

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

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

- at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing house for low-income people, small-to medium-size units and shantytown renovation;

- adopting the "70/90 rule" which requires at least 70% of the total GFA of a residential project approved or constructed on or after June 1, 2006 consist of units with a GFA of less than 90 sq.m. per unit;

- increasing the minimum amount of down payment from 20% to 30% of the purchase price of property if the property is to be used as a primary residence and has a GFA of 90 sq.m. or more;

- for a second-time home buyer, increasing (i) the minimum amount of down payment to 60% of the purchase price of the underlying property and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark lending interest rate; if a member of a family (including the buyer and his/her spouse and their children under 18) has financed the purchase of a residential unit with loans from banks, any member of the family that buys another residential unit will be regarded as a second-time home buyer;

- in municipalities, provincial capitals and cities specifically designated in the state plan, permanent residents of local families who have one house unit or non-permanent residents who can provide proof of a certain number of years of local taxes or social insurance contributions are allowed to purchase one housing unit; permanent residents of local families who have two or more housing units, permanent residents of non-local families with one or more housing units, or non-permanent residents who cannot provide proof of a certain number of years of local taxes or social insurance contributions are suspended from purchasing local property;

- for a commercial property buyer, (i) prohibiting banks from financing any purchase of properties without a certificate of completion and acceptance, (ii) increasing the minimum amount of down payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark lending interest rate, and (iv) limiting the terms of such bank loans to no more than 10 years, although commercial banks are allowed flexibility based on their risk assessment;

- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price of the underlying property with the other terms similar to those for commercial properties;

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

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

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

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

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

In addition, local governments have also imposed restrictive policies to cool off the housing market. On January 27, 2011, the governments of Shanghai and Chongqing issued their respective measures for implementing pilot property tax schemes, which became effective on January 28, 2011 (where the implementation rules issued by the government of Chongqing were amended on January 13, 2017 and became effective on January 14, 2017). These two governments may issue additional measures to tighten the levy of property tax. It is also expected that more local governments will follow Shanghai and Chongqing in imposing property taxes on commodity properties, including Beijing, Shenzhen and Hangzhou. The imposition of property taxes on commodity properties will increase the purchasing cost of properties and is expected to have a negative impact on demand for properties in China, which in turn could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

On May 19, 2018, the MOHURD issued the Notice on Further Strengthening Regulation and Control of Real Property Markets (關於進一步做好房地產市場調控工作有關問題的通知), which provides that the government should strengthen the management of the scale of individual housing loans, implement differentiated housing credit policies, strengthen the examination of borrowers' repayment ability, and strictly control the transfer of funds such as consumer loans and operating loans to house purchase and leverage, strictly implement the regulations that enterprises can only use their own funds for land purchase, strengthen the examination of the sources of funds for land purchase of housing land, and strictly control the behavior of land purchase with leveraged funding.

Pursuant to the Government Work Report (政府工作報告) dated May 22, 2020, the Chinese government acts on the principle that houses are for living in not for speculation and implements city-specific policies to promote steady and healthy development of the real estate markets."

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

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

The property development and sales business is capital intensive. We have historically financed our land acquisition and property developments primarily through a combination of capital contributions from our shareholders, bank loans, internal cash flows, including proceeds from the pre-sale of our properties, and other funds we raised from the capital markets, including Forte's offerings of the domestic corporate bonds and potential access to the capital markets after Yuyuan's asset reorganization which was completed in July 2018. We cannot assure you that we will have sufficient cash flow available for land acquisitions or property developments or that we will be able to achieve sufficient pre-sales and sales to fund land acquisitions or property developments. In addition, we cannot assure you that we will be able to secure external financing on terms acceptable to us or at all.

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

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

Since 2011, PBOC has revised the benchmark lending rates and adjusted the reserve requirement ratio for commercial banks several times. On October 15, 2018, the PBOC reduced the reserve requirement ratio by one percentage point. On January 4, 2019, the PBOC further reduced the reserve requirement ratio by one percentage point.

On April 13, 2010, the MOHURD issued the Notice on Further Strengthening the Supervision of Real Estate Market and Improving the Pre-Sale System of Commodity Housing (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知), which provides that: (i) without pre-sale approval, commodity residential properties are not permitted to be pre-sold, and real estate developers are not allowed to charge buyers any deposit, pre-payment or payment of the similar nature; and (ii) local governments are urged to enact regulations on the sale of completed commodity properties taking into consideration of local conditions, and real property developers are encouraged to sell completed commodity residential properties. Moreover, on September 21, 2018, Guangdong Real Estate Association issued an "Emergency Notice on the Relevant Opinions on Providing the Pre-sale Permit for Commodity Houses" (《關於請提供商品房預售許可有關意見的緊急通知》), asking for opinions on the cancelation of the pre-sale system of commodity residential properties. We cannot assure you that PRC governments will continue to allow pre-sale of properties or will not impose additional or more stringent requirements on pre-sale. In the event that the PRC governments prohibit pre-sale of properties or impose additional or more stringent requirements, the property developers like us may not have sufficient cash flows for property development projects and have liquidity problems. If we do not have sufficient cash flows from pre-sale to fund our future liquidity, pay our trade and bills payables and repay the outstanding debt obligations when they become due, we may need to significantly increase external borrowings or secure other external financing. If adequate funds are not available from external borrowings, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, prospects, financial condition and results of operations may be materially and adversely affected.

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

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

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

We have estimated and made provisions in our property development and sales business for the amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but only a portion of such provisions has been paid as required by the local tax authorities. For example, in 2012, the amount of the reversal of our LAT provisions exceeded the amount of our additional LAT provisions made for 2013.

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

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

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

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

- the provincial tax authorities require it, as they may in certain other circumstances.

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

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

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

On November 10, 2016, the SAT promulgated the Announcement of the State Administration of Taxation on Several Provisions on Collection and Administration of Land Appreciation Tax following the Implementation of Levying of VAT in place of Business Tax (國家稅務總局關於營改增後土地增值稅若干徵管規定的公告), setting forth (1) issues relating to confirmation of income subject to land appreciation tax following the implementation of levying VAT in place of business tax; (2) issues relating to confirmation of income from deemed sale of real estate which is subject to land appreciation tax, following the implementation of levying VAT in place of business tax; (3) issues relating to tax deduction relating to transfer of real estate; (4) issues relating to settlement of land appreciation tax before and after the implementation of levying VAT in place of business tax; (5) issues relating to verification of invoices for construction and installation fees and expenses; (6) issues relating to computation of deductions at the time of transfer of old houses.

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

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

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

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

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

In recent years, the PRC central and local governments have implemented various measures to regulate the means by which property developers may obtain land. For example, regulations were introduced to require that land use rights for residential and commercial property developments be granted by public tender, auction or listing-for-bidding. The PRC Government also controls land supply through zoning, land use regulations and other measures. Although we believe that the regulations would enable us to compete with large property developers for quality sites on an equal footing, the process may increase competition for land in China. Major PRC cities, including the cities where we currently operate, have experienced significant increases in land cost in recent years and there is a limited supply of suitable land available for development in such cities. As a result, we may not be able to acquire suitable land at commercially acceptable costs. If we cannot acquire desirable land parcels or have to pay higher prices, our future development may be adversely affected.

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

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

On September 28, 2007, the PRC Government issued revised "Rules regarding the Grant of State-owned Land Use Rights for Construction by Way of Public Tender, Auction and Listing-for-bidding" (招標拍賣掛牌出讓國有建設用地使用權規定), which provides that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and commence development on the land. This regulation became effective on November 1, 2007. In November 2009, the MOF, the MLR, the PBOC, PRC Ministry of Supervision and PRC National Audit Office jointly issued the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (關於進一步加強土地出讓收支管理的通知), which requires the minimum down payment on land premiums to 50% of the total premium and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. On May 13, 2011, the Ministry of Land and Resources Promulgated the Opinions on Upholding and Improving the System for the Transfer of Land by Tender, Auction and Listing (關於堅持和完善土地招標拍賣掛牌出讓制度的意見), which provides, among other things, that (i) correct utilization of the regulating and controlling effects of the land transfer policy through tender, auction and listing; (ii) improvement in the transparency of the system of tender, auction and listing for housing land; (iii) adjustment and improvement in the land transfer policy through tender, auction and listing, including (a) limitation on house price or land price, and transfer of policy-related housing land by listing or auction; (b) limitation of the GFA of allocated security housing, and transfer of commodity housing land by listing or auction; (c) carrying out of comprehensive assessment on conditions of land development and utilization and land transfer prices, and determination of the person who is entitled to land use rights by tender; (iv) promotion of online operation of the transfer of land use rights; (v) improvement in the contracts for land transfer through tender, auction and listing. As a result, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land in order to commence development, which had been the practice in many Chinese cities. The Ministry of Housing and Urban-Rural Development and the Ministry of Land and Resources jointly issued the "Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply" (關於加強近期住房及用地供應管理和調控有關工作的通知) dated April 1, 2017, which requires that local authorities should adopt the examination system of land acquisition capital to insure the property developers acquiring land with internal funds and the property developers should be disqualified for any land bid backed by capital from questionable sources and prohibited from bidding for land within stipulated time limit. The implementation of such regulation requires property developers to maintain a higher level of working capital, which may have a material adverse effect on our cash flow position, financial condition and business plans.

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

Under PRC law, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premium, the designated use of the land and the schedule for commencing and completing the development, the relevant government authorities may issue a warning, impose a penalty and/or liquidated damages, or require us to forfeit the land. Any violation of the land grant contract may also restrict or prevent us from participating in future land bidding.

Pursuant to current PRC law, if we fail to commence the development of a parcel of land for more than one year from the commencement date stipulated in the land use rights grant contract, the relevant PRC land bureau may serve a warning notice on us and impose an idle land fee of up to 20% of the land premium. If we fail to commence development for more than two years from the relevant commencement date stipulated in the land grant contract, the land will be subject to forfeiture to the PRC Government. Moreover, even if the commencement of the property development satisfies the stated requirements of the land use rights grant contract, if the developed GFA is less than one-third of the total planned GFA of the project or the total capital invested is less than one-fourth of the total planned investment of the project, and development of the land is suspended continuously for more than one year without government approval, the land will still be treated as idle land. In addition, construction delays or failure to complete the construction of a project as agreed with the government or government agencies may result in liquidated damages, which could materially and adversely affect our business, prospects, financial condition and results of operations.

In the Notice on Promoting the Saving and Intensification of Use of Land (國務院關於促進節約集約用地的通知) promulgated by the State Council in January 2008, the aforesaid policy was reinforced. This notice states, among other things, that the Ministry of Land and Resources and other authorities are required to conduct research on and commence drafting of implementation rules concerning the levy of land appreciation fees on idle land. Furthermore, the Ministry of land and Resources issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (關於嚴格建設用地管理促進批而未用土地利用的通知) in August 2009, which reiterates the current rules regarding idle land. The Measures for the Disposal of Idle Land (閒

置土地處置辦法) amended by MLR on June 1, 2012, states the measures charging an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the land use rights grant contract and canceling land use rights for land which has not been developed for two years or more. In September 2010, the Ministry of Land and Resources and Ministry of Housing and Urban-rural Development jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (關於進一步加強房地產用地和建設管理調控的通知), which provides that a property developer and its controlling shareholders will be prohibited from participating in land bidding before any illegal behaviors in which it engages, such as leaving land idle for more than one year without cause or failure to comply with the terms of land grant contracts, have been completely rectified. On February 26, 2013, the General Office of the State Council issued the Notice on the Continuous Effective Regulation of the Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which provides that land developers that hold idle land shall be prohibited from participating in land bidding, acquiring loans from commercial banks, obtaining relevant approvals from the CSRC for public listings, refinancing and major assets restructuring and relevant approvals from the CBIRC for trust financing. On January 22, 2017, the MLR issued the Notice of Pilot Program for Improving the Transfer, Lease, and Mortgage of the Use Rights of Construction Land for the Secondary Market (關於完善建設用地使用權轉讓、出租、抵押二級市場的試點方案), which provides that idle land fees shall be strictly imposed.

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

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

In our property development and sales business, we reassess the fair value of investment properties upon their completion, and at every reported balance sheet date thereafter. Our valuations are based on active market prices or alternate valuation methods, such as through discounted cash flow analysis based on estimated future cash flows. In accordance with HKAS 40, we recognize changes to the fair value of such investment properties as a gain or loss (as applicable) in our consolidated statement of profit or loss. However, there is no cash flow impact arising from any fair value gain or loss as long as the relevant investment property is held by us. The fair value of our investment properties is likely to fluctuate, and our historical results should not be regarded as an indicator of the future profits of our property development and sales business. We cannot assure you that the fair value of our investment properties will not decrease in the future. Any such decrease in the fair value of such investment properties may reduce profits in our property development and sales business.

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

The assumptions from which we derived the fair value of our investment properties, by their nature, are subjective and uncertain and may differ materially from actual results. Accordingly, the valuations are not a prediction of the actual value we expect to realize from these properties.

Unanticipated results or changes in particular property developments, or changes in general or local economic conditions or other relevant factors, including changes in government regulations, could affect such values. A decrease in the value of our investment properties would reduce the amount of our profit and could lead to a net loss during a particular period.

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

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

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

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

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

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

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

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

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

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

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

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

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

A large portion of purchasers of our properties rely on mortgages to fund their purchases. Therefore, demand for our properties may be affected by the availability and terms of mortgage financing in the PRC. For example, an increase in interest rates may significantly increase the cost of mortgage financing, thus affecting the affordability of residential properties, therefore may adversely affect our revenue and profits. The PBOC published benchmark one-year lending rates in China directly affects the property mortgage rates offered by commercial banks in the PRC. We cannot assure you that the PRC Government will not raise interest rate in the future.

In addition, the PRC Government has also imposed a more stringent down payment requirement and additional conditions on mortgage financing. Under current PRC laws and regulations, purchasers of residential properties in cities where property purchase are not restricted generally must pay at least 25% of the purchase price of the properties before they can finance their purchases through mortgages and the local governments may lower the ratio of down payment to 20%. Meanwhile, with respect to a household that already owns a residential property with unsettled personal housing commercial loan and applies for another personal housing commercial loan to purchase another ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio for that purchase shall be at least 30% of the corresponding purchase price. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. On August 25, 2019, PBOC issued the People's Bank of China No. 16 [2019] Announcement, under which, new commercial individual housing loans should be determined by adding basis points to the latest monthly loan prime rate (LPR) of corresponding maturity from October 8, 2019. The basis points added should conform to the national and local housing credit policy requirements, reflect the loan risk profile and remain fixed during the contract period. The interest rate of loans for first-time home purchasers should not be lower than the LPR of corresponding maturity, and the interest rate of loans for second-time home purchasers should not be lower than the LPR of corresponding maturity plus 60 basis points. Such restrictions may make mortgage financing more difficult or unattractive to consumers. As a result, some consumers may become unable or unwilling to purchase our properties, and our property development and sales business may be adversely affected.

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

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

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

Risks Relating to China

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

The majority of our assets are located in the PRC and a majority part of our revenue is sourced from the PRC. We therefore depend heavily on general economic conditions in China for our continued growth. Although the Chinese economy has grown significantly in recent years, we cannot assure you that the economy will continue to grow, or that its growth will be steady or occur in geographic regions or economic sectors from which we benefit.

The global crisis in financial services and credit markets that began in 2008 caused a slowdown in the growth of the global economy. If the crisis in global financial services and credit markets were to recur, there is no certainty as to its impact on the global economy, especially the Chinese economy. A downturn in China's economic growth or a decline in its economic condition may have material adverse effects on our results of operations and financial condition. China's economic growth may also slow down due to weakened exports as a result of tariffs and trade tensions caused by the U.S.-China trade war. In 2018 and 2019, the U.S. government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on cumulatively US$550 billion worth of Chinese products. In retaliation, the Chinese government responded with tariffs on cumulatively US$185 billion worth of U.S. products. In addition, in 2019, the U.S. government restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The Chinese government lodged a complaint in the World Trade Organization against the U.S. over the import tariffs in the same year. The trade war created substantial uncertainties and volatilities to global markets. On January 15, 2020, the U.S. and Chinese governments signed the U.S.–China Economic and Trade Agreement (the "Phase I Agreement"). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Despite this reprieve, however, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken and trade tensions will escalate. Furthermore, additional concessions are needed to reach a comprehensive resolution of the trade war. The roadmap to the comprehensive resolution remains unclear, and the lasting impact the trade war may have on China's economy and the industries in which we or our portfolio companies operate remains uncertain.

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

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

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

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

The outbreaks of contagious diseases in the PRC may have a material adverse effect on our business operations, financial condition and results of operations in the PRC.

Since December 2019 and up to the date of this Offering Circular, there is an on-going global outbreak of the COVID-19 in the PRC. The WHO declared the outbreak a global pandemic on March 11, 2020. The PRC government has imposed various restrictions banning nearly all foreign nationals from entering the PRC, and imposed strict quarantine and inspection requirements on Chinese nationals who return to China from overseas. In some regions of the PRC, residents are required to undergo 14-day quarantine when returning from other regions of China. Our operations and the operations of our portfolio companies in the PRC have been and may continue to be disrupted or otherwise adversely affected by measures to minimize entries into offices. Furthermore, there could be a material adverse effect on the economies of the areas in China where we and our portfolio companies operate due to reduced economic activities, which could in turn have a material adverse impact on our business, financial condition, results of operations, performance and prospects.

In addition, due to the travel and transportation restrictions, our ability to adequately staff, manage and/or maintain daily operations may be adversely affected if the outbreak continues. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will exist and the extent to which we may be affected. Even though in certain regions of China, production and other business activities have gradually resumed, restrictions on free movement of people within China are still in place. We cannot guarantee that businesses will not be required to shut down again should there be a second wave of COVID-19 outbreak. Our properties or facilities may be required to be suspended or quarantined, if there were clusters for the COVID-19 cases in our properties or facilities or governmental ordinance to contain the outbreaks. Any of these circumstances will result in material adverse impact on our business, financial condition, results of operations, performance and prospects.

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

The PRC Labor Contract Law became effective on January 1, 2008 (while certain provisions thereof were amended on December 28, 2012 and became effective on July 1, 2013). Compliance with the requirements under the PRC Labor Contract Law, in particular the requirements to make severance payments and non-fixed term employment contracts, may increase our labor costs.

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

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

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

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

The value of the RMB against Hong Kong dollar, U.S. dollar, Euro and other currencies is affected by, among others, changes in China's political and economic conditions and China's foreign exchange policies. On July 21, 2005, PBOC announced that it ceased to peg the Renminbi to the U.S. dollar. Instead, the PRC Government introduced a managed floating exchange rate system to allow the value of the RMB to rise or fall based on market supply and demand and by reference to a basket of other currencies. This change in currency policy resulted in the appreciation of the Renminbi against the U.S. dollar. On May 18, 2007, the PBOC enlarged, effective on May 21, 2007, the floating band for the trading prices in the inter-bank spot exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC each day. Under the current policy, the RMB is pegged against a basket of currencies, determined by the People's Bank of China, against which it can rise or fall by as much as 2% each day. The floating band was further widened to 1.0% on April 16, 2012 and to 2.0% on March 17, 2014. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 32.1% from July 21, 2005 to September 30, 2014. The PRC may decide to permit the Renminbi to fluctuate more widely against the U.S. dollar in the future which could result in the gradual appreciation of the Renminbi against the U.S. dollar. On August 11, 2015, the PBOC announced plans to improve the central parity rate of the Renminbi against the U.S. dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. On the same day, the central parity rate of the Renminbi against the U.S. dollar depreciated by nearly 2.0% compared to August 10, 2015, and further depreciated by nearly 1.6% on August 12, 2015 compared to August 11, 2015. The International Monetary Fund announced on September 30, 2016 that the Renminbi was joining its Special Drawing Rights currency basket. Since then, the exchange rate of the RMB against the U.S. dollar has continued to fluctuate. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. There has been pressure from foreign countries on the PRC recently to adopt a more flexible currency system that could lead to further appreciation of the Renminbi. The Renminbi may be revalued further against the U.S. dollar or other currencies, or may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the U.S. dollar or other currencies, any of which could give rise to uncertainties in our financial condition and results of operations.

Geopolitical events, such as the escalating tensions between the U.S. and China, also affect the value of the RMB against U.S. dollar and other currencies. Since July 2018, the U.S. and China have imposed significant punitive import tariffs on each other's goods. As a result of the trade war, the Renminbi touched 6.7 against the U.S. dollar on March 20, 2019, and stood at around 6.9 against the U.S. dollar in May 2019. The Renminbi reached 7.05 against the U.S. dollar on August 5, 2019, and stood at around 7.03 in August 2019. This was the first time that the Renminbi fell below 7 against the U.S. dollar since 2008. If the trade war continues or escalates, the devaluation of Renminbi may continue. Any devaluation of Renminbi may adversely affect the value of our net assets, earnings and declared dividends in foreign currency terms, as well as our ability to service our foreign currency obligations, including the Notes.

China's legal system is less developed than those of some other countries.

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

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

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

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

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

The Circular of SAFE on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Investment, Financing and Round-trip Investment via Overseas Special Purpose Companies (國家外匯管理局關於境內居民通過特殊目的公司投融資及返程投資外匯管理有關問題的通知) was issued by SAFE and effective on July 4, 2014. Under the Circular: PRC domestic residents who plan to establish an overseas special purpose vehicle ("SPV") must conduct foreign exchange registration with the local foreign exchange authority prior to contributing their legitimate overseas or domestic assets or equity interest as capital contribution of an overseas SPV. In addition, pursuant to the Notice on Further Simplifying and Improving Foreign Exchange Administration Policies for Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) ("Circular 13") which was promulgated by SAFE on February 13, 2015 and became effective on June 1, 2015, PRC domestic residents who have contributed their domestic assets or equity interests must conduct foreign exchange registration with local bank which locates at the registration place of the domestic enterprise or the place of the assets or equity interests. PRC domestic residents who have contributed their overseas assets or equity interests must conduct foreign exchange registration with local bank which locates at the registration place of the domestic enterprise or at the place of domicile of PRC residents.

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

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

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

- Some of our portfolio companies are eligible for preferential tax treatments. Under the Enterprise Income Tax Law promulgated in March 2007, beginning on January 1, 2008 (where certain provisions thereof were amended and became effective on December 29, 2018) (the "EIT Law") (企業所得稅法), a unified enterprise income tax rate of 25% and unified tax deduction standards is applied equally to both domestic-invested enterprises and foreign-invested enterprises. Enterprises established prior to March 16, 2007 that are eligible for preferential tax treatment in accordance with the currently prevailing tax laws and administrative regulations will be eligible under the regulations of the State Council to gradually become subject to the new tax rate over a five-year transition period starting from the date of effectiveness of the new law. As a result, the effective tax rates for some of our portfolio companies increased.

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

We may be treated as a PRC resident enterprise for PRC tax purposes, which may subject us to PRC income taxes on our worldwide income and may result in PRC withholding taxes on payments on the Notes and PRC tax on a sale of the Notes.

Under the EIT Law amended in 2018 and the implementation rules which took effect on April 23, 2019, enterprises established outside the PRC whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax purposes. The implementation rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation issued a notice to specify certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises. In January 2014, the State Administration of Taxation issued an announcement to address issues concerning the accreditation of resident enterprises based on the places of effective management criteria.

We hold our shareholders' meetings and most of the board meetings in Hong Kong and keep our shareholders' list and board resolutions in Hong Kong. Although it is unclear under PRC tax law whether we have a "de facto management body" located in China for PRC tax purposes, we take the position that we are not a PRC resident enterprise for tax purposes. We cannot assure you that the tax authorities will agree with our position. If we are deemed to be a PRC resident enterprise for EIT purposes, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide taxable income (although in that event we may be able to receive dividends from our PRC subsidiaries free of PRC withholding tax). Furthermore, we may be obligated to withhold PRC income tax of 10% on payments of interest and other amounts on the Notes to non-PRC enterprise investors that are not Hong Kong resident enterprises, or 20% on payments of interest and redemption amounts on the Notes to investors who are non-PRC individuals, because the interest and other amounts may be regarded as being derived from sources within the PRC. If we fail to do so, we may be subject to fines and other penalties. In addition, if we were treated as a PRC resident enterprise for PRC tax purposes, any gain realized by such non-resident investors from the transfer of the Notes may be regarded as being derived from sources within the PRC and may accordingly be subject to a PRC tax at the rate of 10% in the case of non-resident enterprises, or 20% in the case of non-resident individuals. These tax rates may be reduced by an applicable tax treaty (for example, to 7% in the case of payments of interest and redemption amounts on the Notes to certain qualifying Hong Kong residents). However, it is unclear whether, if we are considered a PRC "resident enterprise," holders of our Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

On 23 March 2016, the MOF and SAT jointly issued the Circular of Full Implementation of Business Tax to VAT Reform (Cai Shui [2016] No. 36) (關於全面推開營業稅改徵增值稅試點的通知(財稅[2016]36號)), which confirms that business tax has been completely replaced by VAT in PRC from 1 May 2016. VAT is applicable where entities or individuals provide services within the PRC. Services are treated as being provided within China where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. The issuance of the Notes may be regarded as financial services by Noteholders and interests payments on the Notes may be subject to withholding of VAT if the Issuer is a PRC resident enterprise for PRC tax purposes, in which case interest paid by the Issuer to a non-PRC Noteholder may be subject to withholding of VAT at a rate of 6% plus related surcharges. If the Parent Guarantor is regarded as a PRC resident enterprise, payments in respect of interest under the Guarantee may also be subject to withholding of VAT. VAT is not applicable to any transfer of Notes between entities or individuals located outside of the PRC and therefore not applicable to gains realized upon such transfers of Notes. In the event that either the seller or buyer of Notes is located inside the PRC, pursuant to the Notice on Clarification of VAT Policies for Finance, Real Estate Development, Education Support Services etc. (關於明確金融、房地產開發、教育輔助服務等增值稅政策的通知) (the "Circular 140") promulgated on December 21, 2016 and effective retroactively as at May 1, 2016, VAT is applicable to investment returns on contracts which undertake for fully recoverable principal, but is not applicable to non-principal-protected gains (非保本收益) from investments in financial products. As the circulars pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties. Therefore, there is uncertainty as to the applicability of VAT to payments on the Notes, or to gains realized upon transfers of the Notes if either the transferor or transferee of the Notes is located inside the PRC.

If we are required under the EIT Law to withhold PRC income tax from interest payments made to our non-PRC holders of Notes, we will be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of our Notes, the value of your investment in the Notes may be materially and adversely affected.

We may be adversely affected by the replacement of business tax with VAT.

Pursuant to the Interim Regulations on Business Tax of the People's Republic of China (中華人民共和國營業稅暫行條例) enacted by the State Council on 10 November 2008 and effective on 1 January 2009 and its Detailed Implementation Rules on the Provisional Regulations on Business Tax of the People's Republic of China (中華人民共和國營業稅暫行條例實施細則) issued by the MOF and SAT on December 15, 2008 and amended on October 28, 2011, the tax rate on transfer of immovable properties is 5%.

On March 23, 2016, the MOF and SAT promulgated the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-Added Tax to Replace Business Tax (Cai Shui [2016] No. 36) (關於全面推開營業稅改徵增值稅試點的通知), which provides that, starting from May 1, 2016, the VAT pilot program covers the construction industry, real estate industry, finance industry and life service industry on a nation-wide basis.

On November 10, 2016, the SAT promulgated the Announcement of the State Administration of Taxation on Several Provisions on Collection and Administration of Land Appreciation Tax following the Implementation of Levying of VAT in place of Business Tax (國家稅務總局關於營改增後土地增值稅若干徵管規定的公告), which provides that (1) following the implementation of levying VAT in place of business tax, the income from transfer of real estate, which is subject to land appreciation tax, shall exclude VAT; (2) where a taxpayer uses its development products for staff welfare, incentives, external investments, distribution to shareholders or investors, debt setoff, exchange for non-monetary assets of other organizations and individuals etc, the transfer of ownership shall be deemed as sale of real estate, and the income thereof shall comply with the provisions of Article 3 of the SAT's Notice on Administration of Settlement of Land Appreciation Tax of Property Development Enterprises (關於房地產開發企業土地增值稅清算管理有關問題的通知). Where a taxpayer arranges for resettlement of households, the verification of taxable income and deductibles for the resettlement housing shall comply with the provisions of Article 6 of the SAT's Notice on Issues concerning the Settlement of Value-added Tax on Land (關於土地增值稅清算有關問題的通知).

On December 21, 2016, the Ministry of Finance and the State Administration of Taxation issued the Circular 140, which has been retroactively effective since May 1, 2016. The Circular 140 further clarified that VAT is applicable to investment returns on contracts which undertake for fully recoverable principal, but is not applicable to the non-principal-protected gains from investments in financial products.

On November 19, 2017, the Interim Regulations of the People' s Republic of China on Business Tax was abolished and the Interim Regulations of the People' s Republic of China on Value added Tax (中華人民共和國增值稅暫行條例) was revised by the State Council. According to the revised Interim Regulations of the People's Republic of China on Value added Tax, selling goods, providing labor services of processing, repairs or maintenance, or selling services, intangible assets or real property in the PRC, or importing goods to the PRC, shall be subject to value added tax. According to a notice jointly issued by MOF and SAT in April 2018, starting from May 1, 2018, the VAT rate will be lowered from 17% to 16% for manufacturing and some other industries, and from 11% to 10% for transportation, construction, real estate leasing service, sale of real estate, basic telecommunication services, and farm produce.

On March 20, 2019, the Ministry of Finance, the State Administration of Taxation and General Administration of Customs issued the Announcement on deepening policies related to VAT reform (關於深化增值稅改革有關政策的公告), the VAT rate will be lowered from 16% to 13% for manufacturing and some other industries, and from 10% to 9% for transportation, construction, real estate leasing service, sale of real estate, basic telecommunication services, and farm produce.

Since the application of the VAT pilot program in the real estate industry is relatively new, there remain uncertainties on the interpretation and implementation of the relevant rules and regulations. We cannot assure you that our overall tax liability will not increase by the replacement of business tax with VAT, or we may have to change our business practices in light of such rules, any of which may have a material adverse effect on our business, prospects, financial condition and results of operations.

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

On March 15, 2019, the National People's Congress of the PRC adopted the Foreign Investment Law of the PRC (中華人民共和國外商投資法), which came into effect on January 1, 2020. The Foreign Investment Law will replace the PRC Law on Sino-foreign Equity Joint Ventures, the PRC Law on Wholly Foreign-owned Enterprise and the PRC Law on Sino-foreign Cooperative Joint Ventures. On December 26, 2019, the State Council of the PRC adopted the Implementing Regulations of the Foreign Investment Law of the PRC (中華人民共和國外商投資法實施條例), which came into effect on January 1, 2020. The Implementing Regulations of Foreign Investment Law will replace the Implementing Regulations of the Law of the PRC on Sino-foreign Equity Joint Ventures, the Interim Provisions on the Joint Operation Period of Sino-foreign Equity Joint Ventures, the Detailed Rules of Implementation of the Law of the PRC on Foreign-invested Enterprises and the Detailed Rules of Implementation of the Law of the PRC on Sino-foreign Cooperative Joint Ventures. The Foreign Investment Law and its Implementing Regulations establish a nationwide "pre-establishment national treatment and negative list" management system. The system is intended to create an environment where all foreign investments will be treated same as domestic investments, other than foreign investments into industries that are listed in the "Special Measures for Access of Foreign Investment (Negative List)." According to the Foreign Investment Law and its Implementing

Regulations, all foreign invested enterprises will be required to follow the corporate governance rules under the PRC Company Law once the Foreign Investment Law comes into effect. However, for foreign invested enterprises formed prior to the adoption of the Foreign Investment Law, the Foreign Investment Law and its Implementing Regulations allow for a five-year transition period to bring the corporate governance of such foreign invested enterprises in line with the PRC Company Law. On June 23, 2020, the MOFCOM and the NDRC jointly promulgated the Special Measures for Access of Foreign Investment (Negative List) (2020 Edition) (《外商投資准入特別管理措施(負面清單)(2020年版)》, or the Negative List. The Negative List divides industries into two categories, namely, "prohibited" and "restricted." The Special Measures for Access of Foreign Investment (Negative List) (2019 Edition) (《外商投資准入特別管理措施(負面清單)(2019年版)》) jointly promulgated by the MOFCOM and the NDRC on June 30, 2019 was repealed simultaneously. Although currently, none of our portfolio companies are within the prohibited category and most of their businesses are not in the restricted category, as this Negative List is updated every few years, there is no assurance that the PRC Government will not change its policies in a manner that would cause part or all of our businesses to fall within the restricted or prohibited categories as listed in the Negative List. If we cannot obtain approval from relevant approval authorities to engage in businesses that become restricted for foreign investors, we may be forced to sell or restructure the businesses that have become restricted or prohibited for foreign investment. If we are forced to adjust our business portfolio as a result of changes in government policy on foreign investment, our business, financial condition and results of operations would likely be materially and adversely affected.

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

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

Risks Relating to the Notes and the Parent Guarantee

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

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

The Notes and the Parent Guarantee are unsecured obligations.

The pledge of collateral to secure certain Existing Indebtedness was released on November 22, 2019, pursuant to the terms thereof. As the Notes and the Parent Guarantee are unsecured obligations, they are effectively subordinated to all secured indebtedness of ours or the Parent Guarantor to the extent of the assets serving as security therefor, and our ability or the ability of the Parent Guarantor to fulfill our or its financial obligations may be compromised if:

- we or the Parent Guarantor enter into bankruptcy, liquidation, reorganization or other winding-up proceeding;
- there is a default in payment under secured indebtedness or other unsecured indebtedness of us or the Parent Guarantor; or
- there is an acceleration of any indebtedness of us or the Parent Guarantor.

None of our subsidiaries will guarantee the Notes. Moreover, the cross-default triggering events of the Notes are limited to certain events of default with respect to indebtedness of the Parent Guarantor and the Significant Subsidiaries only.

According to the terms of the Notes, none of our subsidiaries will guarantee the Notes. Our ability to service the Notes will depend on the ability of the Parent Guarantor to honor its obligations under the Parent Guarantee.

Moreover, the cross-default triggering events of the Notes are limited to certain events of default with respect to the indebtedness of the Parent Guarantor and the Significant Subsidiaries only. Please see "Description of the Notes – Events of Default." If there occurs an event of default with respect to indebtedness of our subsidiaries other than Significant Subsidiaries, such event of default may not trigger the cross-default provisions of the Notes while the indebtedness of the such subsidiary may become due and payable. Since we and the Parent Guarantor are dependent upon cash flow from our subsidiaries, such an event of default with respect to indebtedness of our subsidiaries other than Significant Subsidiaries may compromise our ability or the ability of the Parent Guarantor to fulfil our or its financial obligations under the Notes.

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

We are a holding company with no material operations. We conduct our operations primarily through our subsidiaries. The Notes will not be guaranteed by any current or future PRC subsidiaries or their respective subsidiaries. We do not have material operations. Accordingly, our ability to honor the Parent Guarantee will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries in PRC and overseas.

Creditors, including trade creditors of our subsidiaries and any holders of preferred shares in such entities, would have a claim on our subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Parent Guarantee will be effectively subordinated to all existing and future obligations of our subsidiaries (including obligations of our subsidiaries under guarantees issued in connection with our business), and all claims of creditors of our subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of June 30, 2020, our subsidiaries had total debt (excluding debt due to the Company) of RMB202,648.3 million, capital commitments of RMB9,590.5 million and contingent liabilities of RMB10,041.0 million. The Notes and the Indenture do not restrict the ability of our subsidiaries to issue certain categories of guarantee in the ordinary course of business. In addition, our secured creditors would have priority as to our assets securing the related obligations over claims of holders of the Notes.

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

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

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

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

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

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

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

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

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

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

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

We and our portfolio companies have, and will continue to have after this offering, a substantial amount of indebtedness. As of June 30, 2020, our total consolidated interest-bearing bank and other borrowings amounted to RMB232,563.3 million and our total contingent liabilities amounted to RMB10,041.0 million. Our substantial indebtedness could have important consequences to you. For example, it could:

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

In the future, we may from time to time incur additional indebtedness. If we or our portfolio companies incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

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

We have mortgaged or pledged certain assets, including but not limited to shares and properties of our subsidiaries, to secure some of our borrowings. If we default on such borrowings, the relevant mortgagees or pledgees may foreclose such assets we mortgage or pledge. In addition, certain of our financing arrangements impose operating and financial restrictions on our business. These provisions may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund needed capital expenditures, significantly increase research and development expenditures, or withstand a future downturn in our business. Any of these could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt. For a discussion of our material long-term indebtedness other than the Notes, see "Description of Other Material Indebtedness."

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

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

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends by the board of directors or the general meeting of shareholders. In practice, our PRC subsidiaries generally pay dividends once a year. In addition, starting from January 1, 2008, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to a double tax treaty between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5%. However, pursuant to a tax circular issued by the SAT in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity could otherwise be eligible. The PRC tax authorities might not grant approvals on the 5% withholding tax rate on dividends received by Parent Guarantee from our PRC subsidiaries. In addition, pursuant to the Notice of State Administration of

Foreign Exchange on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知) promulgated on January 26, 2017, when conducting outward remittance of profit equivalent to more than US$50,000 for a domestic institution, the bank shall, under the principle of genuine transaction, check the profit distribution resolution made by the board of directors (or profit distribution resolution made by partners), original of tax filing form and audited financial statements, and stamp with the outward remittance sum and date on the original of tax filing form. In addition, the domestic institution shall make up its losses of previous years in accordance with laws. On January 5, 2018, the PBOC promulgated the Notice on Further Improving Policies of Cross-Border RMB Business to Promote Trade and Investment Facilitation (中國人民銀行關於進一步完善人民幣跨境業務政策促進貿易投資便利化的通知) ("Circular No. 3 [2018]"), which supports enterprises to use RMB in cross-border settlement and for the investment income such as profits and dividends legally obtained by overseas investors in China, banks shall review relevant materials as required before processing cross-border RMB settlement and ensure free remittance of profits of foreign investors in accordance with the law. As a result of such limitations, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Parent Guarantee or satisfy our obligations under the Parent Guarantee and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

Our PRC subsidiaries must present certain documents to the SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC (including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with the SAFE). Furthermore, in practice, the market interest rate that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholders' loans paid by our subsidiaries, therefore, are likely to be lower than the interest rate for the Notes. Our PRC subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on our behalf on the interest paid under any shareholders' loans. Registration with the SAFE is required pursuant to PRC regulations when shareholder loans are provided to our PRC subsidiaries by their non-PRC shareholders. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with the SAFE, as well as any other documents that the SAFE or its local branch may require. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on our existing shareholder loans, which may affect our ability to satisfy our obligations under the Parent Guarantee.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Parent Guarantee or the Issuer's obligations under the Notes.

The Notes do not contain restrictive financial or operating covenants.

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

- incur liens; and

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

These covenants are subject to a number of important exceptions and qualifications. For more details, see "Description of the Notes." The Indenture, however, does not contain any significant covenants which restrict, among other things, our ability and the ability of our subsidiaries to incur or guarantee additional indebtedness, pay dividends or make distributions on our capital stock, make investments or enter into transactions with affiliates. As a result, we are able to incur a significant amount of indebtedness, make significant amounts of investments and provide significant amounts of guarantees to third parties under the terms of the Notes, any of which may affect our ability to satisfy our obligations under the Parent Guarantee and the Issuer's obligations under the Notes.

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

The Notes are denominated in U.S. dollars and we have significant U.S. dollar and Euro-denominated debt, while most of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of Renminbi against the U.S. dollar, such a devaluation could adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy the Issuer's obligations under the Notes.

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

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

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

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

Because the Parent Guarantor is incorporated under the laws of Hong Kong, an insolvency proceeding relating to the Parent Guarantor, even if brought in the jurisdictions of the holders of the Notes, would likely involve Hong Kong insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the bankruptcy law in the jurisdiction. In addition, the Issuer is incorporated in the BVI, and the insolvency laws of the BVI may also differ from the laws of other jurisdictions with which the holders of the Notes are familiar.

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

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

Upon a Change of Control Triggering Event (as defined in "Description of the Notes"), the Issuer must make an offer to purchase all outstanding Notes. Similarly, Xingtao Assets Limited, another financing company of ours, must make an offer to purchase all outstanding 2014 Notes, Wealth Driven Limited, another financing company of ours, must make an offer to purchase all outstanding 2016 Notes and the Issuer must make an offer to purchase all outstanding March 2017 Notes, the January 2018 Notes, the January 2019 Notes, the July 2019 Notes, the November 2019 Notes, the July 2020 Notes and the October 2020 Notes upon a change of control triggering event under their respective terms. Pursuant to these offers, we must repurchase the tendered notes at a repurchase price of 101% of their principal amount, plus accrued interest and unpaid interest, if any, up to, but not including, the date of purchase. The source of funds for any such purchase would be our available cash or third-party financing. We, however, may not have enough available funds at the time of the occurrence of any change of control triggering event to make purchases of tendered outstanding Notes and the Existing Indebtedness. Our failure to make the offer to purchase or purchase tendered Notes and the Existing Indebtedness would constitute an Event of Default (as defined in "Description of the Notes") under the Notes and on event of default under the Existing Indebtedness. Such event of default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and repay the debt.

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

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

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

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

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

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

The Notes may initially be sold to a small number of investors. A liquid trading market for the Notes may not develop or be sustained, in which case you may not be able to resell your Notes at their fair market value or at all. Any holder of a majority in aggregate principal amount of the Notes will have certain rights and powers under the Indenture and related documents. For example, subject to certain exceptions, the holders of a majority in aggregate principal amount of the Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. In addition, as described in "Description of the Notes – Amendments and Waiver," the Indenture may be amended with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding Notes, and any Default or Event of Default or compliance with any provision of the Notes and the Indenture may be waived with the consent of the holders of a majority in aggregate principal amount of the Notes, subject in each case to certain exceptions. Accordingly, any investor that holds (or any investors acting in concert that hold) a majority in aggregate principal amount of the Notes will be able to exercise such rights and powers on behalf of all Noteholders and control the outcome of votes on such matters. In addition, any investor that holds a significant percentage of the Notes, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by Noteholders. For example, holders of at least 25% in aggregate principal amount of the Notes may declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable if certain types of Events of Default have occurred and are continuing. In addition, if any such significant holder sells a material portion of the Notes at any one time, it may materially and adversely affect the trading price of the Notes. Further, certain of our affiliates may purchase some of the Notes for investment. Circumstances may occur in which our interests or those of our affiliates may be in conflict with the interest of other Noteholders. If a substantial portion of the Notes held by our affiliates were to be offered for sale in the secondary market, the market price of the Notes may fall. The negative effect of such sales on the prices of the Notes could be more pronounced if secondary trading in the Notes is limited or illiquid.

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

The Notes are expected to be rated "BB" by S&P Global Ratings. The ratings addressee our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that the rating will be confirmed, that a rating will remain for any given period of time or that a rating will not be lowered, put on negative outlook or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade, negative outlook or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

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

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

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

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

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

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will be subject to continuing listing obligations in respect of the Notes. The disclosure standards imposed by the SGX-ST may be different than those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

USE OF PROCEEDS

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

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

- to refinance some of our existing offshore indebtedness, including any payment in connection with the Concurrent Offer to Purchase; and

- for working capital and general corporate purposes.

CAPITALIZATION

The following table sets forth our consolidated cash and bank balances and capitalization as of June 30, 2020 (i) on an actual basis and (ii) as adjusted to give effect to the July 2020 Notes, the October 2020 Notes and the Notes offered hereby (before deducting underwriting discounts and commissions and estimated expenses).

	As of June 30, 2020			
	Actual		As adjusted	
	RMB	*US$*	*RMB*	*US$*
		(in millions)		
Cash and bank balances and term deposits	115,864.2	16,399.5	122,929.3	17,399.5
Interest-bearing bank and other borrowings				
Bank loans	118,021.0	16,704.8	118,021.0	16,704.8
Corporate bonds and enterprise bonds	38,478.0	5,446.2	38,478.0	5,446.2
Private placement notes	979.2	138.6	979.2	138.6
Private placement bond	3,638.3	515.0	3,638.3	515.0
Senior notes(1)(2)	33,539.4	4,747.2	33,539.4	4,747.2
July 2020 Notes	–	–	4,239.1	600.0
October 2020 Notes	–	–	4,995.0	707.0
Notes offered hereby(2)	–	–		
Medium-term notes	16,124.8	2,282.3	16,124.8	2,282.3
Super and short-term commercial papers	4,912.5	695.3	4,912.5	695.3
Other borrowings, secured	16,106.3	2,279.7	16,106.3	2,279.7
Other borrowings, unsecured	763.8	108.1	763.8	108.1
Total interest-bearing bank and other borrowings	232,563.3	32,917.2		
Portion classified as:				
Short-term	108,278.7	15,325.9	108,278.7	15,325.9
Long-term	124,284.6	17,591.3		
	232,563.3	32,917.2		
Equity				
Share capital	36,714.8	5,196.6	36,714.8	5,196.6
Treasury shares	(87.5)	(12.4)	(87.5)	(12.4)
Equity component of convertible bonds	–	–	–	–
Other reserves	83,895.6	11,874.7	83,895.6	11,874.7
Non-controlling interests	55,931.7	7,916.6	55,931.6	7,916.6
Total equity	176,454.6	24,975.5	176,454.6	24,975.5
Total Capitalization(3)	300,739.2	42,566.8		

Notes:

(1) For the avoidance of doubt, the as-adjusted information for the Senior Notes does not give effect to the offer to purchase completed on July 6, 2020, October 22, 2020 and December 15, 2020.

(2) For the avoidance of doubt, the as-adjusted information for the Senior Notes and Notes offered hereby does not give effect to the Concurrent Offer to Purchase. We intend to finance the Concurrent Offer to Purchase with proceeds and/or our working capital from this offering. As a result, if the Concurrent Offer to Purchase is consummated, the outstanding principal amount of our Senior Notes will decrease.

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

In addition, we have incurred, and will continue to incur, indebtedness from time to time for general corporate purposes, including but not limited to refinancing of existing indebtedness and funding our operations in the ordinary course of business. Except as otherwise disclosed in this Offering Circular, there has been no material change in our indebtedness and capitalization since June 30, 2020.

EXCHANGE RATE INFORMATION

Our financial statements are published in Renminbi. This Offering Circular contains translations of H.K. dollar amounts, Renminbi amounts and Euro amounts to U.S. dollars at specific rates solely for the convenience of the reader. Unless otherwise noted, all translations from H.K. dollars to U.S. dollars in this Offering Circular were made at the rate of HK$7.7501 to US$1.00, the noon buying rate for U.S. dollars in The City of New York for cable transfers in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2020, translations of Renminbi amounts into U.S. dollars were made at RMB7.0651 to US$1.00, the noon buying rate for U.S. dollars in The City of New York for cable transfers in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2020, and translation of Euro amounts into U.S. dollars were made at EUR1.1237 to US$1.00, the noon buying rate for U.S. dollars in The City of New York for cable transfers in Euro as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2020. You should not assume that Renminbi or Hong Kong dollar or Euro amounts could actually be converted into U.S. dollars at these rates or at all.

HONG KONG DOLLAR EXCHANGE RATES

The Hong Kong dollar is freely convertible into the U.S. dollar. Since 1983, the Hong Kong dollar has been linked to the US dollar at the rate of HK$7.80 to US$1.00. The Basic Law of Hong Kong (the "Basic Law"), which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

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

The following table sets forth, for each of the periods indicated, certain information concerning the noon buying rate for U.S. dollars in the City of New York for cable transfers in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York.

	Noon buying rate			
Period	**Period end**	**Average[(1)]**	**Low**	**High**
	(HK$ per US$1.00)			
2015	7.7507	7.7519	7.7686	7.7495
2016	7.7534	7.7618	7.8270	7.7505
2017	7.8128	7.7950	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043

Period	Noon buying rate			
	Period end	Average[1]	Low	High
	(HK$ per US$1.00)			
2019	7.7894	7.8335	7.7850	7.8499
2020				
June	7.7501	7.7501	7.7498	7.7514
July	7.7500	7.7509	7.7499	7.7538
August	7.7502	7.7502	7.7498	7.7506
September	7.7500	7.7500	7.7499	7.7504
October	6.6919	6.7254	6.6503	6.7898
November	6.5750	6.6044	6.5556	6.6899
December	7.7534	7.7519	7.7505	7.7539

Note:

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

RENMINBI EXCHANGE RATES

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

The PRC government has since made further adjustments to the exchange rate system. The PBOC authorized the China Foreign Exchange Trading Center, effective since January 4, 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day. On May 18, 2007, the PBOC announced that the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar was to be expanded from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. On June 19, 2010, the PBOC announced its intention to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and on April 16, 2012, the band was expanded to 1.0%. According to the announcement, the exchange rate floating bands will remain the same as previously announced but the PBOC will place more emphasis to reflecting the market supply and demand with reference to a basket of currencies. The PRC government may in the future make further adjustments to the exchange system. Currently, the PBOC announces the closing price of a foreign currency traded against Renminbi in the inter-bank foreign exchange spot market after the closing of the market on each business day, and makes it the central parity for the following business day.

Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of the Renminbi into foreign currency for current account items, conversion of Renminbi into foreign currency for capital items, such as foreign direct investment, loans or security, requires the approval of the SAFE and other relevant authorities. The following table sets forth, for each of the periods indicated, certain information concerning the noon buying rate for U.S. dollars in the City of New York for cable transfers in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York.

	Noon buying rate			
Period	**Period end**	**Average(1)**	**Low**	**High**
	(RMB per US$1.00)			
2015	6.4778	6.2869	6.1870	6.4896
2016	6.9430	6.6549	6.9430	6.9580
2017	6.5063	6.7530	6.4773	6.9575
2018	6.8755	6.6292	6.2649	6.9737
2019	6.9618	6.9014	6.6822	7.1786
2020				
June	7.0651	7.0816	7.0575	7.1263
July	6.9744	7.0041	6.9744	7.0703
August	6.8647	6.9310	6.8647	6.9799
September	6.7896	6.8106	6.7529	6.8474
October	7.7548	7.7503	7.7498	7.7548
November	7.7508	7.7526	7.7505	7.7552
December	6.5250	6.5393	6.5208	6.5705

Note:

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

THE ISSUER

GENERAL

The Issuer of the Notes, Fortune Star (BVI) Limited, was incorporated on February 28, 2017 as a BVI business company with limited liability under the laws of the BVI (BVI Company Number: 1938036). Its registered office is located at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands.

CAPITALIZATION

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

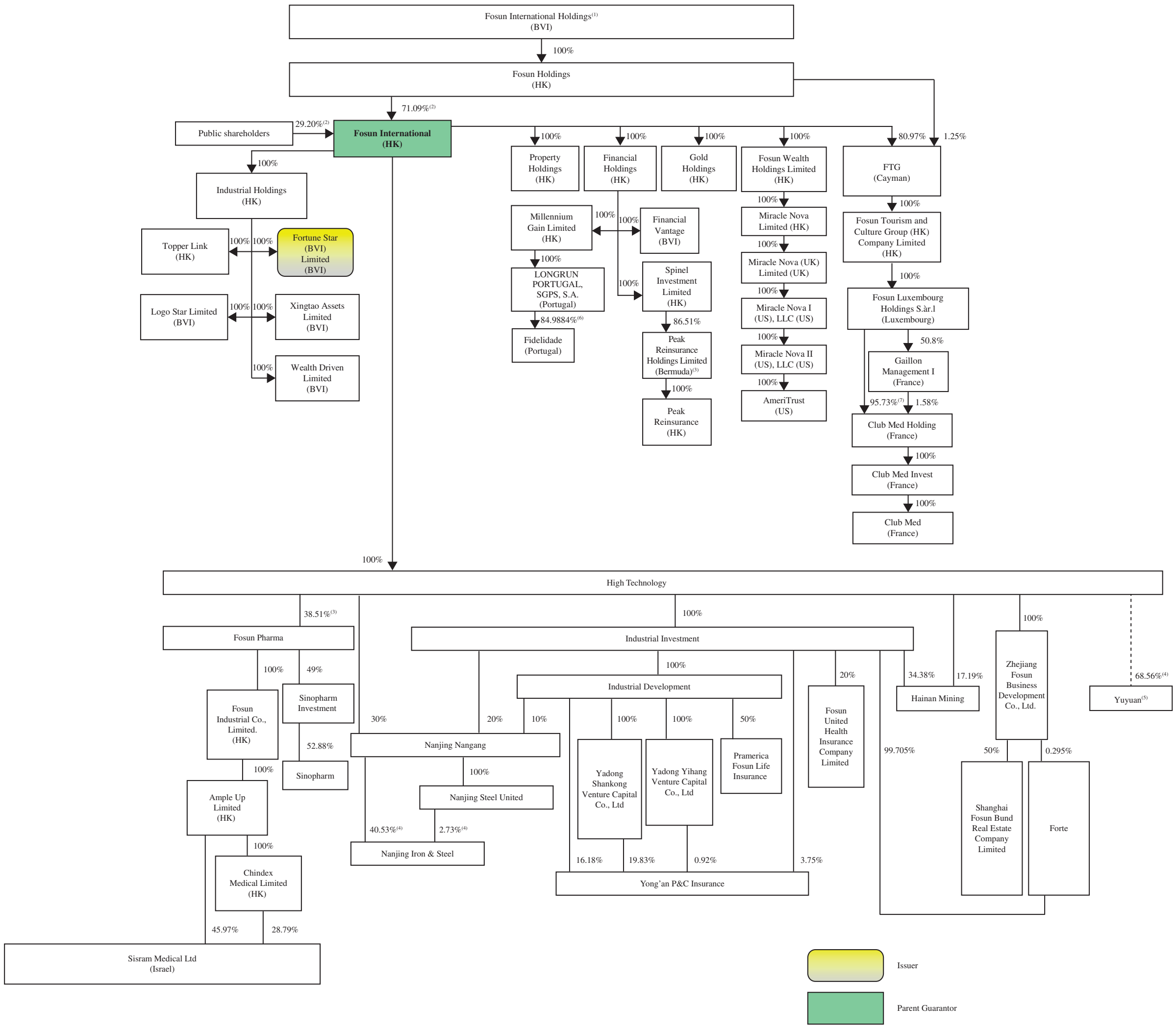
BUSINESS ACTIVITY

The Issuer has no business operations. It was solely established for the purpose of financing activities, including the issuance of the March 2017 Notes, the January 2018 Notes, the January 2019 Notes, the July 2019 Notes, the November 2019 Notes, the July 2020 Notes, the October 2020 Notes and the Notes.

As of the date of this Offering Circular, except for the March 2017 Notes, the January 2018 Notes, the January 2019 Notes, the July 2019 Notes, the November 2019 Notes, the July 2020 Notes and the October 2020 Notes, the Issuer has no borrowings or indebtedness in the nature of borrowings, term loans, liabilities under acceptance or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

CORPORATE STRUCTURE

The following structural chart sets forth our basic corporate structure as of June 30, 2020, depicting our major subsidiaries, joint ventures and associates. Subsequent to June 30, 2020, we have, in our ordinary course of business, incorporated, acquired, disposed of or increased our equity interest in certain other subsidiaries, joint ventures and associates. Unless otherwise indicated, the place of incorporation of the various entities is the PRC:



Notes:

(1) Fosun International Holdings was owned as to 85.29% and 14.71% by Messrs. Guo Guangchang and Wang Qunbin, respectively, as of December 31, 2020.

(2) Fosun Holdings held a 71.74% equity interest in Fosun International, with the remaining 28.26% shares held by public shareholder as of December 31, 2020.

(3) High Technology's equity interest in Fosun Pharma increased to 38.62% as of December 31, 2020.

(4) The equity interest in Nanjing Iron & Steel held by Nanjing Nangang and Nanjing Steel United decreased to 56.84% and 1.97%, respectively as of December 31, 2020.

(5) High Technology and its wholly-owned subsidiaries held a 68.59% equity interest in Yuyuan in total, with the remaining 31.41% shares held by public shareholders, as of December 31, 2020.

(6) LONGRUN PORTUGAL, SGPS, S.A.'s equity interest in Fidelidade increased to 84.9892% as of December 31, 2020.

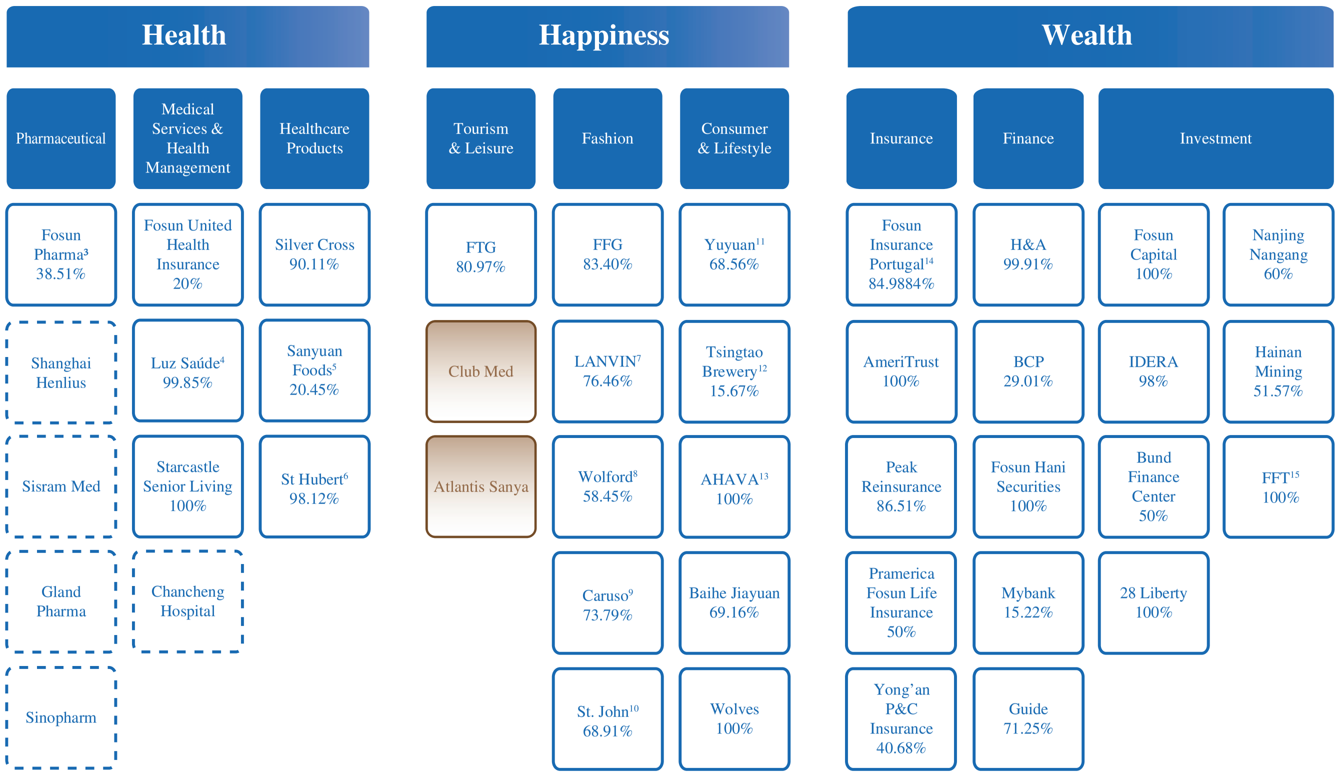
(7) Fosun Luxembourg Holdings S.àr.l equity interest in Club Med Holding increased to 97.10% as of December 31, 2020.

CORE BUSINESSES

The following simplified chart illustrates the key investments of our Group as of June 30, 2020:

The Group

Corporate Structure[1, 2] (as of June 30, 2020)



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 of June 30, 2020.

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

3. As of August 27, 2020, the equity interest held by the Group in Fosun Pharma increased to 38.54% through purchasing the shares of Fosun Pharma from the secondary market.

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

5. The Company through its wholly-owned subsidiary and a fund under management of the Group, held a 16.67% and a 3.78% equity interest, respectively, in Sanyuan Foods. The Group held a 37.27% effective equity interest in such fund, thus, the Group held an 18.08% effective equity interest in Sanyuan Foods.

6. St Hubert SAS was held as to 98.12% by an associate of the Group in which the Group held a 51% equity interest.

7. Jeanne Lanvin SAS was held 76.46% by an associate of the Group in which the Group held an 83.40% equity interest.

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

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

10. St. John Knits International, Incorporated was held a 68.91% by an associate of the Group in which the Group held an 83.40% equity interest.

11. As of August 27, 2020, the equity interest held by the Group in Yuyuan increased to 68.59% through purchasing the shares of Yuyuan from the secondary market.

12. 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. As of August 27, 2020, the effective equity interest in Tsingtao Brewery held by the Group has been diluted to 13.12% due to the issuance of A shares by Tsingtao Brewery.

13. Yuyuan through its subsidiary held 100% equity interest in AHAVA.

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

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

OUR MAJOR SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

As of June 30, 2020, our Company's ownership interests in its major subsidiaries, joint ventures and associates were as follows:

Name of company	Place of incorporation/ registration and place of business	Effective equity interest attributable to our Company	Principal activities
Subsidiaries			
Investment segment			
上海復星高科技(集團)有限公司# (Shanghai Fosun High Technology (Group) Co., Ltd.)	PRC/Mainland China	100.0%	Investment holding
上海復星產業投資有限公司# (Shanghai Fosun Industrial Investment Co., Ltd.)	PRC/Mainland China	100.0%	Investment holding
復星金融控股有限公司 (Fosun Financial Holdings Limited)	Hong Kong	100.0%	Investment holding
復星地產控股有限公司 (Fosun Property Holdings Limited)	Hong Kong	100.0%	Investment holding
上海復星創富投資管理股份有限公司# (Shanghai Fosun Capital Investment & Management Co., Ltd.)	PRC/Mainland China	100.0%	Capital investment and management
復地(集團)股份有限公司# (Shanghai Forte Land Co., Ltd.) ("Forte")	PRC/Mainland China	100.0%	Property development
浙江復星商業發展有限公司# (Zhejiang Fosun Commercial Development Co., Ltd)	PRC/Mainland China	100.0%	Property development
復星產業控股有限公司 (Fosun Industrial Holdings Limited)	Hong Kong	100.0%	Investment holding
Fortune Star (BVI) Limited	British Virgin Islands	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/Mainland China	100.0%	Capital investment and management
Health segment			
上海復星醫藥(集團)股份有限公司*/# (Shanghai Fosun Pharmaceutical (Group) Co., Ltd.)	PRC/Mainland China	38.5%	Investment holding

Name of company	Place of incorporation/ registration and place of business	Effective equity interest attributable to our Company	Principal activities
上海復星醫藥產業發展有限公司# (Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.)	PRC/Mainland China	38.5%	Investment holding
錦州奧鴻藥業有限責任公司# (Jinzhou Aohong Pharmaceutical Co., Ltd.)	PRC/Mainland China	38.5%	Manufacture and sale of pharmaceutical products
江蘇萬邦生化醫藥集團有限責任公司# (Jiangsu Wanbang Biopharmaceuticals Group Co., Ltd.)	PRC/Mainland China	38.5%	Manufacture and sale of pharmaceutical products
Alma Lasers Ltd	State of Israel	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/Mainland China	19.6%	Manufacture and sale of pharmaceutical products
重慶藥友製藥有限責任公司# (Chongqing Yao Pharmaceutical Co., Ltd.)	PRC/Mainland China	19.6%	Manufacture and sale of pharmaceutical products
桂林南藥股份有限公司# (Guilin South Pharma Co., Ltd.)	PRC/Mainland China	37.1%	Manufacture and sale of pharmaceutical products
復星實業(香港)有限公司 (Fosun Industrial Co. Limited)	Hong Kong	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/Mainland China	33.3%	Provision of healthcare services
Gland Pharma Limited	India	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/Mainland China	20.5%	Research and development of biopharmaceutical drugs
Luz Saúde, S.A	Portugal	99.9%	Provision of healthcare services
Happiness segment			
Club Med SAS	France	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/Mainland China	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.)	PRC/Mainland China	68.6%	Retail

Name of company	Place of incorporation/ registration and place of business	Effective equity interest attributable to our Company	Principal activities
北京復地通盈置業有限公司# (Beijing Forte Tongying Property Co., Ltd.)	PRC/Mainland China	81.2%	Property development
海南復地投資有限公司# (Hainan Forte Investment Co., Ltd.)	PRC/Mainland China	68.6%	Property development
成都復地明珠置業有限公司# (Chengdu Forte Mingzhu Property Co., Ltd.)	PRC/Mainland China	45.3%	Property development
長沙復盈房地產開發有限公司# (Changsha Fuying Property Co., Ltd.)	PRC/Mainland China	68.6%	Property development
上海豫園珠寶時尚集團有限公司# (Shanghai Yuyuan Jewelry Fashion Group Co., Ltd)	PRC/Mainland China	68.6%	Retail
Insurance segment			
鼎睿再保險有限公司 (Peak Reinsurance Company Limited)	Hong Kong	86.5%	Reinsurance
Fidelidade – Companhia de Seguros, S.A.	Portugal	85.0%	Underwriting of life and non-life insurance
AmeriTrust Group, Inc.	United States of America	100.0%	Underwriting of non-life insurance
Finance segment			
Hauck & Aufhauser Privatbankiers AG	Germany	99.9%	Private banking and financial services
Associates			
國藥產業投資有限公司# (Sinopharm Industrial Investment Co., Ltd.)	PRC/Mainland China	18.7%	Distribution of pharmaceutical products
Banco Comercial Português, S.A.	Portugal	29.0%	Banking and financial services
青島啤酒股份有限公司@/# (Tsingtao Brewery Company Limited)	PRC/Mainland China	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/Mainland China	5.08%	Life insurance
天津建龍鋼鐵實業有限公司 (Tianjin Jianlong Steel Industrial Co., Ltd.)	PRC/Mainland China	25.7%	Manufacture and sale of iron and steel products

Name of company	Place of incorporation/ registration and place of business	Effective equity interest attributable to our Company	Principal activities
Joint ventures			
南京南鋼鋼鐵聯合有限公司#/& (Nanjing Nangang Iron & Steel United Co., Ltd.)	PRC/Mainland China	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/Mainland China	50.0%	Property development

The English names of the above subsidiaries, associates and joint ventures are directly translated from their Chinese names.

The above table lists the subsidiaries, associates and joint ventures of the Group which, in the opinion of the directors of the Company, principally affected the results of the Group in 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 38.5% as of June 30, 2020.

@ 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% in 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 of June 30, 2020, 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.

Certain information furnished in this section is sourced from official government and other third-party publications. While we have exercised reasonable care in compiling and reproducing the information from such publications, such information has not been independently verified by the Company, the Trustee, the Paying Agent, Transfer Agent, the Registrar or any of their respective directors, officers and advisers. The information sourced from official government publications may not be consistent with other information compiled within or outside the PRC. Such information has been accurately reproduced and that as far as we are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, we do not make any representation as to its accuracy and investors should not unduly rely on such information contained in this section.

OVERVIEW

Rooted in China, we create customer-to-maker (C2M) ecosystems in health, happiness and wealth and provide high-quality products and services for families around the world through innovation. As a result of our rapid growth since our incorporation, we have established a high-quality business combination which has benefited from China's economic growth, urbanization and industrialization. We have broad experience in managing different businesses worldwide and have successfully developed our core businesses into strong market players with widely recognized brands within their respective industries. We seek sustainable and rapid growth of our investment value through continuous portfolio optimization and management upgrade at our portfolio companies. Our historical superior investment returns and our rich operational experience in different industries have given us a strong competitive advantage in continuously capturing investment opportunities. This investment platform enables us to identify investment opportunities that will benefit us from China's rapid growth, and complement our existing health, happiness and wealth businesses.

Our in-depth understanding of China's macroeconomic and microeconomic trends and our established operational experience in managing different business lines worldwide have positioned us to capture investment opportunities and achieve operational excellence in each industry vertical. We have extensive experience in promoting brands, enhancing management structures and building sales networks, which effectively facilitate the development of each investee company's business. In addition, as a diversified and privately-owned enterprise in a rapidly growing market, we have developed strong execution capabilities that allow us to respond quickly to opportunities and challenges emerging from rapid economic development. We also have diversified financing channels that give us access to a wide range of capital resources to support the our sustainable development.

We continued to achieve operational excellence and increase product competitiveness through innovation, focusing on our Health, Happiness and Wealth businesses to maintain sustainable and healthy growth. Our Health business includes three major segments: Pharmaceutical, Medical Services & Health Management and Healthcare Products. Our Happiness business includes three major segments: Tourism & Leisure, Fashion and Consumer & Lifestyle. Our Wealth business includes three major segments: Insurance, Finance and Investment. We believe that our principal portfolio companies enjoy competitive advantages within their respective industries with significant growth potential.

We changed our reportable segments in 2018. As a result, we have restated the comparative segment information as of and for the year ended December 31, 2017 in our audited consolidated financial statements as of and for the year ended December 31, 2018. We further changed our reportable segments in 2019, and as a result, we have restated the comparative segment information as of and for the year ended December 31, 2018 in our audited consolidated financial statements as of and for the year ended December 31, 2019. The following table sets forth our revenues, as restated where appropriate, by segments for each period indicated.

	Year ended December 31,							Six months ended June 30,				
	2017		2018		2019			2019		2020		
	RMB (restated)	*%*	*RMB* (restated)	*%*	*RMB*	*US$* (unaudited)	*%*	*RMB*	*%*	*RMB*	*US$* (unaudited)	*%*
	(in millions, except percentages)											
Revenue	88,025.2	100.0	109,351.6	100.0	142,982.1	20,237.8	100.0	68,475.4	100.0	63,269.2	8,955.2	100.0
Health	22,486.3	25.5	29,093.3	26.6	33,133.0	4,689.7	23.2	16,465.4	24.0	16,423.9	2,324.7	26.0
Happiness[(1)]	25,455.6	28.9	44,936.4	41.1	67,557.5	9,562.1	47.2	30,893.9	45.1	26,940.4	3,813.2	42.6
Wealth	40,746.2	46.3	36,097.4	33.0	43,370.0	6,138.6	30.3	21,476.9	31.4	20,424.4	2,890.9	32.3
Insurance	26,133.3	29.7	23,668.5	21.6	31,261.9	4,424.8	21.9	15,534.3	22.7	14,150.4	2,002.9	22.4
Finance	1,836.2	2.1	2,482.7	2.3	2,492.6	352.8	1.7	1,065.5	1.6	1,312.4	185.8	2.1
Investment	12,776.7	14.5	9,946.2	9.1	9,615.5	1,361.0	6.7	4,877.1	7.1	4,961.6	702.2	7.8
Eliminations	(662.9)	(0.7)	(775.5)	(0.7)	(1,078.4)	(152.6)	(0.7)	(360.8)	(0.5)	(519.5)	(73.6)	(0.9)

Note:

(1) We have wholly integrated the restructured Yuyuan into the Happiness business in the 2018 and 2019 annual report. The corresponding 2017 figures have been restated.

In 2017, 2018, 2019 and the six months ended June 30, 2019 and 2020, our revenue was RMB88,025.2 million, RMB109,351.6 million, RMB142,982.1 million, RMB68,475.4 million and RMB63,269.2 million, respectively, and our profit for the period was RMB16,796.0 million, RMB17,009.5 million, RMB20,169.4 million, RMB11,217.8 million and RMB3,172.3 million, respectively.

Our revenue decreased by approximately 7.6% from RMB68,475.4 million for the first half of 2019 to RMB63,269.2 million for the first half of 2020, mainly due to a decrease in the revenue of tourism and culture business of RMB4,534.9 million, as impacted by the COVID-19 pandemic.

Profit attributable to owners of the parent amounted to RMB2,012.1 million for the first half of 2020, representing a decrease of RMB5,596.7 million, or approximately 73.6% compared to the first half of 2019, (i) decrease of RM2,059.2 million in industrial operation profit (which included profit contribution from operational subsidiaries as well as joint ventures and associates which are accounted under equity method) in the first half of 2019, as a result of a decrease in profit contribution from tourism and culture business as well as other industrial operating profit; and (ii) a decrease of RMB3,537.5 million in investment income and others.

COMPETITIVE STRENGTHS

We believe we have the following competitive strengths:

Diversified industry portfolio and healthy growth in global business

We strategically diversify our investment portfolios in terms of industry sectors and geographic distribution. We have achieved and maintained a well-diversified portfolio with high-quality investments, which help generate steady income streams, reduce our exposure to economic downturn and fluctuations and effectively prevent potential concentration risk.

We focus on investing in various industries that benefit from China's growth momentum, and developing our Health, Happiness and Wealth businesses. We believe that our investment portfolio allow us to achieve synergies among our investments across industries, which contributes to our competitive strengths in business sourcing, project execution, sales and marketing, and improve operational efficiency. In the six months ended June 30, 2020, the top five contributors of revenue by subsidiaries were Yuyuan, Fosun Pharma, Fidelidade, FTG and Peak Reinsurance. These five subsidiaries combined represented 80% of total revenue in terms of our consolidated financial statement with 32% from Yuyuan, 22% from Fosun Pharma, 12% from Fidelidade, 7% from FTG, and 7% from Peak Reinsurance. Period-to-period growth in the six months ended June 30, 2020 was 1% for Yuyuan and 12% for Peak Reinsurance. Period-to-period decrease in the six months ended June 30, 2020 was 1% for Fosun Pharma, 23% for Fosun Insurance Portugal and 50% for FTG.

We have successfully diversified our business operations in terms of geographic distribution by continuing our international expansion. Our revenue from overseas markets amounted to RMB27,428.0 million in the six months ended June 30, 2020, accounting for 43.4% of our total revenue in the six months ended June 30, 2020, compared to 1.4% of our total revenue in 2010. We believe that diversified geographic distribution helps us mitigate our exposure to risks associated with a single market.

We continued to achieve operational excellence and increase product competitiveness through innovation, focusing on our Health, Happiness and Wealth businesses to maintain a sustainable and healthy growth. Our Health business includes three major segments: Pharmaceutical, Medical Services & Health Management and Healthcare Products. Our Happiness business includes three major segments: Tourism & Leisure, Fashion and Consumer & Lifestyle. Our Wealth business includes three major segments: Insurance, Finance and Investment. Our three core businesses continue to grow and complement each other.

We have successfully created market leaders across our businesses. In particular, we focus on creating world class products, improving global sales and marketing with greater connectivity to customers and driving operational efficiency. In our Health business, Fosun Pharma is one of China's top five pharmaceutical companies; Luz Saúde is the largest medical services group in Portugal; Babytree is China's largest platform of the maternal and child community; and Hanlikang is China's first domestically developed biosimilar and received approval for sale. In our Happiness business, Yuyuan is a leading branded consumer goods company; Club Med is the largest resort chain worldwide; Sanya Atlantis is the landmark project of Sanya Tourism 3.0; Tsingtao Brewery is a leading brewery brand in China; Lanvin is the oldest haute couture brand in France; Baihe Jiayuan is China's largest dating and matchmaking website and marriage service provider; and Wolves ranked 7th in the Premier League in the 2018-2019 season. In our Wealth business, Fidelidade is Portugal's largest insurance group; BCP is Portugal's largest listed bank and Poland's fourth largest private bank; H&A achieved highest return on equity with German mid-cap private bank in 2018; IDERA is Japan's leading asset management platform; and Peak Reinsurance won "Asia's Best Reinsurance Company" award for the fourth year in a row.

We held a 38.51% equity interest in Fosun Pharma as of June 30, 2020, which is a leading healthcare company in China listed on the Shanghai Stock Exchange (Stock Code: 600196) and the Hong Kong Stock Exchange (Stock Code: 02196). In addition, we completed the acquisition of Gland Pharma Limited in India in October 2017 and expected it to become Fosun Pharma's important registration and sales platform targeting major international markets, such as Europe and the U.S. We continue to improve our medical care service capabilities, and build senior living communities.

In our Happiness business, loss attributable to owners of the parent amounted to RMB391.9 million in the six months ended June 30, 2020, which was significantly affected by the COVID-19 Pandemic. We held an 80.97% equity interest in FTG as June 30, 2020, which is one of the world's leading leisure-focused integrated tourism groups, and one of the largest leisure tourism resorts group worldwide. 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, Lijiang FOLIDAY Town, and Taicang FOLIDAY Town, which are developed and operated under our self-owned brand "FOLIDAY Town"; and (iii) services and solutions in various tourism and leisure settings. As of June 30, 2020, FTG has conducted sales and marketing businesses in more than 40 countries and regions across six continents, and has operated 65 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. Its tourism destinations business also experienced significant growth. For example, located on the Haitang Bay National Coast of Sanya in Hainan province, China, Atlantis Sanya is the first tourism destination project of FTG in Sanya and has become an icon of tourism upgrading v3.0 in Sanya. Atlantis Sanya commenced construction in 2014, had its soft opening in February 2018 and officially opened in April 2018. Foryou Club, FTG's proprietary royalty program has accumulated approximately 5.4 million members as of June 30, 2020.

We held an 84.9884% equity interest in Fidelidade and an 80.0% equity interest in each of Multicare and Fidelidade Assistência as of June 30, 2020. We hold H&A, a fully licensed private bank. We also hold BCP, the largest Portuguese listed bank. BCP offers banking products and financial services in Portugal and abroad, including retail banking, corporate and investment banking, private banking businesses; owns "ActivoBank", a leading internet bank; holds a prominent position in Poland, Switzerland, Mozambique and Angola; and has entered in the Chinese mainland market through its Guangzhou representative office and operated in Macau Special Administration Region through a fully-licensed branch since 2010. Our Wealth business provides key capital foundation for the development of our Health and Happiness businesses.

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

Disciplined investment approach and well-established investment management procedures

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

Our investment projects are initiated by our professional investment teams located in China and overseas. Our investment teams are well-informed about changes in government policy and industry trends, benefiting from their close relationships with industry experts, industry associations and other resources. They also have extensive experience distilling the information garnered through these different channels to identify high-growth investment opportunities. Our investment professionals perform detailed research on each prospective investment, including reviewing investment candidates' financial statements, comparative analysis of other public and private companies and analysis of relevant industry data. Our strategic cooperation with international investment groups also enhances our ability to identify investment opportunities around the world.

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

Our investment may take various forms, such as acquiring control of or strategically investing in a portfolio company and purchasing securities of the portfolio company from the open market. Our investment professionals will continue to monitor performance and market conditions after an investment is made and will make recommendations with respect to exit strategies, such as public offerings and block trades. Disposition decisions are subject to careful review and approval by the investment committee.

Balance value investment with accretive divestments

We have a track record of growing our core investments into strong businesses. We strategically select investment that fits well into our business and leverage our resources to enhance our industry competitiveness. For example, Fosun Pharma and its subsidiaries ("Fosun Pharma Group") recorded an increase of 14.87% in its revenue from 2018 to 2019. Peak Reinsurance has also delivered a track record of year-on-year premium growth since its establishment. Further, our recent investment in Club Med has proven to be successful. After we made our investment in Club Med, Club Med opened four new resorts in China in 2019. Our major investments in 2019 included FFT. In 2019, our acquired Portuguese insurance business achieved a total market share in Portugal of 25.5%, being the market leader in both life and non-life businesses with shares of 23.6% and 27.9%, respectively.

As a result of balancing value investment with accretive divestments, we have a proven track record in growing our assets and achieving significant financial returns. Our average book value per share grew at a compound annual growth rate of 16% during an eight-year period from December 31, 2011 to December 31, 2019. Our equities attributable to shareholders and reported EBITDA increased by 209% and 211%, respectively, from 2013 to 2019.

Stronger balance sheet and consistently improving asset liquidity

Our prudent financial management and continuous efforts to optimize capital structure enable us to maintain a strong credit profile. We improve our net gearing ratio by prudently managing the growth of debt offering and diversifying financing channels to meet our capital needs. Our average cost of debt declined from 5.7% in 2013 to 4.7% in the six months ended June 30, 2020. We also continue to enhance our asset liquidity, improve gearing level and prudently manage financial risks. We have received long-term ratings of "BB" from S&P Global Ratings and "Ba3" from Moody's. These ratings reflect the rating agencies' views of our ability to make timely payment of principal and interest on senior unsecured debts.

At our holding company and subsidiaries levels, we have the flexibility to use multiple equity and debt instruments to raise capital from public and private markets and optimize our capital structure.

Equity financing

We actively promote our portfolio companies to acquire better liquidity and stronger financing capabilities through initial public offering or follow-on offerings at appropriate times.

- As our Company and some of our principal portfolio companies are publicly traded on either the Shanghai Stock Exchange or the Hong Kong Stock Exchange, we have the ability to raise funds in different capital markets through equity and debt financing. For example, in 2012, Fosun Pharma successfully completed an H share offering, raising net proceeds of RMB3,156.8 million. In November 2013, Logo Star Limited, an indirect wholly-owned subsidiary of our Company issued convertible bonds in an aggregate principal amount of HK$3,875.0 million convertible into ordinary shares of our Company. In April 2014, Fosun Pharma issued 67,214,000 H shares pursuant to a placing agreement, raising net proceeds of HK$1,760.89 million. In May 2014, our Company completed a rights issue of 500,884,371 rights shares at a subscription price of HK$9.76 per right shares on the basis of 39 right shares for every 500 shares, raising net proceeds of HK$4,864 million. In November 2014, Hainan Mining successfully completed an A share offering, raising net proceeds of RMB1,758.8 million. In May 2015, our Company issued 465,000,000 shares pursuant to a placing and subscription agreement, raising net proceeds of HK$9,243 million. In October 2015, our Company completed another rights issue of 867,182,273 rights shares at a subscription price of HK$13.42 per right shares on the basis of 56 right shares for every 500 shares, raising net proceeds of HK$11,598 million. In 2016, Fosun Pharma successfully completed an A Share offering, raising net proceeds of

RMB2.3 billion. In 2017, Fosun Pharma raised US$296 million from an H Share offering and Sisram also successfully completed its HK$771.3 million IPO on the Hong Kong Stock Exchange. On July 26, 2018, Fosun Pharma completed a placing of 68,000,000 H shares and raised net proceeds of approximately HK$2,579.2 million. On December 14, 2018, FTG was listed on Hong Kong Stock Exchange, raising net proceeds of approximately HK$3,269.9 million.

- We and our subsidiaries had entered into financing agreements with various financial institutions. A number of our subsidiaries, such as High Technology, Fosun Pharma, Forte and Hainan Mining, have completed issuances of corporate bonds, medium-term notes, private placement notes and senior notes.

Debt financing

We have completed more than ten international debt and convertible bonds issuances (including tap offerings) since our debut issue in 2011. Coupon payments and principal redemptions have been punctual, if not early. In our previous bond issues, we attracted hundreds of accounts in order placing, which included sophisticated institutional investors across Asia and Europe among funds and asset managers, international banks and high net worth accounts. As of June 30, 2020, our outstanding dollar bonds had been a constituent of respectable market benchmark indices such as Bank of America Global High Yield Index series.

We have strong relationships with more than 100 domestic and foreign financial institutions, from which we have obtained loan financing (including syndicated loans). These financial institutions include some of the largest commercial banks in China, and other Chinese or overseas banks. We have adopted a prudent policy to maintain relationships with a wide range of lending banks in order to avoid single bank concentration risk. As of June 30, 2020, we had unused bank facilities of RMB176.9 billion. As of the same date, the amount borrowed by the Company from any single lending bank accounted for less than 10% of the amount of our total debts. Total debts are calculated as the sum of (i) current and non-current interest-bearing borrowings, (ii) interest-free loans from related companies, and (iii) convertible bonds.

Asset management platforms

We set up and manage various funds, such as real estate, venture capital, and private equity funds, as platform to raise capital. 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 of June 30, 2020, Fosun Capital managed seven funds and the assets under management were nearly RMB20 billion.

We have maintained a strong balance sheet in the long term and consistently improved asset liquidity through successful initial public offerings and reorganizing the unlisted investment companies. For example, FTG was listed on Hong Kong Stock Exchange on December 14, 2018, with an offering size of US$446.3 million. As of June 30, 2020, the market capitalization of FTG was US$1,066.1 million. Babytree was listed on Hong Kong Stock Exchange on November 27, 2018, with an offering size of US$234.5 million. As of June 30, 2020, the market capitalization of Babytree was US$321.7 million. We have completed asset injection of RMB22.4 billion into Yuyuan in July 2018, whose stock is listed on Shanghai Exchange. As of June 30, 2020, the market capitalization of Yuyuan was US$4,870.4 million. Shanghai Henlius was listed on the Hong Kong Stock Exchange in September 2019 with an offering size of US$439.8 million. As of June 30, 2020, the market capitalization of Shanghai Henlius was US$3,639.6 million.

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

Strong corporate governance and experienced and visionary leadership team

Since our establishment in 1992 and our IPO on the main board of the Hong Kong Stock Exchange in 2007, we have been committing to high standards in corporate governance. Our board and senior management team comprise professional talents with complimentary skillset and common values, who have been working together seamlessly for two decades. Our corporate governance has been well-recognized. For example, Fosun International ranked 25th among Fortune China's Top 50 Most Acclaimed Chinese Companies and awarded the Gold Award at "The Corporate Awards 2018" from *The Asset*, a renowned international financial magazine.

We have an experienced and visionary leadership team. We are led by Messrs. Guo Guangchang and Wang Qunbin, both of whom are our founders. Most of our executives joined us at the early stage of our development. The team has worked together for about two decades and has been instrumental in achieving profitable growth and implementing operating disciplines. All members of our core management team have a wealth of experience in one or more of our core businesses and also bring drive, vision and creativity to our Company. In addition, our executives have a deep understanding of China's economy, industries, politics and culture, as well as insight into regulatory changes in China, which we believe gives us a competitive advantage in capitalizing upon market opportunities in China.

We have established a flat organizational structure, enabling us to quickly respond to market changes. We also set up "smart-middle office" which are merged into our business operations to provide strong and systematic support for our business operations. We have established a global multi-level partnership model with global partners to tackle the responsibilities and risks in our operations. The global partnership model optimizes our management structure and improves our overseas operations through local management team. Our globalized, localized and professional management team enables us to cope with differences across countries, industries and the fluctuations in the capital and currency markets.

Not long ago, management role adjustment took place among our 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 our Chief Financial Officer (CFO) and Chief Human Resources Officer (CHO) respectively, and Tang Bin was appointed as our 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 we will become more energetic and competitive. In addition, the wartime mechanism has also forced us to step out of our comfort zone, which helps 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.

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

BUSINESS STRATEGIES

In 2019, we strategically positioned ourselves as an "innovation-driven consumer group" and put forward the "Focus" strategy for the first time in early 2020. In the past decade, we have made many ground-breaking attempts and explorations in terms of regions, investments and industries. We have generally completed the preliminary stage of sectoral and geographical expansion. Our next strategic focus is to strengthen our operations in existing industries and markets and to improve the competitiveness and efficiency of our industrial operations, so as to become one of the leaders in each of the core businesses we engage in.

We, as a global company rooted in China, will continue to focus on long-term development with "Industrial Operations + Industrial Investment" as our growth drivers. Driven by the "Industrial Operations + Industrial Investment" development model and oriented towards the demands for "health, happiness and wealth" products and services among families worldwide, we are dedicated to building a global ecosystem that brings happiness to everyone. To achieve this goal, we have formulated the following business strategies:

Creating multiple market leaders across multiple product lines through our "1+N" strategy

Over the past few years, we have focused heavily on enhancing operations across our global operating companies. In particular, we have focused on creating world class products, improving global sales and marketing with greater connectivity to customers and driving operational efficiency. We believe that only when we focus on enhancing our product competitiveness and brand influence, a strong industrial group and a global ecosystem can be established.

Therefore, we aim to create multiple market leaders across multiple product lines under Fosun, a concept we call "1+N". Our notable successes include, but are not limited to, "Hanlikang" which is China's first domestically developed biosimilar receiving approval for sale in China; Fosun United Health Insurance, which has launched well-received products such as long-term insurance products "Kang Le" and managed medical insurance products; Starcastle, which is China's leading one-stop senior living health services community; Club Med, which is the largest resort chain worldwide; and Sanya Atlantis, which is the landmark project of Sanya Tourism 3.0. More importantly, with over RMB11.13 billion of profit now generated from industrial operations in 2019, reflecting a year-on-year growth of 21%, we have been successful in our initiative to focus on global industrial operations and our "1+N" product line strategy.

We intend to create many more market leaders, including product lines for maternal care, sports, and pet care. Looking forward, we are confident in our market-leading companies and products to deliver resilient and stable growth and deliver continued value to our shareholders. Over the medium term, we will focus on driving return on equity across our businesses, focusing on superior products, branding, operational efficiency and synergies within and around our business lines. In the long term, we envisage Fosun running its "1+N" product lines, where Fosun supports market leaders creating world-class products for one billion families around the world.

Speeding up the establishment of a global happiness ecosystem centered around families

We have established several industrial groups. In the future, all these industrial groups will focus on integrating business across their value chains while remaining centered on family needs. We will continue to refine these industrial groups' products and enhance their brand strengths so as to provide customers with better products and services.

As a holding company, we will connect and empower each of our industrial groups with our "smart mid-office" which is equipped with digitalize and professional capability. We believe such structure will enable us to build a global ecosystem that brings happiness to families worldwide. Instead of being merely a sum of parts, we aim to build a business that creates a multiplier effect through synergies between various industries. In short, we intend to unite all the power of innovation for our Health, Happiness and Wealth businesses to provide a comprehensive, one-stop solutions for customers.

Accelerating development of "smart mid-office" through digitization and upgrading our business with big data and AI

We believe the key to boost the development of business ecosystems lies in a strong mid-office equipped with smart technologies and advanced information technology. Such a mid-office combining Big Data and AI can enhance both the efficiency and connectivity of our ecosystem of business.

In 2018, our cloud platform launched successfully and started to provide cloud computing and various smart technologies to several dozen companies within our ecosystem. We also rolled out several smart management sub-systems, such as intelligent finance and HR platforms and other online platforms to enhance the efficiency of management and operation. In addition, we have developed a centralized purchasing platform to enhance our procurement and supply chain management capabilities.

We have been dedicated to upgrading our business with the help of Big Data and AI technology. For example, one of our self-incubated systems digitalizes and "intelligentizes" the operations of business sectors such as tourism, culture, commerce and retail with smart technologies such as Big Data and AI. We have also developed some specific programs which allow application of Big Data analytics to our Health business. With the application of Big Data and AI, we intend to create a closed-loop health business that integrates our diversified products and services under our various business sectors.

Focusing on our distinct development model of "Industrial Operations + Industrial Investment"

Investment has enabled our industrial business to develop effectively and efficiently. We keep a distinctive development model of "Industrial Operations + Industrial Investment," under which we make investments that aim to complement our industrial development.

We intend to pursue prospective investment targets that fit in well with our existing business and orient towards family demands for health, happiness and wealth-related products and services. When looking for investment targets, we also pay attention to projects at the beginning and ending of an industry life cycle, such as projects at the forefront of their technological field or projects that can help companies eliminate development bottlenecks.

We execute our "Industrial Operations + Industrial Investment" by empowering our portfolio companies. We aim to create value for our portfolio companies as a unique business partner by sharing our in-depth knowledge and rich experience in various industries, which may enable us to make up for the disadvantages of our portfolio companies. For example, we have accumulated ample experience and built up a talent pool in the fashion industry. Such experience has enabled us to improve the competitiveness of our portfolio companies in the fashion industry through various proactive initiatives.

Driving business development with technology and innovation

Our technology and innovation initiatives aim to meet the needs of our business in specific situations. We are committed to developing applied technologies in a smart and efficient way, and we already have many achievements in this endeavor.

In the area of Internet-enabled industries, our profound industrial experience gives us distinct advantages to all business in our ecosystems. Our various industrial groups have taken the initiatives in upgrading products and enhancing supply chains with Big Data and AI. For example, one of our portfolio companies transformed from traditional steel production to a business model combining "just-in-time" manufacturing and "customer-to-maker" business model. The production line of such portfolio company has become highly automated with active robots participation. Such business model has provided customized products for downstream users, centralized production process, optimized resource allocation, and greatly boosted supply chain efficiency.

Leveraging the development of Big Data and AI, we have also entered into AI-related fields such as computer vision and knowledge mapping in the healthcare industry. We have formed a closed-loop ecosystem of business including medical services, medical devices and diagnostic reagents. We have also achieved multi-field, multi-dimensional AI-assisted image reading platforms for radiology, pathology, clinical laboratory, respiratory, orthopedics and the treatment of cardiovascular diseases.

Our persistent efforts to increase our investment in innovative R&D are aimed at long-term growth rather than short-term gains. We will continue to coordinate our resources and actively cooperate with other companies and talents worldwide in innovation and R&D.

Ensuring sustainable growth and reinforcing our financial strength

We underline the importance of optimized asset structure and strong balance sheet to drive our steady growth. As of June 30, 2020, the total debt to total capital ratio remained stable at 56.9%. In the six months ended June 30, 2020, our overall average cost of debt was 4.7%. We have formed global strategic partnerships with a number of financial institutions.

Our core assets, such as Fosun Pharma, Fosun Tourism, Fosun Fashion and Yuyuan, continued to tap the capital markets. In the future, we will encourage more of our member companies to tap the capital market so as to unlock their value and provide a venue for the public more platforms to understand our strategy and business endeavors. This is crucial for our sustainable business growth.

Continuing to optimize our debt profile, enhance asset liquidity and improve credit rating management

Our Group possess multiple well-developed funding channels at the parent and subsidiary levels in debt and equity capital markets as well as loan markets, both onshore and offshore, allowing us to access capital on competitive terms. Having strong acumen in markets and policies, we have seized opportunities to optimize our debt profile. We intend to continue to optimize our debt profile by accessing domestic and international funding channels.

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

Through optimizing our capital structure and focusing on our other business strategies, we believe we can maintain our financial stability and flexibility. In the future, obtaining higher credit ratings from third party rating agencies will be on our agenda.

OUR BUSINESSES

We continued to achieve operational excellence and increase product competitiveness through innovation, focusing on our Health, Happiness and Wealth businesses to maintain a sustainable and healthy growth.

Health

Our Health business includes three major segments: Pharmaceutical, Medical Services & Health Management and Healthcare Products.

Our revenue from the Health business increased by 29.4% from RMB22,486.3 million in 2017 to RMB29,093.3 million in 2018, mainly attributable to the continuous and steady growth of Fosun Pharma's revenue. Our profit attributable to owners of the parent from the Health business increased by 14.1% from RMB1,300.7 million in 2017 to RMB1,484.7 million in 2018, which was mainly attributable to the positive performance of Healthcare Products business and investments.

Our revenue from the Health business increased by 13.9% from RMB29,093.3 million in 2018 to RMB33,133.0 million in 2019, mainly attributable to the continuous and steady growth of Fosun Pharma's revenue. Our profit attributable to owners of the parent from the Health business increased by 5.2% from RMB1,484.7 million in 2018 to RMB1,561.4 million in 2019, which was mainly due to the increase in profits of Fosun Pharma, which was partially offset by the decrease in the health investment gain.

Our revenue from the Health business slightly decreased by 0.3% from RMB16,465.4 million in the six months ended June 30, 2019 to RMB16,423.9 million in the six months ended June 30, 2020. Our profit attributable to owners of the parent from the Health business decreased by 6.9% from RMB865.1 million in the six months ended June 30, 2019 to RMB805.4 million in the six months ended June 30, 2020, which was mainly due to the decrease in the profit contribution of Luz Saúde as impacted by the COVID-19 pandemic, which was partially offset by the increase in profits of Fosun Pharma.

Fosun Pharma

Adhering to the business philosophy of "Innovation for Good Health", Fosun Pharma Group strive to become a first-tier enterprise in the global mainstream pharmaceutical and healthcare market. In 1994, the predecessor of Fosun Pharma was founded, and 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 of June 30, 2020, the Group held 38.51% 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.

In the six months ended June 30, 2020, revenue of Fosun Pharma Group decreased by 0.85% to RMB13,965 million as compared to the corresponding period in 2019. In particular, the revenue from pharmaceutical manufacturing and R&D segment amounted to RMB9,952 million, representing a decrease of 7.97% as compared to the corresponding period of 2019. Revenue from medical devices and medical diagnosis segment amounted to RMB2,639 million, representing an increase of 47.18% as compared to the corresponding period of 2019. Revenue from healthcare service segment amounted to RMB1,359 million, representing a decrease of 6.85% as compared to the corresponding period of 2019.

In the six months ended June 30, 2020, net profit attributable to shareholders amounted to RMB1,715 million, representing an increase of 13.1% as compared to the corresponding period of 2019. Such increase was mainly due to: (1) contributions from various anti-pandemic products including the nucleic acid test kits for 2019-nCoV, negative pressure ambulances and ventilators; (2) revenue from core products such as febuxostat tablets (You Li Tong), pitavastatin calcium tablets (Bang Zhi) and escitalopram tablets (Qi Cheng) increased rapidly, and the sales of human rabies vaccine sustained rapid growth; rituximab injection (Han Li Kang) achieved rapid sales growth after obtaining approval for its additional production scale (2,000L), with revenue amounting to RMB224 million in the first half of the year, and revenue for this June exceeding RMB100 million; and (3) benefitting from the demands in the regulated markets, Gland Pharma, a subsidiary, maintained rapid growth.

In the six months ended June 30, 2020, Fosun Pharma Group continued to enhance its R&D expenditure. The total R&D expenditure amounted to RMB1,689 million, representing an increase of 25.02% as compared to the corresponding period of 2019. In particular, the R&D expenses amounted to RMB1,204 million, representing an increase of RMB355 million or 41.81% as compared to the corresponding period of 2019.

Fosun Pharma Group will continue to optimize its operation and improve asset operation efficiency. Specific strategies and actions include: (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 of June 30, 2020, we held a 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 drugs 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; and (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.

In the six months ended June 30, 2020, Shanghai Henlius' total revenue was RMB110.4 million, representing an increase of approximately RMB93.4 million compared with the same period of 2019, mainly attributable to the growth in sales from commercialization of Shanghai Henlius' core products. In the six months ended June 30, 2020, primarily through the profit sharing arrangements under the cooperation agreement with Fosun Pharmaceutical Industrial Development Company Limited (上海醫藥產業發展有限公司), Shanghai Henlius achieved a total sales revenue of HLX01 (漢利康) of RMB95.8 million, and realized licensing income of RMB5.2 million. Gross profit was RMB52.0 million. However, mainly due to the expansion of R&D activities, the total loss increased from RMB316.9 million in the six months ended June 30, 2019 to RMB448.0 million in the six months ended June 30, 2020.

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 in 2019: (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; and (4) results of internationalized layout.

In the six months ended June 30, 2020, Shanghai Henlius recognized R&D expenditure of approximately RMB756.9 million, representing an increase of 43.2% year-on-year. In August 2020, the new drug application of HLX02 trastuzumab injection (trade name in Mainland China: 漢曲優; trade name in the European Union: Zercepac®) independently developed by Shanghai Henlius was approved by the NMPA.

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.

Happiness

Our Happiness business includes three major segments: Tourism & Leisure, Fashion and Consumer & Lifestyle.

Our revenue from the Happiness business increased by 73.5% from RMB25,455.6 million in 2017 to RMB44,155.3 million in 2018, mainly due to the revenue of Yuyuan consolidated into the financial statements after the completion of the reorganization, and the revenue growth as a result of business expansion of Club Med and the opening of Atlantis Sanya of FTG. Profit attributable to owners of the parent increased by 21.5% from RMB2,113.4 million in 2017 to RMB2,276.5 million in the 2018. The increase was mainly attributed to the substantial growth of FTG's performance in 2018, turning around from loss to profit. In addition, profit attributable to owners of the parent of the restructured Yuyuan amounted to RMB3.02 billion in 2018, substantially contributing to the operating profit of our Happiness business.

Our revenue from the Happiness business increased by 50.3% from RMB44,936.4 million in 2018 to RMB67,557.5 million in 2019, mainly attributable to the revenue of Yuyuan consolidated into the financial statement of the Group after completion of the reorganization in July 2018, as well as the revenue increase brought by FTG. Profit attributable to owners of the parent increased by 24.2% from RMB2,276.5 million in 2018 to RMB2,826.7 million in 2019, which was mainly attributable to improved profits of FTG and Yuyuan.

Our revenue from the Happiness business decreased by 12.8% from RMB30,893.9 million in the six months ended June 30, 2019 to RMB26,940.4 million in the six months ended June 30, 2020, which was mainly due to the significant revenue decrease of FTG as impacted by the COVID-19 pandemic. Our profit attributable to owners of the parent from the Happiness business decreased by 121.5% from RMB1,822.3 million in the six months ended June 30, 2019 to a loss of RMB391.9 million in the six months ended June 30, 2020, which was mainly due to the decrease in profit contribution from FTG, as well as the decrease in the investment gain of Happiness business as affected by the volatility of the financial market, which was partly offset by the increase in profits of Yuyuan.

FTG

FTG is one of the world's leading leisure-focused integrated tourism groups, and one of the largest leisure tourism resorts group worldwide in terms of revenue in 2019. In 2019, the Group established the commercial business department, the predecessor of FTG, which focuses on the tourism and commerce sectors. FTG was spun off from the Group and successfully listed on the main board of the Hong Kong Stock Exchange in December 2018. As of June 30, 2020, we 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 primarily comprise three business sectors: (i) resorts, including brands like Club Med, Club Med Joyview, as well as Casa Cook and Cook's Club which were acquired in 2019; (ii) tourism destinations which FTG develops, operates and manages, including Atlantis Sanya, as well as Lijiang FOLIDAY Town, Taicang FOLIDAY Town, which were developed and operated under our self-owned brand "FOLIDAY Town"; and (iii) services and solutions in various tourism and leisure settings.

In the six months ended June 30, 2020, total revenue amounted to RMB4,527.8 million and loss attributable to owners of the parent of FTG amounted to RMB898.7 million which was significantly impacted by the COVID-19 pandemic.

FTG offers premium resort services in an all-inclusive package that includes accommodations, sports and leisure activities, entertainment, childcare, meals and open bar 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. Due to the global outbreak of COVID-19 pandemic, all Club Med resorts were temporarily closed for months.

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 proved to be an icon of tourism upgrading v3.0 of Sanya, Hainan Province. Atlantis Sanya commenced construction in 2014, had its soft opening in February 2018 and officially opened in April 2018. Affected by the COVID-19 pandemic, the number of tourists declined significantly. Since China's gradual recovery from the COVID-19 pandemic in mid-March, Atlantis Sanya has made various marketing and promotion efforts to promote its business. In the six months ended June 30, 2020, the business volume was approximately 75.1% of that of the same period in 2019; the occupancy rate was 61.3%, higher than the rate of the same period in 2019.

FTG launched the "FOLIDAY Town" (復遊城) brand, the key self-developed brand for tourism destination business. The vision of FOLIDAY Town is to connect various leading global tourism and leisure brands together to lead a new global vacation lifestyle by leveraging the global FOLIDAY ecosystem and the successful operation experience in Club Med and Atlantis Sanya. Lijiang FOLIDAY Town has started construction of saleable vacations inns and residence in the first half of 2020. The construction of Taicang FOLIDAY Town is expected to be completed in stages starting from 2021 and achieve full completion in the following three to four years.

Foryou Club, FTG's proprietary loyalty program, had accumulated approximately 5.4 million members as of June 30, 2020.

FTG is already developing new resorts and refurbishing the operating resorts and intend to keep doing so in the future. The beach resort La Palmyre had been renovated and reopened in January 2020. Among the new resorts, La Rosière will open at the end of 2020 and Club Med Seychelles will open in the coming winter. In addition, FTG plans to open a number of new resorts by 2022, including a seaside resort in Marbella, a mountain resort in Quebec Charlevoix, resort La Rosière Collection in France, and at least five new resorts in China, including a resort in Lijiang FOLIDAY Town. 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.

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 of June 30, 2020, the Group held an approximately 68.56% equity interest in Yuyuan.

Yuyuan insists on implementing the two-prong strategy of "Industrial 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.

In the six months ended June 30, 2020, Yuyuan achieved a revenue of RMB20,054.2 million and total net profits attributable to shareholders of the parent company of RMB1,105.1 million, representing a year-on-year increase of 0.9% and 10.4%, respectively.

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 the six months ended June 30, 2020, Yuyuan continued its expansion and external cooperation, setting eyes on the long term strategy: Yuyuan acquired a 55.4% equity interest in French fashion jewellery brand Djula in March 2020; acquired a 29.99998% equity interest of Jinhui Liquor Co., Ltd. in August 2020, aiming to enter the high-quality Chinese liquor market and extend our food and beverage industry product chain; acquired an additional 74.93% equity interest in Fosun Jinmei (Shanghai) Cosmetics Co., Ltd. in June 2020, further enhancing our business operations in the cosmetics industry. In July 2020, Yuyuan entered into an agreement with a high-end Italian jewellery group to jointly develop the Damiani and Salvini brands in the Chinese market through a joint venture.

In 2020, Yuyuan will continue to be driven by two engines of "Industrial 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.

Wealth

Our Wealth business includes three major segments: Insurance, Finance and Investment.

Insurance

Our revenue from the Insurance segment decreased by 9.4% from RMB26,133.3 million in 2017 to RMB23,668.5 million and our profit attributable to owners of the parent from the Insurance segment decreased by 14.7% from RMB2,792.9 million in 2017 to RMB2,382.7 million in 2018. Excluding the impact of the consolidated revenue of Ironshore Inc. before disposal in 2017, the revenue of Insurance segment in 2018 would increase by 3.1% over 2017 as a result of the business growth of our insurance subsidiaries. The decrease in profit attributable to owners of the parent was mainly because the investment income of the subsidiary insurance companies did not meet the expectation due to the impact of the market fluctuations. In addition, the Group's investment income from the secondary market of insurance stocks also significantly reduced compared with last year.

Our revenue of the Insurance segment increased by 32.1% from RMB23,668.5 million in 2018 to RMB31,261.9 million in 2019, mainly attributable to the revenue from La Positiva, a leading player in the Peruvian insurance market after an acquisition by Fidelidade of a 51% equity interest of La Positiva at the beginning of 2019, as well as the organic growth in the revenue of Fidelidade and Peak Reinsurance as a result of business expansion. Profit attributable to owners of the parent of the Insurance segment increased by 9.4% compared with 2018, mainly attributable to the profit increase of Peak Reinsurance and the fair value gain on secondary market investment of insurance segment.

Our revenue from the Insurance business decreased by 8.9% from RMB15,534.3 million in the six months ended June 30, 2019 to RMB14,150.4 million in the six months ended June 30, 2020, which was mainly due to the revenue decrease in Fosun Insurance Portugal during its business restructuring period, which was partly offset by the growth in the revenue of Peak Reinsurance as a result of business expansion. We recorded loss attributable to owners of the parent of RMB1,057.9 million in the six months ended June 30, 2020 as compared to profit attributable to owners of the parent of RMB1,015.9 million in the six months ended June 30, 2019, which was mainly due to the loss on fair value adjustment of Insurance segment investment due to the volatility of financial market.

Financial data of individual insurance portfolio companies presented in "– Our Businesses – Wealth – Insurance" are based on local general accounting standards, and all quoted numbers are unaudited management information. Currently, our Insurance segment consists of insurance businesses.

The organization of the risk management structure of the insurance companies under our Insurance segment generally includes the board of directors, as well as the risk management organizations and departments of each of the relevant insurance companies. The principal risk management responsibilities of the Board include but are not limited to:

- determine risk management policies;

- conduct periodic review of risk management policies; and

- establish mechanisms for our internal control and compliance management.

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

Fosun Insurance Portugal

In 2014, we acquired a controlling stake in Fosun Insurance Portugal, consisting of Fidelidade, Multicare and Fidelidade Assistência. As of June 30, 2020, we held an 84.9884% equity interest in Fidelidade and an 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 us 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., a 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 six months ended June 30, 2020, Fosun Insurance Portugal achieved a total market share in Portugal of 24.9%, being the market leader. In Life and Non-Life business, Fosun Insurance Portugal achieved market shares of 18.9% and 29.0%, respectively.

Fosun Insurance Portugal had a resilient performance despite the economy lockdown in the first half of 2020 as impacted by the COVID-19 pandemic. The capital markets volatility and overall uncertainties had a negative impact on new sales (mainly Life Financial) and investment results, however, the ongoing policies remained resilient and the combined ratios improved.

In the six months ended June 30, 2020, Fosun Insurance Portugal recorded total premium income of EUR1,548.5 million (first half of 2019: EUR2,244.0 million), non-life business combined ratio of 89.1% (first half of 2019: 96.9%), net earned premium of EUR1,002.3 million (first half of 2019: EUR1,293.9 million), net profit attributable to owners of the parent of EUR47.4 million (first half of 2019: EUR51.6 million), net assets attributable to owners of the parent of EUR2,528.2 million (first half of 2019: EUR2,414.7 million), investable assets of EUR17,149 million (first half of 2019: EUR17,387 million) and total investment return of 0.9% (not annualized) (first half of 2019: 1.3% (not annualized)).

In the six months ended June 30, 2020, Fosun Insurance Portugal's international business recorded overall premiums of EUR387 million representing 25% of its total premiums. Following the acquisition of 51% equity interest in La Positiva in 2019, Fosun Insurance Portugal's Peruvian operation has reached the third position in the local insurance market with a market share of 13% in June 2020 (12.1% in June 2019). In January 2020, FID Chile, a non-life insurance subsidiary of Fosun Insurance Portugal in Chile, has initiated its operations.

In the six months ended June 30, 2020, Fosun Insurance Portugal won several distinguished awards, such as the "Superbrands 2020" (Consumers' Top of Mind Brand), "Marktest Reputation Index 2020" (first Insurance brand in Portugal), "Silver Award in EFMA-Accenture innovation in insurance awards 2020" (for travel insurance app "Just In Case"), "Marca de Confiança 2020" (Most Trusted Brand in 2020), "Escolha do Consumidor 2020" (Consumer's Choice in 2020) in the categories of "Excellence", "Insurance Companies" and "Direct insurance companies". Fosun Insurance Portugal will continue innovating its product offerings, improving service quality and promoting its global strategy.

Peak Reinsurance

We are a controlling shareholder of Peak Reinsurance, a privately-owned global reinsurer headquartered in Hong Kong. As of June 30, 2020, we together with the U.S.-headquartered Prudential Financial, Inc., held 86.51% of Peak Reinsurance through Peak Reinsurance Holdings Limited. The equity interest held by us decreased from 86.9% to 86.5% as a result of the issue and allotment of shares by Peak Reinsurance Holdings Limited pursuant to the terms of a share award plan adopted in December 2012.

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 diversified 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 inception, Peak Reinsurance has a track record of year-on-year premium growth. In the six months ended June 30, 2020, it generated premium income of USD855.9 million (first half of 2019: USD815.8 million) and net earned premium income of USD637.4 million (first half of 2019: USD570.0 million), reflecting a stable growth despite a difficult period for the reinsurance industry as well as the global economy due to COVID-19 pandemic. Peak Reinsurance continues to make consistent profit since the commencement of its operations. In the six months ended June 30, 2020, net profit of Peak Reinsurance reached USD26.1 million.

As of June 30, 2020, Peak Reinsurance's total investment return was 0.7% (not annualized) with investable assets and net assets at USD2.0 billion and USD1.1 billion, respectively. Solvency remains very strong with solvency adequacy ratio of 358%. 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 January 2020, Peak Reinsurance announced that following the successful placement of Lion Rock Re Ltd., Asia's first reinsurance sidecar transaction, it had renewed and upsized Lion Rock Re Ltd. to USD77 million, reflecting investors' confidence in Lion Rock Re Ltd.'s capability in providing them access to a unique and high quality and diversified portfolio of reinsurance business.

In May 2020, Peak Reinsurance completed the acquisition of a 100% equity interest of Lutece Holdings Ltd. (renamed as Peak Capital Holdings Ltd.) and its subsidiary Lutece Investment Management Ltd. (renamed as Peak Capital Ltd.). The Bermuda-based Insurance Linked Securities investment specialist is now a wholly-owned subsidiary of Peak Reinsurance. It is expected that Peak Capital Ltd. will create new avenues for Peak Reinsurance to innovate for both customers and investors, working towards Peak Reinsurance's ambition of narrowing the protection gap in Asia.

Peak Reinsurance's outstanding achievement has been widely recognized in the industry. In June 2020, Moody's assigned a first-time A3 insurance financial strength rating (IFSR) to Peak Reinsurance, with a stable outlook. Moody's rationale for Peak Reinsurance's A3 IFSR is a reflection of the company's good franchise in the Asian reinsurance market, solid capitalization, expanding product and geographic diversification and product mix with low reserving risks. It enjoys an A-Excellent rating from AM Best and ranks the 30th Global Reinsurance Group by Standard & Poor in terms of net written premium.

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

In September 2012, we worked with The Prudential Insurance Company of America to set up Pramerica Fosun Life Insurance, which marked our first step into China's domestic life insurance market. As of June 30, 2020, we held a 50% equity interest in Pramerica Fosun Life Insurance. Taking "Safeguard the future you want" as its mission, Pramerica Fosun Life Insurance returns to the basics of life insurance, establishes a stable strategic approach for long-term value management, and thus forms the four-pronged path of "focusing on the sales team, focusing on the regular-pay business, focusing on the technology, and focusing on the business ecosystem."

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

In the six months ended June 30, 2020, Pramerica Fosun Life Insurance recorded premium income of RMB1,569.5 million with a decrease of 46.7% year-on-year, mainly due to the impact of the COVID-19 pandemic and the requirement of solvency adequacy ratio, the bancassurance channel strictly controlled the sales of single-pay products. As of June 30, 2020, net asset was RMB1,462.6

million, representing a decrease of 10.7% compared with the end of 2019. Pramerica Fosun Life Insurance recorded net loss of RMB13.2 million, representing a decrease of loss by 92.2% year-on-year and solvency adequacy ratio of 161.2%. Investable assets was RMB11,395.5 million and the total investment return was 2.9% (not annualized).

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

The agent channel comprises a team of sales agents dedicated to generating high income, high production capacity and high retention, to cast core competitiveness for long-term value operation. During the COVID-19 outbreak in 2020, agent teams mainly shifted to online management and customer operation, with enhanced online training system and marketing toolkits to improve the team's capacity. At the same time, to best seize market opportunities for healthcare products after the COVID-19 pandemic, Pramerica Fosun Life Insurance launched "Zhenxing Health Guardian" health ecology program for family customers in May 2020. At the same time, the construction of perspective training course system and ecological system has helped the customer servicing and management. In the six months ended June 30, 2020, the average monthly activity rate and the average monthly star-agent rate of the agent team increased by 31 and 26 percentage points respectively compared with those in the same period in 2019, marking an efficient optimization of the "health gene". The original premium income of the agent channel in the first half of 2020 was RMB190.5 million, representing an increase by 3.8% 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. Due to the impact of the COVID-19 pandemic and the requirement of solvency adequacy ratio, the bancassurance channel strictly controlled the sales of single-pay products during the first half of 2020. The original premium income of the first half of 2020 was decreased to RMB1,208.4 million, representing a decrease by 53.0% 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. It will continuously focus on "Three High" team building and ecological service linking, to serve customers with high-quality teams and services. It 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

Our revenue from the Finance segment increased by 35.2% from RMB1,836.2 million in 2017 to RMB2,482.7 million in 2018 and our profit attributable to owners of the parent from the Finance segment increased by 13.1% from RMB1,100.6 million in 2017 to RMB1,245.2 million in 2018. The revenue of Finance segment increased mainly attributable to the business expansion of the German private bank H&A. The increase in profit attributable to owners of the parent was mainly caused by the performance improvement of BCP.

Our revenue from the Finance segment increased by 0.4% from RMB2,482.7 million in 2018 to RMB2,492.6 million in 2019, mainly came from the core portfolio companies of H&A and BCP. Our profit attributable to owners of the parent from the Finance segment increased by 20.5% from RMB1,245.2 million in 2018 to RMB1,501.0 million in 2019, mainly due to the performance improvement of Mybank and returns of the secondary market investment of Finance segment.

Our revenue from the Finance business increased by 23.2% from RMB1,065.5 million in the six months ended June 30, 2019 to RMB1,312.4 million in the six months ended June 30, 2020, which was mainly attributable to the continuously increases in assets under management and the growth in investment banking of H&A. Our profit attributable to owners of the parent from the Wealth business decreased by 41.8% from RMB804.6 million in the six months ended June 30, 2019 to RMB468.6 million in the six months ended June 30, 2020, which was mainly due to the decrease in the profit of BCP as a result of its additional provision for the credit risk under the impact of the COVID-19 pandemic.

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. 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 of June 30, 2020, H&A's assets under control reached EUR150 billion, representing an increase of 13% compared with the same period of last year, and the total assets grew to EUR6,934 million. H&A also recorded a gross income of EUR114.4 million in the six months ended June 30, 2020, representing an increase of 22.5% year-on-year. Profit before tax in the six months ended June 30, 2020, stood at EUR28.2 million, representing an increase of EUR13.0 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 (Market Capitalization ≤ EUR750 million) 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 abovementioned measures.

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. 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 of June 30, 2020, Fosun's shareholding in BCP was 29.01%.

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."

In the six months ended June 30, 2020, the consolidated core income of BCP amounted to EUR1,104.3 million, 2.0% above EUR1,082.3 million achieved in the same period of previous year, mainly reflecting the growth in net interest income plus net fees and commissions income in a particularly adverse economic environment. The net income attributable to bank's shareholders stood at EUR76.0 million compared with EUR169.8 million in the same period of previous year, due to the impact of the COVID-19 pandemic for which BCP needed to book additional provisions for the credit risk, amounting to EUR108.8 million on consolidated terms.

As of June 30, 2020, the total assets of BCP amounted to EUR86,556 million, increasing by 7.0% year-on-year. The loans to customers amounted to EUR55,988 million, representing a 2.4% year-on-year growth. In particular, the loans to customers in Portugal increased by 3.3%, reaching EUR38,402 million, largely attributable to the credit granted under the credit lines launched by the government in the context of the COVID-19 pandemic.

As of June 30, 2020, BCP provided approximately EUR2 billion of government-secured loan to more than 12,500 companies, significantly reinforcing BCP's ties with corporate customers and putting it at the forefront in supporting the economy. It should also be noted that the non-performing exposure (NPE) is reduced by EUR1,179 million at BCP's group level resulting from the success of the divestment strategy, leading the NPE ratio as a percentage of the total loan portfolio to decline from 9.1% as at 30 June 2019 to 7.0% as of June 30, 2020. At the same time, the reinforcement in the coverage of NPE at BCP's group level increased 4.2 percentage points year-on-year to 57.8% as of June 30, 2020.

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

Our revenue from the Investment segment in 2018 was RMB9,946.2 million, compared to RMB12,776.7 million in 2017, representing a decrease of 22.2%. Our profit attributable to owners of the parent from the Investment segment in 2018 was RMB6,017.3 million, compared to RMB5,853.7 million in 2017, representing an increase of 2.8%.

Our revenue from the Investment segment was RMB9,615.5 million in 2019, representing a decrease of 3.3% from RMB9,946.2 million in 2018. Our profit attributable to owners of the parent from the Investment segment was RMB6,305.0 million in 2019, representing an increase of 4.8% from RMB6,017.3 million in 2018, mainly attributable to the increase in fair value gain from the investments year-on-year.

Our revenue from the Investment business increased by 1.7% from RMB4,877.1 million in the six months ended June 30, 2019 to RMB4,961.6 million in the six months ended June 30, 2020. Our profit attributable to owners of the parent from the Investment business decreased by 29.4% from RMB3,100.9 million in the six months ended June 30, 2019 to RMB2,187.9 million in the six months ended June 30, 2020, which was mainly due to the decrease in investment gains during this period.

Fosun Capital

Fosun Capital is an equity investment and management company, established in April 2007 and wholly owned by us. 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 of June 30, 2020, Fosun Capital managed seven funds and the assets under management were nearly RMB20 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.

In the six months ended June 30, 2020, five of the portfolio companies under Fosun Capital have applied for IPO. In 2020, Fosun Capital was selected as one of the "Top 30 Best China's Private Equity Investment Institutions of 2019" by Chinese Venture.

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 rooted in China and covering major growing economic regions globally, generating excellent investment returns and long-term strategic value for Fosun.

Fosun RZ Capital specializes 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 seven offices around the world.

Fosun RZ Capital's global core team has an average of more than ten years' investment experience worldwide. As of June 30, 2020, Fosun RZ Capital has billions of RMB in total assets under management, two portfolio companies that achieved IPO and went public in the United States, and over ten projects that have exited successfully with outstanding performance.

In 2019, Molecular Data, the leading technology-driven platform of chemical industry in China, completed 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 2019" and "Top 10 Best Chinese New Consumption Venture Capital Investment Cases 2019" by ChinaVenture, "2019 China's Top 100 Venture Capital voted by Entrepreneurs" by 36Kr, "Top 50 Venture Firms in China 2019" by financial media of Jiemian and "2019 Top 25 Best Chinese 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 and 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 an 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 of June 30, 2020, we held an approximately 25.88% 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 while 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.

In the six months ended June 30, 2020, Nanjing Iron & Steel overcame the impact of the pandemic and its operating revenue increased to RMB24,358.3 million, representing a year-on-year increase of 1.1%. As impacted by the pandemic, the net profit attributable to shareholders of the listed company decrease to RMB1,115.6 million, representing a year-on-year decrease of 39.4%, the net profit attributable to shareholders of the listed company in the second quarter was RMB654.3 million, representing an increase of 41.8% quarter-on-quarter.

In the six months ended June 30, 2020, Nanjing Iron & Steel's output of pig iron, crude steel and steel products were 5,095.5 thousand tons, 5,534.7 thousand tons and 4,856.9 thousand tons, respectively, representing a year-on-year increase of 5.90%, 2.58% and -3.45% (some production lines were adjusted for maintenance during the pandemic), respectively. Among them, crude steel output in May 2020 exceeded 1 million tons for the first time, reaching a record high single-month output.

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 material 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 of June 30, 2020, we held a 51.57% equity interest in Hainan Mining.

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 of June 30, 2020, the total assets of Hainan Mining amounted to RMB8,514.2 million, representing a decrease of 1.4%; the total liabilities amounted to RMB3,364.6 million, representing a decrease of 5.0%; the net asset attributable to the shareholders was RMB3,927.0 million, representing an increase of 1.0% from the end of the previous period. In the six months ended June 30, 2020, the total revenue of Hainan Mining amounted to RMB1,270.1 million, representing a year-on-year decrease of 43.7%, and net profit attributable to shareholders amounted to RMB18.8 million, representing a year-on-year decrease of 58.2%, mainly due to the weakened demand and the volatile international crude oil prices as a result of the pandemic.

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 information on the production of iron ore of Hainan Mining in the six months ended June 30, 2020 and the same period of 2019 is as follows:

	Finished iron ore output
	(thousand tons)
2019 first half	1,193
2020 first half	1,647
Period-on-period change	38%

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 December 12, 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 the six months ended June 30, 2020, BFC recorded total revenue of approximately RMB288.3 million.

BFC introduces "first store", "flagship store", and "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.

In 2019, the particulars of the project were as follows:

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

Name of project	**Usage**	**Land area**	**Total GFA**	**Ownership ratio**	**Land cost**	**Development progress**	**Construction and installation costs**
		(sq.m.)	*(sq.m.)*		*(RMB million)*		*(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.

In the six months ended June 30, 2020, FFT recorded total income of EUR218 million, representing a year-on-year decrease of 35% and EBITDA of EUR9 million, representing a year-on-year decrease of 68% according to the management report.

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 five other companies. As of June 30, 2020, we held a 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 of June 30, 2020, 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 RMB1,076.0 million in the first half of 2019 to RMB1,096.4 million in the six months ended June 30, 2020, among which the protection type insurance business achieved a year-on-year increase of 81%. As of June 30, 2020, the total assets increased to RMB2,256.7 million, representing an increase of 13.5% compared to 2019 year end. As of September 31, 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 on "playing the insurance provider role" by concentrating on offering health and accident insurance policies. Revenue from health insurance was RMB1,025.2 million in the six months ended June 30, 2020, accounting for 94% of the total insurance income; revenue from accident insurance was RMB71.2 million, accounting for 6% 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.

Fosun Integrated Care

Fosun Integrated Care is a one-stop, multi-level health and elderly care service brand established by the Group to implement the "Health China" national strategy and cover the entire life cycle of the elderly population. As of June 30, 2020, Fosun Integrated Care held over 11,000 beds and managed area of 530,000 square meters, with an occupancy rate of 97% for mature projects.

Fosun Integrated Care is committed to integrating the global resources of the Group, creating a whole-industry chain and a globalized health community ecology, and providing customers with online smart terminal home services. Focusing on this strategic positioning, Fosun Integrated Care seamlessly connects global C-end (customer-end) and M-end (intelligent manufacturing end) under Fosun to build a global FC2M ecosystem. Fosun Integrated Care has completed the creation of healthy hives, Fosun's health scenarios and product extensions, and built the Carebox online community to realize the multiplier effect of the global value chain.

In summary, the main business of Fosun Integrated Care includes three major brands: (i) Starcastle Senior Living, a high-end elderly care community institution; (ii) Feng-lin, an integrated community with four core businesses which are vitality elderly care, nursing-type elderly care, rehabilitation nursing institution and community health; (iii) Xingjian, a high-end nursing home and rehabilitation hospital. In the six months ended June 30, 2020, Fosun Integrated Care posted a revenue of RMB58.2 million, an increase of 58.5% year-on-year. The loss attributable to owners of shareholders of the parent company was RMB27.0 million, with the loss reduced by 28.8% attributable to the rapid income growth.

In the second half of 2020, in addition to achieving the three business module sales targets, Fosun Integrated Care will also widen and deepen its business, cooperate with other subsidiaries of the Group to actively expand the health hive. It also plans to achieve rapid growth through various initiatives such as acquisitions, investments and strategic cooperation, tap into the Group's strong industrial investment capabilities, and raise platform financing when appropriate.

Fosun Integrated Care sets its sight on the future by devoting itself to promoting the operation of the entire industry chain in a comprehensive way and building a healthy hive, Fosun Health+scenarios, production scenarios and product extensions, as well as the CareboxCarebox online community. Digitalization will be taken forward alongside the commercialization drive. Taking a global perspective, Fosun Integrated Care Group aims at becoming a leading global health industry brand.

RECENT DEVELOPMENTS

The COVID-19 Pandemic

The COVID-19 novel coronavirus outbreak, which was first reported in December 2019, has spread to most countries around the world. On March 11, 2020, the World Health Organisation (the "WHO") declared the COVID-19 outbreak as a global pandemic. Large populations remain under threat of the pandemic's further progression. Leveraging our rich resources around the globe, we immediately initiated the first phase of a global medical supplies deployment plan on January 24, 2020. Under the direct supervision of Chairman Guo Guangchang and Co-Chairman Wang Qunbin, we established a global medical supplies allocation working group, and gradually built a global procurement network covering 23 countries over the world. With the support of a powerful supply chain and global resources coordination capabilities, 2.88 million pieces of medical supply were delivered to support Wuhan and other affected cities in China. On March 1, 2020, we officially launched the second phase of our fight against COVID-19 by urgently deploying resources from China to support the rest of the world. As of June 30, 2020, we had deployed an aggregate of 34 million pieces of medical supply, including masks, protective suits and nucleic acid test kits, to key countries with rapid spread, including Italy, the United States, France, Germany, the United Kingdom, Portugal, Japan, South Korea, India and others. Our action's to fight the outbreak, especially our capacity to deploy global resources, have won high recognition from the world and also demonstrated our strong coordination and execution capabilities as a globalized enterprise.

The COVID-19 pandemic has evolved into a global public health crisis of no parallel in recent times. In response, governments across the world have imposed travel restrictions on their own citizens and foreign nationals to contain its transmission, creating an unprecedented level of disruptions to social and economic activities in time of peace. All major countries in the world, including China, the United States, members of the European Union and the United Kingdom, have put in place strict restrictions on the movements of people. In many parts of the developed and developing world, a large portion of the workforce was kept away from the workplace under government guidelines in the first half of 2020. There is no assurance as to when travel restrictions will be lifted or further escalated in response to the pandemic in the rest of 2020.

The ongoing pandemic and containment measures may adversely and materially affect the manufacturing, exports and imports and consumption of goods and services globally. There is evidence of contraction in global manufacturing and service sectors. There is no assurance when manufacturing and service sectors will resume to normal. The development of pandemic may adversely and materially affect economic growth globally due to reduce in demand and supply. In June 2020, the Organization for Economic Co-operation and Development projected a negative 2020 GDP growth rate for almost all economies. Moreover, the pandemic may further adversely and materially affect the stability of global financial markets. The unfolding pandemic may significantly reduce global market liquidity and depress economic activities.

Meanwhile, Fosun Pharma's self-developed COVID-19 nucleic acid test kit, with CE certification from the European Union and emergency approval from the National Medical Products Administration ("NMPA") of China, has contributed to the revenue and profit of Fosun Pharma, together with other anti-pandemic products such as negative pressure ambulances and ventilators.

Our operations are located in Mainland China, Europe, United States and other parts of the world where governments have imposed unprecedented measures to halt the spread of the COVID-19 pandemic, including lockdowns and travel bans. Such measures have affected the operations of our various business lines. As a result of counter-pandemic measures introduced by governments in China since January 2020 and governments in other parts of the world since late March out of public health concerns, business and leisure travel has declined significantly, and many of our resorts and hotels worldwide have suspended their operations in compliance with local regulations and policies. Many of such regulations and policies are still ongoing, and it is difficult to predict when they will end. The actual impact may differ from the current views and estimates of FTG.

Besides our resort, hotel and travel business, our consumer & lifestyle business has also been impacted as consumer demands decreased due to the overall economic downturn. Our manufacturing business was impacted in the first half of 2020 as certain of our facilities were suspended, raw material supply delayed, and workers ordered to stay at home under lockdown. Our insurance business was affected as the pandemic led to a reduction in new policies due to social distancing and some mark-to-market adjustment on the investments in the insurance segment.

We have implemented various measures to mitigate the above impacts, and will continue to closely follow the development of COVID-19. We are actively monitoring and assessing the impacts on our financial position and operating results as well. We will also make further announcements as and when appropriate pursuant to our obligations under the Listing Rules.

Proposed Spin-off and Separate Listing of Gland Pharma

On July 10, 2020, the board of directors of Fosun Pharma and the board of directors of Fosun International announced that Fosun Pharma and Fosun International had made a joint application to the Hong Kong Stock Exchange for the approval of the proposed spin-off and separate listing of Gland Pharma Limited, or Gland Pharma and the Hong Kong Stock Exchange had confirmed that Fosun Pharma and Fosun International might proceed with the proposed spin-off and separate listing.

On November 12 and November 13, 2020, Gland Pharma filed a prospectus dated November 12, 2020 with the relevant regulatory bodies in India for the listing of its equity shares on the National Stock Exchange of India Limited and BSE Limited, offering an aggregate of 43,196,968 equity shares at an offer price of INR1,500 per share. On November 20, 2020, the board of directors of Fosun Pharma and the board of directors of Fosun International jointly announced that the proposed overseas listing of Gland Pharma was completed. The trading of Gland Pharma's equity shares on the National Stock Exchange of India Limited (Symbol: GLAND) and BSE Limited (Scrip ID: GLAND) commenced on November 20, 2020.

Co-development of COVID-19 Vaccine with BioNtech

On March 13, 2020, Fosun Pharmaceutical Industrial Development Co. Ltd ("Fosun Pharmaceutical Industrial"), a subsidiary of us, entered into a development and license agreement with BioNTech SE ("BioNTech"), a biopharmaceutical company based in Germany, pursuant to which BioNTech granted an exclusive license to Fosun Pharmaceutical Industrial to develop and commercialize the vaccine product targeting COVID-19 developed based on its proprietary mRNA technology platform, including the mRNA-based BNT162b2 vaccine, in Mainland China, Hong Kong, Macau and Taiwan.

On November 13, 2020, Fosun Pharmaceutical Industrial received approval from the NMPA to initiate a phase II clinical trial for its in-licensed vaccine product BNT162b2 targeting the COVID-19 disease in China. On November 18, 2020, Pfizer Inc. and BioNTech announced that they concluded the Phase 3 clinical study on the BNT162b2 vaccine. The vaccine subsequently obtained approval from the relevant regulatory authorities in the United Kingdom, the United States and the European Union on December 2, December 11 and December 21, 2020 respectively. The inoculation of the vaccine in the stated areas started shortly after the approvals. We are subject to various risks associated with the development, production, transportation and storage of our pharmaceutical products, including vaccines. See "Risk Factors – Risks Relating to Our Health Business" for details.

On December 15, 2020, BioNTech and Fosun Pharmaceutical Industrial entered into a supply agreement and an amendment agreement to the development and license agreement in relation to, among others, the proposed supply of certain COVID-19 vaccine products in Mainland China. Under the supply agreement, subject to the approvals from relevant regulatory authorities and orders to be furnished by Fosun Pharmaceutical Industrial, BioNTech agrees to supply no less than 100 million doses of the COVID-19 vaccine products in Mainland China in 2021.

Recent Acquisitions by Yuyuan

Yuyuan has acquired 55.4% equity interests in Djula, a French fashion jewellery brand, and entered into an agreement with Damiani Group, a high-end Italian jewellery group to jointly develop the Damiani and Salvini brands in the Chinese market.

Yuyuan has also completed the acquisition of 29.99998% equity interest in Jinhui Liquor Co., Ltd. (listed on The Shanghai Stock Exchange with stock code 603919) in August 2020 to extend its whole product chain in food and beverage industry. On September 7, 2020, Jinhui Liquor Co., Ltd. announced that Yuyuan made a tender offer to acquire an additional 8% of its share at a price of RMB17.6 per share from the secondary market. Upon completion of the proposed tender offer, Yuyuan will hold up to 38% of Jinhui Liquor Co., Ltd.

On December 31, 2020, Yuyuang signed a confirmation on its proposed acquisition of 70% equity interest of Sichuan Tuopai Shede Group Co., Ltd., a high-end Chinese liquor brand, from an auction company in a judicial auction. The total consideration is RMB4.53 billion. The proposed acquisition will further solidify Yuyuan's strategic footprint on Chinese liquor business. The completion of the acquisition is subject to conditions precedent including the payment of the balance of the consideration, the issuance of an auction closing order by the relevant court in the PRC and the registration of the transfer of equity interest.

July 2020 Notes

On July 2, 2020, we issued US$600.0 million 6.85% Senior Notes due 2024. See "Description of Other Material Indebtedness – Senior Notes – July 2020 Notes" for details.

October 2020 Notes

On October 19, 2020 and December 1, 2020, we issued US$700.0 million 5.95% Senior Notes due 2025. See "Description of Other Material Indebtedness – Senior Notes – October 2020 Notes" for details.

DIRECTORS AND SENIOR MANAGEMENT

Our Company's Board consists of 14 directors, three of whom is non-executive directors, five of whom are independent non-executive directors. The following table sets forth certain information concerning the directors and senior management of our Group.

DIRECTORS

Name	Age	Position
Mr. Guo Guangchang	53	Chairman and Executive Director
Mr. Wang Qunbin	51	Co-Chairman and Executive Director
Mr. Chen Qiyu	48	Co-CEO and Executive Director
Mr. Xu Xiaoliang	47	Co-CEO and Executive Director
Mr. Qin Xuetang	57	Senior Vice President and Executive Director
Mr. Gong Ping	45	CFO, Senior Vice President and Executive Director
Ms. Chen Shucui	46	Non-Executive Director
Mr. Zhuang Yuemin	49	Non-Executive Director
Mr. Yu Qingfei	54	Non-Executive Director
Mr. Zhang Shengman	63	Independent Non-Executive Director
Mr. Zhang Huaqiao	57	Independent Non-Executive Director
Mr. David T. Zhang	58	Independent Non-Executive Director
Dr. Lee Kai-Fu	59	Independent Non-Executive Director
Ms. Tsang King Suen Katherine	63	Independent Non-Executive Director

SENIOR MANAGEMENT

Name	Age	Position
Mr. Zhang Houlin	52	Co-CFO and Senior Vice President
Mr. Qian Shunjiang	56	Co-CFO and Vice President
Ms. Sze Mei Ming	43	Company Secretary of our Company

EXECUTIVE DIRECTORS

Guo Guangchang, aged 53, is an Executive Director and Chairman of the Company. Mr. Guo is the founder of the Group. 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 Shanghai Stock Exchange). 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 Stocks" 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 51, is an Executive Director and Co-Chairman of the Company. 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 Shanghai Stock Exchange) and Henan Lingrui Pharmaceutical Co., Ltd. (listed on the Shanghai Stock Exchange with stock code 600285) and a non-executive director of Fosun Pharma and Sinopharm (listed on the Hong Kong Stock Exchange with stock code 01099). 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 48, is an Executive Director and Co-CEO of the Company. Mr. Chen joined the Group in 1994. He has also been a non-executive director of Fosun Pharma, 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, 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 Shanghai Stock Exchange) a non-executive nominee director of Gland Pharma Limited (listed on the BSE Limited and National Stock Exchange of India Limited with stock code GLAND), 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), Maxigen Biotech Inc. (listed on the Taiwan Stock Exchange with stock code 1783), a non-executive director of Babytree (listed on the Hong Kong Stock Exchange), and an executive director and chairman of Fosun Pharma. 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 47, is an Executive Director and Co-CEO of the Company. Mr. Xu joined the Group in 1998, and he has also been the chairman of Fosun Hive, a non-independent director of Hainan Mining (listed on the Shanghai Stock Exchange with stock code 601969), a non-executive director of Fosun Pharma and a director of Shanghai Foyo Culture & Entertainment Co., Ltd. (listed on the NEEQ with stock code 831472), Yuyuan and various companies within the Group. Mr. Xu was a non-executive director of Shanghai Zendai (listed on the Hong Kong Stock Exchange), a non-executive director and vice chairman of Zhaojin Mining (listed on the Hong Kong Stock Exchange with stock code 01818) a director of Resource Property (delisted from the NEEQ in December 2020 and the chairman of Yuyuan). Mr. Xu has been a deputy to the 15th Shanghai Municipal People's Congress, the chairman of the Shanghai International Fashion Federation, the co-chairman of Industry-City Integration Development Federation of The Zhejiang Chamber of Commerce, Shanghai. 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.

Qin Xuetang, aged 57, 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 mergers and acquisitions, 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 45, is an Executive Director, Senior Vice President and CFO of the Company. Mr. Gong joined the Group in 2011 and he has also been the non-executive director of Fosun Pharma, a director of Yuyuan, and various companies within the Group. 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, the general manager of Corporate Development Department and the CEO of Fosun Hive. He was a non-executive director of Shanghai Zendai the chairman of Paris Realty Fund SA (listed on the Euronext Paris with stock code PAR), the vice chairman of Yuyuan, and a director of Resource Property. 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.

NON-EXECUTIVE DIRECTORS

Chen Shucui, aged 46, has been a Non-Executive Director of the Company since December 2019. 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) and a director of Xinhu Zhongbao Co., Ltd. (listed on the Shanghai Stock Exchange with stock code 600208). She was 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.

Mr. Zhuang Yuemin, aged 49, is the chairman of AEON Insurance Asset Management Co., Ltd. and the vice president of Aeon Life Insurance Company, Ltd. Mr. Zhuang has experience in securities brokerage, asset management, investment management and insurance asset management for over 27 years. Mr. Zhuang had served as the vice general manager of the brokerage business management headquarters of Southern Securities Co., Ltd., the general manager of the headquarters of the south China business of Xiangcai Securities Co., Ltd., the general manager of the asset management headquarters of Huaxi Securities Co., Ltd. (listed on the Shenzhen Stock Exchange with stock code 002926), the vice president of the Goldstate Securities Co., Ltd., the vice general manager of Minsheng Tonghui Asset Management Co. , Ltd. and the director of Ningxia Jiaze Renewables Corporation Limited (listed on the Shanghai Stock Exchange with stock code 601619). Mr. Zhuang graduated from Wuhan University with a master's degree in economics in 2001.

Mr. Yu Qingfei, aged 54, is the chairman, and the director of executive committee of Zhongrong Life Insurance Co., Ltd. Mr. Yu has management experience in banking and insurance industries for over 30 years and has been qualified as a lawyer in China since 1993. Prior to joining Zhongrong Life Insurance Co., Ltd., Mr. Yu worked in Guizhou Branch of Industrial and Commercial Bank of China Limited and successively served as the general manager of Legal Affairs Department, the general manager of Risk Management Department of the Guiyang Branch, the head of Guiyang Fushui Sub-branch, the head of Guiyang Yunyan Sub-branch,the deputy head of the Guiyang Branch and the head of the Zunyi Branch. Mr. Yu obtained his bachelor's degree in law from Southwest University of Political Science & Law in 1989 and obtained his master's degree in engineering from Yunnan University in 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Zhang Shengman, aged 63, has been an Independent Non-Executive Director of the Company since December 2006. 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 (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 Shanghai Stock Exchange 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 57, has been an Independent Non-Executive Director of the Company since March 2012. 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 Group Company Limited (stock code 03380, formerly known as Logan Property Holdings Company Limited), Luye Pharma Group Ltd. (stock code 02186) and Radiance Holdings (Group) Company Limited (stock code 09993), 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 Shanghai Stock Exchange 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. From September 2012, he was a non-executive director of China Smartpay Group Holdings Limited (listed on the Hong Kong Stock Exchange with stock code 08325), served as executive director and chairman of the board and resigned as a non-executive director and chairman of the board in January 2020. 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 58, has been an Independent Non-Executive Director of the Company since June 2012. Mr. Zhang is a senior partner in the Hong Kong office of Kirkland & Ellis International LLP, a leading global 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 global leading investment banks in US initial public offerings, Hong Kong initial public offerings and 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 has been a partner of Latham & Watkins LLP, another leading global 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 59, has been an Independent Non-Executive Director of the Company since March 2017. 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.

Ms. Tsang King Suen Katherine, aged 63, is the founder of Max Giant Capital and an independent non-executive director of Budweiser Brewing Company APAC Limited (listed on the Main Board of The Stock Exchange of Hong Kong Limited with stock code 1876), Genesis Emerging Markets Fund Limited (listed on the London Stock Exchange with stock code GSS) and China CITIC Bank International Limited. Ms. Tsang was an independent non-executive director of Baoshan Iron & Steel Co., Ltd. (listed on the Shanghai Stock Exchange with stock code 600019) from May 2006 to April 2012, the chairperson of Greater China of Standard Chartered Bank from August 2009 to August 2014, an independent non-executive director of Gap Inc. (listed on the New York Stock Exchange with stock code GPS) from August 2010 to May 2018. Ms. Tsang serves as a member of the Advisory Council for China of the City of London and is an honorary board member of Shanghai Jiao Tong University. Ms. Tsang was a member of the World Economic Forum's Global Agenda Council on China from 2009 to 2012 and a member of Sotheby's Asia Advisory Board from November 2011 to October 2014. Ms. Tsang graduated from University of Alberta, Canada with a bachelor's degree in Commerce in 1978.

SENIOR MANAGEMENT OF THE COMPANY

Zhang Houlin, aged 52, is the Senior Vice President and Co-CFO of the Company. 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 56, is the Co-CFO of the Company. He 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 Lianlian Yintong Electronic Payment Co., Ltd. Mr. Qian received a master's degree in business administration from Shanghai University of Finance and Economics in 1995.

COMPANY SECRETARY

Sze Mei Ming, aged 43, 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 over twenty years and is a fellow member of The Chartered Governance Institute and The Hong Kong Institute of Chartered Secretaries.

BOARD COMMITTEES

Audit Committee

Our Audit Committee comprises four Independent Non-Executive Directors, namely, Mr. Zhang Shengman (Chairman), Mr. Zhang Huaqiao, Mr. David T. Zhang and Dr. Lee Kai-Fu. The main duties of the Audit Committee include reviewing the financial statements and reports and considering any significant or unusual items raised by our Company's staff responsible for the accounting and financial reporting function or external auditors before submission to the Board; reviewing the relationship with the external auditors by reference to their work performance, fees and terms of engagement, and making recommendations to the Board on the appointment, re-appointment and removal of external auditors and reviewing the adequacy and effectiveness of our Company's financial reporting system, risk management and internal control system (including ensuring the adequacy of resources, qualification and experience of staff of our Company's accounting, internal audit and financial reporting function, their training programs and budget) and associated procedures.

Remuneration Committee

Our Remuneration Committee comprises four members, namely, Mr. Zhang Huaqiao (Chairman), Mr. Zhang Shengman, Mr. David T. Zhang and Dr. Lee Kai-Fu, all of whom are Independent Non-Executive Directors.

The primary duties of our Remuneration Committee include making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management after assessing their performance, as well as on the remuneration policy and structure for all Directors and senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration, which will be determined by reference to the performance of the individual and our Company as well as market practice and conditions.

Nomination Committee

Our Nomination Committee comprises four members, namely Mr. David T. Zhang (Chairman), Mr. Zhang Shengman, Mr. Zhang Huaqiao and Dr. Lee Kai-Fu, all of whom are Independent Non-Executive Directors.

The main duties of the Nomination Committee include reviewing the structure, size, composition (including the skills, knowledge and experience) and diversity of the Board on a regular basis and making recommendations to the Board regarding any proposed changes; identifying individuals suitably qualified to become Board members and nominating and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of Independent Non-Executive Directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for Directors.

Environmental, Social and Governance Committee

The Company established the Environmental, Social and Governance Committee on March 26, 2019, comprising five Directors, namely Dr. Lee Kai-Fu (Chairman), Mr. Qin Xuetang, Mr. Zhang Shengman, Mr. Zhang Huaqiao and Mr. David T. Zhang 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; and
- To oversee the external communications policies.

Corporate Governance and Internal Controls

We are committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. As a company listed on the Hong Kong Stock Exchange, we applied the principles of and fully complied with all code provisions of the CG Code set out in Appendix 14 of the Listing Rules. Our Company regularly reviews its corporate governance practices to ensure compliance with the CG Code. Our Board evaluates and supervises risk management by means of our corporate governance and financial, business and audit controls.

COMPENSATION OF DIRECTORS

Our Directors receive compensation in the form of salaries, performance-related bonuses, allowances and benefits-in-kind, including our contribution to the pension plan on their behalf. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the aggregate remuneration of our Directors was RMB111.3 million, RMB142.3 million, RMB128.5 million and RMB57.8 million, respectively.

The following table sets forth, to the best of our knowledge, certain share ownership information as of December 31, 2020 with respect to the holders of record of our share capital.

Name	Number of Shares directly or indirectly held	Approximate percentage of Shares in issue
Fosun Holdings	6,044,246,673	71.74%
Fosun International Holdings[(1)]	6,044,246,673[(2)]	71.74%

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. Mr. Guo Guangchang is the sole director of Fosun Holdings and Fosun International Holdings.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our investment in and the operations of our business segments and finance our working capital requirements, we and our subsidiaries have entered into financing agreements with various financial institutions. As of June 30, 2020, our total interest bearing bank and other borrowings amounted to RMB232,563.3 million and we had a total of RMB176,874.4 million unutilized banking facilities. In addition, we have incurred, and will continue to incur, indebtedness from time to time for general corporate purposes, including but not limited to refinancing of existing indebtedness and funding our operations in the ordinary course of business. Set forth below is a summary of our major interest bearing bank and other borrowings by our Company and each of our business segments.

MATERIAL INDEBTEDNESS OF FOSUN INTERNATIONAL

Banking Facilities

Our Company has from time to time entered into loan facility agreements with various offshore financial institutions, including but not limited to China Merchants Bank, Ping An Bank, The Hongkong and Shanghai Banking Corporation Limited, Bank of East Asia and etc. These loans typically are used for project financing or working capital for general corporate purpose.

The interest rates under these term loan facilities are typically specified as a fixed margin percentage plus LIBOR, HIBOR, EURIBOR or lender's cost of funds, as agreed with the relevant financial institutions. Our Company's payment obligations under these term loan facilities typically rank at least *pari passu* with other unsecured and unsubordinated claims. Except for short-term or annually renewable loan facilities, these term loan facilities are subject to various customary covenants, including (i) minimum amount of the consolidated tangible net worth and (ii) ratio of consolidated net borrowings (deducting marketable securities) to consolidated tangible net worth (adding back minority interests).

If our Company fails to satisfy these financial ratios, it, among other things, cannot incur additional indebtedness and will trigger the event of default under these loan agreements.

Guarantees by Fosun International

Our Company has also given guarantees under various loan agreements with financial institutions. Consequently, our Company is subject to various customary covenants, including satisfying certain financial tests and notifying the relevant financial institutions under certain circumstances.

MATERIAL INDEBTEDNESS OF OUR SUBSIDIARIES

Certain of our subsidiaries have entered into loan agreements, including PRC loan agreements and offshore loan agreements, with various banks and financial institutions, including but not limited to 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 and Citibank. These loans typically are for financing the construction of our projects, working capital, property development or trading activities and have terms ranging from three months to fifteen years.

As of June 30, 2020, the outstanding loans and other borrowings for our consolidated subsidiaries were as follows:

Borrowers	Amount outstanding as of June 30, 2020		
	Total	Short-term	Long-term
	(RMB in millions)		
High Technology	45,012.5	34,066.2	10,946.3
Fosun Pharma	23,305.8	12,375.4	10,930.4
Forte	59,309.8	24,897.2	34,412.6
Hainan Mining	1,459.0	921.0	538.0
Other consolidated subsidiaries	73,561.0	24,204.7	49,356.3
Total	202,648.1	96,464.5	106,183.6

Some of our borrowings are secured by our assets and properties, including land and buildings, plant and machinery, investment properties, completed properties for sale and properties under development and shares of subsidiaries and associates. As of June 30, 2020, of the RMB202,648.3 million, RMB57,676.3 million was secured by properties or other assets and RMB144,972.0 million was guaranteed by the Company or its subsidiaries or other related parties.

Loans and Other Borrowings Incurred by High Technology

As of June 30, 2020, High Technology, on a non-consolidated basis, had total outstanding debt obligations of RMB45,012.5 million. These loans mostly bear interest at floating rates, the resulting effective rates of which range generally from 3.3% to 5.6% per annum, and have a term between nine months and three years.

Covenants

Some of the PRC term loans incurred by High Technology are under bank facilities with a term of typically one year. These bank facility agreements contain customary covenants, including, but not limited to the following:

- without the prior consent of the lenders, the borrower may not undertake any restructuring or reorganization, transfer any equity, sell, transfer, lend, lease out or otherwise dispose of a material part of its assets, substantially increase the indebtedness, provide guarantees in favor of any third party, grant a security interest in its material assets, or make offshore investments;

- a change of control may not occur in the borrower;

- the borrower must comply with certain financial covenants by observing certain financial ratios specified under the relevant loan facilities, including debt ratio, current ratio and return on assets;

- without the written approval of the lenders, the borrower may not change its articles of association or scope of business in any material manner;

- the borrower must disclose to the lenders any transaction between High Technology and any of its affiliates with transaction value equal to or more than 10% of its net assets; and

- lenders may ask for additional collateral or guarantees if they reasonably believe that the borrower's security and guarantees for the PRC term loan in question may be adversely affected.

Most of the above bank facilities are generally renewable upon expiration. High Technology may be subject to prepayment penalties under some of these facilities if it elects to terminate a facility before its expiration date.

Loans and Other Borrowings Incurred by Fosun Pharma and its Subsidiaries

As of June 30, 2020, Fosun Pharma together with its subsidiaries, on a consolidated basis, had total outstanding debt obligations of RMB23,305.8 million under its term loans, including PRC term loans and offshore term loans. These loans mostly bear interest at floating rates, the resulting effective rates of which range from 0.3% to 6.2% per annum, and have a term between one month and ten years.

Covenants for PRC Term Loans

Some of the PRC term loans incurred by Fosun Pharma and its subsidiaries contain customary covenants, including but not limited to the following:

- without the prior consent of the lenders, the borrower may not undertake any restructuring or reorganization, transfer any equity, sell, transfer, lend, lease out or otherwise dispose of a material part of its assets, substantially increase its indebtedness, provide guarantees in respect of indebtedness of any third party, grant security interests over its material assets, or make investments to third parties;

- lenders may require early repayment of the borrower's PRC term loans upon the occurrence of any event that materially and adversely affects the lenders' rights; and

- lenders may demand additional collateral or guarantees if they reasonably believe that the security and guarantees for the PRC term loans in question may be adversely affected.

Covenants for Offshore Term Loans

Some of the offshore term loans incurred by Fosun Pharma's subsidiaries contain customary covenants, including but not limited to the following:

- the borrower shall meet certain financial tests before it incurs additional debt;

- the borrower shall not create or permit to exist any security interest over certain assets; and

- the borrower shall ensure that obligations under the loans will rank at least *pari passu* with other present and future similar obligations.

Loans and Other Borrowings Incurred by Forte and its Subsidiaries

As of June 30, 2020, Forte together with its subsidiaries, on a consolidated basis, had total outstanding debt obligations of RMB59,309.8 million. A majority of these loans are project loans to finance the construction of our projects. These loans generally bear interest at floating rates, the resulting effective rates of which range from 1.0% to 9.2% per annum, and have a term between six months and fifteen years.

Guarantees and Security

Term loans incurred by Forte and its subsidiaries in the amount of RMB29,481.9 million were secured by, among other things, their land use rights, investment properties, buildings and properties under development, with an aggregate net book value of RMB49,056.0 million as of June 30, 2020.

Customer Guarantees

Forte acts as the guarantor for mortgages secured by properties that it sells. Its obligation as a guarantor generally expires upon the delivery of the relevant certificates on the underlying property to the bank. The maximum guarantee period normally does not exceed eighteen months. As of June 30, 2020, Forte had approximately RMB9,746.6 million of customer guarantees outstanding.

Covenants

Some of the term loans incurred by Forte and its subsidiaries contain customary covenants. Among others, Forte and its subsidiaries may not, without the prior consent of the lenders, undertake any restructuring or reorganization, transfer any equity, sell, transfer, lend, lease out or otherwise dispose of a material part of its assets, substantially increase their indebtedness, provide guarantees in favor of any third party, grant security interests in their material assets, or make investments to third parties.

CORPORATE BONDS AND ENTERPRISE BONDS

On January 21, 2016, Fosun High Technology issued five-year domestic corporate bonds with a principal amount of RMB4,000,000,000 and an effective interest rate of 3.89% per annum. On January 21, 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 January 21, 2021.

On March 4, 2016, Fosun Pharma issued five-year domestic corporate bonds with a principal amount of RMB3,000,000,000 and an effective interest rate of 3.46% per annum. On March 4, 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 March 4, 2021.

On April 14, 2016, Fosun High Technology issued five-year domestic corporate bonds with a principal amount of RMB1,600,000,000 and an effective interest rate of 3.81% per annum. On April 14, 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 April 14, 2021.

On May 26, 2016, Fosun High Technology issued five-year domestic corporate bonds with a principal amount of RMB4,400,000,000 and an effective interest rate of 3.87% per annum. On May 26, 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 May 26, 2021.

On March 14, 2017, Fosun Pharma issued five-year domestic corporate bonds with a principal amount of RMB1,250,000,000 and an effective interest rate of 4.66% per annum. On March 14, 2020, Fosun Pharma repaid those bonds in advance with a par value of RMB158,050,000. Interest is paid annually in arrears and the maturity date is March 14, 2022.

On January 12, 2018, Fosun High Technology issued five-year domestic corporate bonds with a principal amount 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 January 12, 2023.

On March 12, 2018, Fosun High Technology issued five-year domestic corporate bonds with a principal amount 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 March 12, 2023.

On August 13, 2018, Fosun Pharma issued five-year domestic corporate bonds with a principal amount 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 August 13, 2023.

On August 20, 2018, Fosun High Technology issued three-year domestic corporate bonds with a principal amount 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 August 20, 2021.

On August 27, 2018, Forte issued three-year domestic corporate bonds with a principal amount 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 August 27, 2021.

On October 29, 2018, Fosun High Technology issued three-year domestic corporate bonds with a principal amount 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 October 29, 2021.

On November 26, 2018, Yuyuan issued five-year domestic corporate bonds with a principal amount 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 November 26, 2023.

On November 30, 2018, Fosun Pharma issued four-year domestic corporate bonds with a principal amount 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 November 30, 2022.

On November 30, 2018, Fosun Pharma issued five-year domestic corporate bonds with a principal amount 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 November 30, 2023.

On November 27, 2019, Yuyuan issued five-year domestic corporate bonds with a principal amount 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 November 27, 2024.

On February 14, 2020, Forte issued three-year domestic corporate bonds with a par value of RMB1,000,000,000 and an effective interest rate of 4.33% per annum. Interest is paid annually in arrears and the maturity date is February 14, 2023.

On February 20, 2020, Yuyuan issued five-year domestic corporate bonds with a par value of RMB1,900,000,000 and an effective interest rate of 3.60% per annum. Interest is paid annually in arrears and the maturity date is February 20, 2025.

On April 21, 2020, Fosun High Technology issued four-year domestic corporate bonds with a par value of RMB1,700,000,000 and an effective interest rate of 3.38% per annum. Interest is paid annually in arrears and the maturity date is April 21, 2024.

On April 21, 2020, Fosun High Technology issued five-year domestic corporate bonds with a par value of RMB300,000,000 and an effective interest rate of 4.58% per annum. Interest is paid annually in arrears and the maturity date is April 21, 2025.

MEDIUM-TERM NOTES

High Technology Medium-Term Notes

On February 7, 2018, Fosun High Technology completed an offering of RMB2,000 million principal amount of three-year medium-term notes with an effective interest rate of 6.81% per annum. As of June 30, 2020, RMB1,710 million in principal amount of the medium notes was outstanding. On February 7, 2020, Fosun High Technology repaid in advance with a par value of RMB290 million. Interest is paid annually in arrears and the maturity date is February 7, 2021.

On April 19, 2018, Fosun High Technology completed an offering of RMB2,000 million principal amount of three-year medium-term notes with an effective interest rate of 6.61% per annum. As of June 30, 2020, RMB1,940 million in principal amount of the medium notes was outstanding. On April 19, 2020, Fosun High Technology repaid in advance with a par value of RMB60 million. Interest is paid annually in arrears and the maturity date is April 19, 2021.

On July 30, 2018, Fosun High Technology completed an offering of RMB1,000 million three-year medium-term notes, with an effective interest rate of 6.57% per annum. As of June 30, 2020, RMB1,000 million in principal amount of the medium notes was outstanding.

On September 7, 2018, Fosun High Technology completed an offering of RMB1,000 million five-year medium-term notes with an effective interest rate of 6.91% per annum. Among these, RMB870 million of the medium-term notes were purchased by third party investors. As of June 30, 2020, RMB1,000 million in principal amount of the medium notes was outstanding.

On February 22, 2019, Fosun High Technology issued five-year medium-term notes with a par value of RMB2,000 million and an effective interest rate of 5.36% per annum. Among these, medium-term notes with a par value of RMB1,930 million were purchased by third party investors. Interest is paid annually in arrears and the maturity date is February 22, 2024.

On August 7, 2019, Fosun High Technology issued five-year medium-term notes with a par value of RMB1,000 million and an effective interest rate of 4.89% per annum. Among these, medium-term notes with a par value of RMB880 million were purchased by third party investors. Interest is paid annually in arrears and the maturity date is August 7, 2024.

On September 5, 2019, Fosun High Technology issued three-year medium-term notes with a par value of RMB1,000 million and an effective interest rate of 4.81% per annum. Interest is paid annually in arrears and the maturity date is September 5, 2022.

On October 25, 2019, Fosun High Technology issued three-year medium-term notes with a par value of RMB1,000 million and an effective interest rate of 5.00% per annum. Among these, medium-term notes with a par value of RMB900 million were purchased by third party investors. Interest is paid annually in arrears and the maturity date is October 25, 2022.

On January 15, 2020, Fosun High Technology issued five-year medium-term notes with a par value of RMB1,000 million and an effective interest rate of 4.79% per annum. Third party investors purchased a par value of RMB960 million of the medium-term notes. Interest is paid annually in arrears and the maturity date is January 15, 2025.

On February 25, 2020, Fosun High Technology issued five-year medium-term notes with a par value of RMB1,000 million and an effective interest rate of 4.31% per annum. Third party investors purchased a par value of RMB980 million of the medium-term notes. Interest is paid annually in arrears and the maturity date is February 25, 2025.

On August 7, 2020, Fosun High Technology completed an offering of RMB1,900 million principal amount of five-year medium-term notes with an effective interest rate of 4.48% per annum.

On September 18, 2020, Fosun High Technology completed an offering of RMB1,000 million principal amount of five-year medium-term notes with an effective interest rate of 4.80% per annum.

On November 2, 2020, Fosun High Technology completed an offering of RMB1,600 million principal amount of five-year medium-term notes with an effective interest rate of 4.80% per annum.

On November 24, 2020, Fosun High Technology completed an offering of RMB1,000 million principal amount of four-year medium-term notes with an effective interest rate of 5% per annum.

Yuyuan Medium-Term Notes

On November 16, 2017, Yuyuan completed an offering of RMB980 million principal amount of three-year medium-term notes with an effective interest rate of 5.68% per annum. As of June 30, 2020, RMB980 million in principal amount of the medium-term notes was outstanding.

On April 25, 2018, Yuyuan completed an offering of RMB1,000 million principal amount of three-year medium-term notes with an effective interest rate of 5.60% per annum. As of June 30, 2020, RMB1,000 million in principal amount of the medium-term notes was outstanding.

On September 11, 2018, Yuyuan completed an offering of RMB1,000 million principal amount of three-year medium-term notes with an effective interest rate of 5.50% per annum. As of June 30, 2020, RMB1,000 million in principal amount of the medium notes was outstanding.

On July 18, 2019, Yuyuan issued three-year medium-term notes with a par value of RMB1,000 million and an effective interest rate of 4.53% per annum. Interest is paid annually in arrears and the maturity date is July 18, 2022.

On July 24, 2020, Yuyuan completed an offering of RMB10,000 million principal amount of three-year medium-term notes with an effective interest rate of 3.94% per annum.

On August 27, 2020, Yuyuan completed an offering of RMB1,300 million principal amount of three-year medium-term notes with an effective interest rate of 3.80% per annum.

On August 27, 2020, Yuyuan completed an offering of RMB300 million principal amount of three-year medium-term notes with an effective interest rate of 3.28% per annum.

SHORT-TERM AND SUPER SHORT-TERM COMMERCIAL PAPERS

On September 11, 2020, Fosun High Technology issued short-term commercial papers with a par value of RMB2,000 million and an effective interest rate of 3.73% per annum. Interest is payable at the maturity date which is June 8, 2021.

PRIVATE PLACEMENT NOTES

On March 20, 2020, Treble Hooray Limited issued one-year private placement notes with a par value of EUR122 million and the effective interest rate is 3.20% per annum. Interest is paid annually in arrears and the maturity date is March 20, 2021.

PRIVATE PLACEMENT BONDS

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

On January 25, 2019, Forte issued three-year private placement bonds with a par value of RMB1,440 million and the effective interest rate is 6.13% per annum. Interest is paid annually in arrears and the maturity date is January 25, 2022.

On March 22, 2019, Forte issued three-year private placement bonds with a par value of RMB1,000 million and the effective interest rate is 5.99% per annum. Interest is paid annually in arrears and the maturity date is March 22, 2022.

On March 20, 2020, Forte issued three-year private placement bonds with a par value of RMB1,160,000,000 and the effective interest rate is 5.09% per annum. Interest is paid annually in arrears and the maturity date is March 20, 2023.

SENIOR NOTES

2014 Notes

On October 9 and December 10, 2014, Xingtao Assets Limited issued €1,000,000,000 principal amount of 3.3% Senior Notes due 2022. As of June 30, 2020, we had a total of €794 million principal amount of the 2014 Notes outstanding. Holders of the 2014 Notes have the right to require us to repurchase their 2014 Notes on October 9 of each year, commencing on October 9, 2016.

Guarantee

The obligations pursuant to the 2014 Notes are guaranteed by the Company. Such obligations are also guaranteed (the "2014 Subsidiary Guarantees") by Financial Holdings, Gold Holdings, Industrial Holdings, Property Holdings, Topper Link, Financial Vantage and certain other subsidiaries specified in the indenture governing the 2014 Notes (the "2014 Indenture"). The 2014 Subsidiary Guarantees may be released in certain circumstances. The 2014 Subsidiary Guarantees have been released pursuant to the terms of the 2014 Indenture.

Collateral

In order to secure the obligations under the 2014 Notes, the Company and the 2014 Notes Subsidiary Guarantors under the 2014 Indenture pledged the capital stock of all such 2014 Notes Subsidiary Guarantors for the benefit of the holders of the 2014 Notes (the "2014 Collateral"). The 2014 Collateral is shared on a pari passu basis pursuant to the intercreditor agreement (as amended or supplemented from time to time, the "Intercreditor Agreement", dated January 30, 2013 among the Parent Guarantor, Fosun Industry Holdings Limited, Fosun Property Holdings Limited, Fosun Financial Holdings Limited, The Bank of New York Mellon, as the collateral agent and the other parties thereto) by the holders of permitted pari passu secured indebtedness. The 2014 Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. The 2014 Collateral has been released pursuant to the terms of the 2014 Notes and the Intercreditor Agreement.

Interest

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

Covenants

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

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

Events of Default

The 2014 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2014 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the 2014 Indenture. If an event of default occurs and is continuing, the trustee under the 2014 Indenture or the holders of at least 25% of the outstanding 2014 Notes may declare the principal of the 2014 Notes plus any accrued and unpaid interest and premium to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2014 Notes at a purchase price equal to 100% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

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

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

At any time and from time to time prior to October 9, 2016, we may redeem up to 35% of the aggregate principal amount of the 2014 Notes at a redemption price of 100% of the principal amount of the 2014 Notes plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions, provided that at least 65% of the aggregate principal amount of the 2014 Notes issued on October 9, 2014 remains outstanding after each such redemption which is consummated within 60 days after the closing of the related capital stock transaction.

We may acquire the 2014 Notes by means other than a redemption, whether by tender offers, open market purchases, negotiated transactions or otherwise, in accordance with applicable laws, so long as such acquisition does not otherwise violate the terms of the 2014 Indenture.

2016 Notes

On August 17, 2016, September 19, 2016 and November 23, 2016, Wealth Driven Limited issued US$590,000,000 aggregate principal amount of 5.5% Senior Notes due 2023. As of the date of this Offering Circular, we have a total of US$446.0 million principal amount of the 2016 Notes outstanding.

Parent Guarantee

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

Interest

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

Covenants

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

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

Events of Default

The 2016 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2016 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the 2016 Indenture. If an event of default occurs and is continuing, the trustee under the 2016 Indenture or the holders of at least 25% of the outstanding 2016 Notes may declare the principal of the 2016 Notes plus any accrued and unpaid interest and premium to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2016 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2016 Notes is August 17, 2023. At any time on or after August 17, 2019, we may redeem the 2016 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth in the table below plus any accrued and unpaid interest, if any, to, but not including, the redemption date if redeemed during the twelve month period beginning on August 17 of each of the years indicated below:

Period	**Redemption Price**
2019	102.750%
2020	101.375%
2021 and thereafter	100.000%

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

At any time and from time to time prior to August 17, 2019, we may redeem up to 35% of the aggregate principal amount of the 2016 Notes at a redemption price of 100% of the principal amount of the 2016 Notes plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

We may acquire the 2016 Notes by means other than a redemption, whether by tender offers, open market purchases, negotiated transactions or otherwise, in accordance with applicable laws, so long as such acquisition does not otherwise violate the terms of the 2016 Indenture.

Holders' Put Option

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

March 2017 Notes

On March 23, 2017 and April 28, 2017, Fortune Star (BVI) Limited issued US$1,400,000,000 aggregate principal amount of 5.25% Senior Notes due 2022. As of the date of this Offering Circular, we have a total of US$1,189.4 million principal amount of the March 2017 Notes outstanding.

Parent Guarantee

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

Interest

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

Covenants

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

- permitting its subsidiaries to guarantee certain indebtedness of the Company and Fortune Star (BVI) Limited;
- creating liens; and
- effecting a consolidation or merger.

Events of Default

The March 2017 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the March 2017 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the March 2017 Indenture. If an event of default occurs and is continuing, the trustee under the March 2017 Indenture or the holders of at least 25% of the outstanding March 2017 Notes may declare the principal of the March 2017 Notes plus any accrued and unpaid interest and premium to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding March 2017 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the March 2017 Notes is March 23, 2022. At any time on or after March 23, 2020, we may redeem the March 2017 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth in the table below plus any accrued and unpaid interest, if any, to, but not including, the redemption date if redeemed during the twelve month period beginning on March 23 of each of the years indicated below:

Period	Redemption Price
2020	102.6250%
2021 and thereafter	101.3125%

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

At any time and from time to time prior to March 23, 2020, we may redeem up to 35% of the aggregate principal amount of the March 2017 Notes at a redemption price of 100% of the principal amount of the March 2017 Notes plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

We may acquire the March 2017 Notes by means other than a redemption, whether by tender offers, open market purchases, negotiated transactions or otherwise, in accordance with applicable laws, so long as such acquisition does not otherwise violate the terms of the March 2017 Indenture.

January 2018 Notes

On January 29, 2018, Fortune Star (BVI) Limited issued US$450,000,000 aggregate principal amount of 5.950% Senior Notes due 2023. As of the date of this Offering Circular, we have a total of US$450.0 million principal amount of the January 2018 Notes outstanding.

Parent Guarantee

The obligations pursuant to the January 2018 Notes are guaranteed by the Company. The Company guarantees the due and punctual payment of the principal of, any premium, and interest on, and all other amounts payable under, the January 2018 Notes.

Interest

The January 2018 Notes bear an interest rate of 5.950% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the January 2018 Indenture contains certain covenants restricting the Company from, among other things:

- permitting its subsidiaries to guarantee certain indebtedness of the Company and Fortune Star (BVI) Limited;

- creating liens; and

- effecting a consolidation or merger.

Events of Default

The January 2018 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the January 2018 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the January 2018 Indenture. If an event of default occurs and is continuing, the trustee under the January 2018 Indenture or the holders of at least 25% of the outstanding January 2018 Notes may declare the principal of the January 2018 Notes plus any accrued and unpaid interest and premium to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding January 2018 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the January 2018 Notes is January 29, 2023. At any time prior to January 29, 2021, we may redeem the January 2018 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the January 2018 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to January 29, 2021, we may redeem up to 35% of the aggregate principal amount of the January 2018 Notes at a redemption price of 100% of the principal amount of the January 2018 Notes plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

We may acquire the January 2018 Notes by means other than a redemption, whether by tender offers, open market purchases, negotiated transactions or otherwise, in accordance with applicable laws, so long as such acquisition does not otherwise violate the terms of the January 2018 Indenture.

January 2019 Notes

On January 31, 2019, Fortune Star (BVI) Limited issued US$500,000,000 aggregate principal amount of 6.875% Senior Notes due 2021. As of the date of this Offering Circular, we have a total of US$196.1 million principal amount of the January 2019 Notes outstanding.

Parent Guarantee

The obligations pursuant to the January 2019 Notes are guaranteed by the Company. The Company guarantees the due and punctual payment of the principal of, any premium, and interest on, and all other amounts payable under, the January 2019 Notes.

Interest

The January 2019 Notes bear an interest rate of 6.875% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the January 2019 Indenture contains certain covenants restricting the Company from, among other things:

- permitting its subsidiaries to guarantee certain indebtedness of the Company and Fortune Star (BVI) Limited;
- creating liens; and
- effecting a consolidation or merger.

Events of Default

The January 2019 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the January 2019 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the January 2019 Indenture. If an event of default occurs and is continuing, the trustee under the January 2019 Indenture or the holders of at least 25% of the outstanding January 2019 Notes may declare the principal of the January 2019 Notes plus any accrued and unpaid interest and premium to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding January 2019 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the January 2019 Notes is January 31, 2021. At any time prior to January 31, 2021, we may redeem the January 2019 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the January 2019 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to January 31, 2021, we may redeem up to 35% of the aggregate principal amount of the January 2019 Notes at a redemption price of 100% of the principal amount of the January 2019 Notes plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

We may acquire the January 2019 Notes by means other than a redemption, whether by tender offers, open market purchases, negotiated transactions or otherwise, in accordance with applicable laws, so long as such acquisition does not otherwise violate the terms of the January 2019 Indenture.

July 2019 Notes

On July 2, 2019, Fortune Star (BVI) Limited issued US$700,000,000 aggregate principal amount of 6.75% Senior Notes due 2023. As of the date of this Offering Circular, we have a total of US$700.0 million principal amount of the July 2019 Notes outstanding.

Parent Guarantee

The obligations pursuant to the July 2019 Notes are guaranteed by the Company. The Company guarantees the due and punctual payment of the principal of, any premium, and interest on, and all other amounts payable under, the July 2019 Notes.

Interest

The July 2019 Notes bear an interest rate of 6.75% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the July 2019 Indenture contains certain covenants restricting the Company from, among other things:

- permitting its subsidiaries to guarantee certain indebtedness of the Company and Fortune Star (BVI) Limited;
- creating liens; and
- effecting a consolidation or merger.

Events of Default

The July 2019 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the July 2019 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the July 2019 Indenture. If an event of default occurs and is continuing, the trustee under the July 2019 Indenture or the holders of at least 25% of the outstanding July 2019 Notes may declare the principal of the July 2019 Notes plus any accrued and unpaid interest and premium to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding July 2019 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the July 2019 Notes is July 2, 2023. At any time prior to July 2, 2022, we may redeem the July 2019 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the July 2019 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to July 2, 2022, we may redeem up to 35% of the aggregate principal amount of the July 2019 Notes at a redemption price of 100% of the principal amount of the July 2019 Notes plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

We may acquire the July 2019 Notes by means other than a redemption, whether by tender offers, open market purchases, negotiated transactions or otherwise, in accordance with applicable laws, so long as such acquisition does not otherwise violate the terms of the July 2019 Indenture.

November 2019 Notes

On November 6, 2019, Fortune Star (BVI) Limited issued €400,000,000 aggregate principal amount of 4.35% Senior Notes due 2023. As of the date of this Offering Circular, we have a total of €400 million principal amount of the November 2019 Notes outstanding.

Parent Guarantee

The obligations pursuant to the November 2019 Notes are guaranteed by the Company. The Company guarantees the due and punctual payment of the principal of, any premium, and interest on, and all other amounts payable under, the November 2019 Notes.

Interest

The November 2019 Notes bear an interest rate of 4.35% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the November 2019 Indenture contains certain covenants restricting the Company from, among other things:

- permitting its subsidiaries to guarantee certain indebtedness of the Company and Fortune Star (BVI) Limited;
- creating liens; and
- effecting a consolidation or merger.

Events of Default

The November 2019 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the November 2019 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the November 2019 Indenture. If an event of default occurs and is continuing, the trustee under the November 2019 Indenture or the holders of at least 25% of the outstanding November 2019 Notes may declare the principal of the November 2019 Notes plus any accrued and unpaid interest and premium to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding November 2019 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the November 2019 Notes is May 6, 2023. At any time prior to May 6, 2023, we may redeem the November 2019 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the November 2019 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to May 6, 2023, we may redeem up to 35% of the aggregate principal amount of the November 2019 Notes at a redemption price of 100% of the principal amount of the November 2019 Notes plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company’s capital stock, subject to certain conditions.

We may acquire the November 2019 Notes by means other than a redemption, whether by tender offers, open market purchases, negotiated transactions or otherwise, in accordance with applicable laws, so long as such acquisition does not otherwise violate the terms of the November 2019 Indenture.

July 2020 Notes

On July 2, 2020, Fortune Star (BVI) Limited issued US$600,000,000 aggregate principal amount of 6.85% Senior Notes due 2024. As of the date of this Offering Circular, we have a total of US$600.0 million principal amount of the July 2020 Notes outstanding.

Parent Guarantee

The obligations pursuant to the July 2020 Notes are guaranteed by the Company. The Company guarantees the due and punctual payment of the principal of, any premium, and interest on, and all other amounts payable under, the July 2020 Notes.

Interest

The July 2020 Notes bear an interest rate of 6.85% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the July 2020 Indenture contains certain covenants restricting the Company from, among other things:

- creating liens; and
- effecting a consolidation or merger.

Events of Default

The July 2020 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the July 2020 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the July 2020 Indenture. If an event of default occurs and is continuing, the trustee under the July 2020 Indenture or the holders of at least 25% of the outstanding July 2020 Notes may declare the principal of the July 2020 Notes plus any accrued and unpaid interest and premium to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding July 2020 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the July 2020 Notes is July 2, 2024. At any time and from time to time on or after July 2, 2023, we may redeem the July 2020 Notes, in whole or in part, at a redemption price equal to 102.0% of the principal amount of the July 2020 Notes, plus accrued and unpaid interest to the redemption date. At any time prior to July 2, 2023, we may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the July 2020 Notes plus any premium, accrued and unpaid interest to the redemption date.

At any time and from time to time prior to July 2, 2023, we may redeem up to 35% of the aggregate principal amount of the July 2020 Notes at a redemption price of 100% of the principal amount of the July 2020 Notes plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

We may acquire the July 2020 Notes by means other than a redemption, whether by tender offers, open market purchases, negotiated transactions or otherwise, in accordance with applicable laws, so long as such acquisition does not otherwise violate the terms of the July 2020 Indenture.

October 2020 Notes

On October 19, 2020 and December 1, 2020, Fortune Star (BVI) Limited issued US$700,000,000 aggregate principal amount of 5.95% Senior Notes due 2025. As of the date of this Offering Circular, we have a total of US$700.0 million principal amount of the October 2020 Notes outstanding.

Parent Guarantee

The obligations pursuant to the October 2020 Notes are guaranteed by the Company. The Company guarantees the due and punctual payment of the principal of, any premium, and interest on, and all other amounts payable under, the October 2020 Notes.

Interest

The October 2020 Notes bear an interest rate of 5.95% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the October 2020 Indenture contains certain covenants restricting the Company from, among other things:

- creating liens; and
- effecting a consolidation or merger.

Events of Default

The October 2020 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the October 2020 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the October 2020 Indenture. If an event of default occurs and is continuing, the trustee under the October 2020 Indenture or the holders of at least 25% of the outstanding October 2020 Notes may declare the principal of the October 2020 Notes plus any accrued and unpaid interest and premium to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding October 2020 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the October 2020 Notes is October 19, 2025. At any time and from time to time on and after October 19, 2023, we may redeem the October 2020 Notes, in whole or in part, at the following redemption prices (expressed as a percentage of principal amount of the October 2020 Notes to be redeemed) plus accrued and unpaid interest, if any, to (but not including) the redemption date, if redeemed during the twelve-month period beginning on October 19 of the years indicated below:

Period	**Redemption Price**
2023	102%
2024 and thereafter	101%

At any time prior to October 19, 2023, we may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the October 2020 Notes plus any premium, accrued and unpaid interest to the redemption date.

At any time and from time to time prior to October 19, 2023, we may redeem up to 35% of the aggregate principal amount of the October 2020 Notes at a redemption price of 100% of the principal amount of the October 2020 Notes plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

We may acquire the October 2020 Notes by means other than a redemption, whether by tender offers, open market purchases, negotiated transactions or otherwise, in accordance with applicable laws, so long as such acquisition does not otherwise violate the terms of the October 2020 Indenture.

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes," the term "Issuer" refers only to Fortune Star (BVI) Limited and any successor obligor to the Notes, and the term "Parent Guarantor" refers only to Fosun International Limited and not to any of its subsidiaries. The Parent Guarantor's guarantee of the Notes is referred to as the "Parent Guarantee."

The Notes are to be issued under an indenture (the "Indenture"), to be dated as of the Original Issue Date, among the Issuer, the Parent Guarantor as guarantor, and The Bank of New York Mellon, London Branch, a banking corporation organized and existing under the laws of the State of New York with limited liability and operating through its branch in London, as trustee (the "Trustee"). The Notes will be guaranteed by the Parent Guarantor. From time to time, the Parent Guarantor may elect to cause any of its Subsidiaries to Guarantee the Notes.

The following is a summary of certain provisions of the Indenture, the Notes and the Parent Guarantee. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Parent Guarantee. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection during normal business hours on or after the Original Issue Date at the Corporate Trust Office of the Trustee currently located at The Bank of New York Mellon, London Branch, One Canada Square, London E14 5AL, United Kingdom.

BRIEF DESCRIPTION OF THE ISSUER

The Issuer:

- is a wholly-owned subsidiary incorporated solely for purposes of issuing the Notes and certain Existing Indebtedness; and

- has no operating activities other than acting as issuer of the Notes and certain Existing Indebtedness.

See "Risk Factors – Risks Relating to the Notes and the Parent Guarantee – The Issuer and the Parent Guarantor are dependent upon cash flow from other members of the group to meet their obligations on the Notes and the Parent Guarantee, respectively."

BRIEF DESCRIPTION OF THE NOTES

The Notes are:

- general obligations of the Issuer;

- senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes;

- unsecured obligations, ranking at least *pari passu* in right of payment with all other unsecured, unsubordinated indebtedness of the Issuer (subject to any priority rights of such unsecured, unsubordinated indebtedness pursuant to applicable law), including the Existing Indebtedness;

- guaranteed by the Parent Guarantor on a senior basis, subject to the limitations described below under the caption "– The Parent Guarantee" and in "Risk Factors – Risks Relating to the Notes and the Parent Guarantee";

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

- effectively subordinated to all secured obligations (if any) of the Parent Guarantor, to the extent of the assets serving as security therefor.

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

The Notes will bear interest at % per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrear on and of each year (each an "Interest Payment Date"), commencing , 2021. Interest on the Notes will be paid to Holders at the close of business on or immediately preceding an Interest Payment Date (each a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. If interest shall be calculated for a period of less than a full semi-annual period, interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months. So long as the Notes are held on behalf of Euroclear and Clearstream or any other clearing system, each payment in respect of the Notes will be made to the person shown as the holder in the register of the Notes at the close of business of the relevant clearing system on the Clearing System Business Date before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except December 25 and January 1.

Except as described under "– Optional Redemption," "– Redemption for Taxation Reasons" and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Issuer).

In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Paying Agent, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no interest on the Notes shall accrue for the period after such date.

The Indenture allows additional Notes to be issued from time to time (the "Additional Notes") having the same terms and conditions as the Notes (including the benefit of the Parent Guarantee) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions), subject to certain limitations described under "– Further Issues." Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes that are actually issued.

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

All payments on the Notes will be made in U.S. dollars by wire transfer by the Issuer at the office or agency of the Issuer maintained for that purpose in London, United Kingdom (which initially will be the specified office of the Paying Agent currently located at The Bank of New York Mellon, London Branch, One Canada Square, London E14 5AL, United Kingdom), and the Notes may be presented for registration of transfer or exchange at such office or agency; provided that, if the Notes are in definitive form and the Issuer is acting as its own paying agent at the option of the Issuer, payment of interest may be made by check mailed (at the expense of the Issuer) to the address of the Holders as such address appears in the Note register maintained by the Registrar or by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

THE PARENT GUARANTEE

The Parent Guarantee:

- is a general obligation of the Parent Guarantor;

- is senior in right of payment to all future obligations of the Parent Guarantor expressly subordinated in right of payment to the Parent Guarantee;

- is effectively subordinated to the secured obligations (if any) of the Parent Guarantor, to the extent of the assets serving as security therefor; and

- is an unsecured obligation, ranking at least *pari passu* with all unsecured, unsubordinated indebtedness of the Parent Guarantor (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law).

The Parent Guarantor is a holding company that does not have significant operations. Under the Indenture, the Parent Guarantor will guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes and the Indenture. The Parent Guarantor will (1) agree that its obligations under the Parent Guarantee will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive its right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer prior to exercising its rights under the Parent Guarantee. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Parent Guarantee will be reinstated with respect to such payments as though such payment had not been made. All payments under the Parent Guarantee are required to be made in U.S. dollars.

If the Parent Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the Parent Guarantor, and, depending on the amount of such indebtedness, the Parent Guarantor's ability on its Parent Guarantee could be reduced to zero.

As of June 30, 2020, the Parent Guarantor had consolidated borrowings of RMB232,563.3 million.

Release of the Parent Guarantee

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

- upon repayment in full of the Notes;
- upon a defeasance as described under "– Defeasance – Defeasance and Discharge"; or
- upon a satisfaction and discharge as described under "– Satisfaction and Discharge."

No release of the Parent Guarantor from its Parent Guarantee shall be effective against the Trustee or the Holders until the Issuer has delivered to the Trustee an Officers' Certificate stating that all requirements relating to such release have been complied with and such release is authorized and permitted by the terms of the Indenture.

FURTHER ISSUES

Subject to the covenants described below and in accordance with the terms of the Indenture, the Issuer may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Parent Guarantee) in all respects (or in all respects except for the issue date, issue price and the first payment of interest (or the date thereof, as the case may be) on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes.

OPTIONAL REDEMPTION

At any time and from time to time on and after , the Issuer may redeem the Notes, in whole or in part, at the following redemption prices (expressed as a percentage of principal amount of the Notes to be redeemed) plus accrued and unpaid interest, if any, to (but not including) the redemption date, if redeemed during the twelve-month period beginning on of the years indicated below:

Period	Redemption Price
	%
and thereafter	%

At any time prior to   , the Issuer may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor the Paying Agent shall be responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to   , the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Parent Guarantor in an Equity Offering at a redemption price of 100% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes issued remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

The Issuer and the Parent Guarantor may acquire Notes by means other than a redemption, whether by tender offers, open market purchases, negotiated transactions or otherwise, in accordance with applicable laws, so long as such acquisition does not otherwise violate the terms of the Indenture.

Selection and Notice

The Issuer will give not less than 30 days' nor more than 60 days' notice of any redemption to the Holders and the Trustee. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

(1) if the Notes are listed on any national securities exchange and/or held through any clearing systems, in compliance with the requirements of the principal national securities exchange on which the Notes are listed and/or in compliance with the requirements of the clearing systems through which the Notes are held; or

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

Any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent, including any related Equity Offering or a Change of Control. In addition, if such redemption is subject to the satisfaction of one or more conditions precedent, the related notice shall describe each such condition, and if applicable, shall state that, in the Issuer's discretion, the date of redemption may be delayed until such time as any or all such conditions shall be satisfied or waived (*provided* that in no event shall such date of redemption be delayed to a date later than 60 days after the date on which such notice was mailed), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the date of redemption, or by the date of redemption as so delayed.

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

REPURCHASE OF NOTES UPON A CHANGE OF CONTROL TRIGGERING EVENT

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

The Issuer and the Parent Guarantor have agreed in the Indenture that they will timely repay all indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture.

Notwithstanding this agreement of the Issuer and the Parent Guarantor, it is important to note that if the Issuer or the Parent Guarantor is unable to repay (or cause to be repaid) all of the indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it will continue to be prohibited from purchasing the Notes. In that case, the failure of either the Issuer or the Parent Guarantor to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes may also constitute an event of default under certain debt instruments of the Parent Guarantor and its Subsidiaries. Future debt of the Parent Guarantor or its Subsidiaries may also (1) prohibit the Issuer or the Parent Guarantor from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require the repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Issuer or the Parent Guarantor to purchase the Notes could cause a default under other indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Issuer or the Parent Guarantor. The ability of the Issuer or the Parent Guarantor to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Issuer's and the Parent Guarantor's then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors – Risks Relating to the Notes and the Parent Guarantee – We may not be able to repurchase the Notes upon a Change of Control Triggering Event and we may not be able to repurchase the Existing Indebtedness upon a change of control triggering event as defined thereunder."

The phrase "all or substantially all," as used with respect to the assets of the Parent Guarantor in the definition of "Change of Control", will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Parent Guarantor has occurred.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Issuer or the Parent Guarantor purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to the occurrence of a Change of Control Triggering Event has occurred and shall not be liable to any person for any failure to do so.

NO MANDATORY REDEMPTION OR SINKING FUND

There will be no mandatory redemption or sinking fund payments for the Notes.

ADDITIONAL AMOUNTS

All payments of principal of, and premium (if any) and interest on the Notes or under the Parent Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Issuer, the Parent Guarantor or a Surviving Person is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, if applicable, the PRC (each, as applicable, a "Relevant Jurisdiction"), or the jurisdiction through which payments are made, unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Issuer, the Parent Guarantor or a Surviving Person, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by each Holder of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

(a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction or the jurisdiction through which payments are made, other than merely holding such Note or the receipt of payments thereunder or under the Parent Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Issuer, the Parent Guarantor or a Surviving Person, addressed to the Holder, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction or the jurisdiction through which payments are made, if and to the extent that due and timely compliance with such request is required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or

(iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction or the jurisdiction through which payments are made, unless such Note could not have been presented for payment elsewhere;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, duty, assessment or governmental charge;

(c) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(d) any combination of taxes, duties, assessments or governmental charges referred to in the preceding clauses (a), (b) and (c); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction or the jurisdiction through which payments are made, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under the Parent Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

REDEMPTION FOR TAXATION REASONS

The Notes may be redeemed, at the option of the Issuer, the Parent Guarantor or a Surviving Person, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and the Trustee, at a redemption price equal to

100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Issuer, the Parent Guarantor or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment is proposed and becomes effective, or an official position is announced (i) with respect to the Issuer or the Parent Guarantor, on or after the Original Issue Date, or (ii) with respect to any Surviving Person, on or after the date such Surviving Person becomes a Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Issuer, the Parent Guarantor or a Surviving Person, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Issuer, the Parent Guarantor or a Surviving Person, as the case may be; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer, the Parent Guarantor or a Surviving Person, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Notwithstanding anything to the contrary herein, the Issuer, the Parent Guarantor or a Surviving Person may not redeem the Notes in the case that Additional Amounts are payable in respect of PRC withholding tax at the rate applicable in the PRC as of the date of the Offering Circular to payments by PRC resident enterprises to non-PRC resident enterprises.

Prior to the giving of any notice of redemption of the Notes pursuant to the foregoing, the Issuer, the Parent Guarantor or a Surviving Person, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

(1) an Officers' Certificate stating that such change, amendment or stating of an official position referred to in this section under the caption "Redemption for Taxation Reasons" has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Issuer, the Parent Guarantor or such Surviving Person, as the case may be, taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment or stating of an official position referred to in this section under the caption "Redemption for Taxation Reasons."

The Trustee is entitled to conclusively rely on and accept such Officers' Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

CERTAIN COVENANTS

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Liens

The Parent Guarantor will not, and will not permit any of its Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien (other than the Permitted Liens) of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, to secure any Relevant Indebtedness of the Issuer, the Parent Guarantor, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness of the Issuer, the Parent Guarantor, unless the Notes or the Parent Guarantee are equally and ratably secured by such Lien.

Provision of Financial Statements and Reports

(1) So long as any of the Notes remain outstanding, the Parent Guarantor will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Parent Guarantor's common shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Parent Guarantor ceases to be listed for trading on a recognized stock exchange, the Parent Guarantor will file with the Trustee and furnish to the Holders:

   (a) as soon as they are available, but in any event within 120 calendar days after the end of the fiscal year of the Parent Guarantor, copies of its financial statements (on a consolidated basis and in the English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants; and

   (b) as soon as they are available, but in any event within 90 calendar days after the end of the second financial quarter of the Parent Guarantor, copies of its financial statements (on a consolidated basis and in the English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants.

(2) In addition, so long as any of the Notes remain outstanding, the Parent Guarantor will provide to the Trustee as soon as possible and in any event within 30 days after the Parent Guarantor becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Parent Guarantor proposes to take with respect thereto.

In case of clause (2) above, the Trustee shall be entitled to rely conclusively on the Officers' Certificate without further investigation.

EVENTS OF DEFAULT

The following events will be defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon any required repurchase, acceleration, redemption or otherwise;

(2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 days;

(3) default in the performance or breach of the provisions of the covenants described under "– Consolidation, Merger and Sale of Assets" or the failure by the Issuer or the Parent Guarantor, as applicable, to make or consummate an Offer to Purchase in the manner described under the caption "– Repurchase of Notes upon a Change of Control Triggering Event";

(4) the Parent Guarantor or any Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;

(5) there occurs with respect to any indebtedness for or in respect of moneys borrowed of the Parent Guarantor (including, for the avoidance of doubt, Existing Indebtedness) or any Significant Subsidiary (other than Entrusted Loans) having an outstanding principal amount of US$20.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such indebtedness of all such Persons, whether such indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;

(6) one or more final judgments or orders for the payment of money are rendered against the Parent Guarantor or any of its Significant Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$20.0 million (or the Dollar Equivalent thereof) (in excess of amounts which the Parent Guarantor's or such Significant Subsidiary's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Parent Guarantor or any Significant Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Parent Guarantor or any Significant Subsidiary or for any substantial part of the property and assets of the Parent Guarantor or any Significant Subsidiary and such involuntary case

or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Parent Guarantor or any Significant Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Parent Guarantor or any Significant Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Parent Guarantor or any Significant Subsidiary or for all or substantially all of the property and assets of the Parent Guarantor or any Significant Subsidiary or (c) effects any general assignment for the benefit of creditors; or

(9) the Parent Guarantor denies or disaffirms its obligations under the Parent Guarantee or, except as permitted by the Indenture, the Parent Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Issuer (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall (subject to being indemnified and/or secured to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Parent Guarantor or any Significant Subsidiary (or a group of Subsidiaries that constitutes a Significant Subsidiary), the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes by written notice to the Issuer and to the Trustee may on behalf of the Holders of Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, other than the non-payment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction. Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper and that is not inconsistent with any such direction received from Holders.

A Holder of Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such written request;

(4) the Trustee does not comply with the written request within 60 days after receipt of the written request and the offer of indemnity and/or security satisfactory to it; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the written request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Parent Guarantor must certify in an Officers' Certificate in a form satisfactory to the Trustee, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Parent Guarantor and its Subsidiaries and the Parent Guarantor's and its Subsidiaries' performance under the Indenture and that the Parent Guarantor has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Parent Guarantor will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See "– Provision of Financial Statements and Reports."

Neither the Trustee nor any Agent is obligated to do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and each of the Trustee and the Agents may assume that no such event has occurred and that the Issuer and the Parent Guarantor are performing all of their obligations under the Indenture and the Notes unless the Responsible Officer of the Trustee has received written notice of the occurrence of such event or facts establishing that an Event of Default or Default has occurred or that the Issuer and the Parent Guarantor are not performing all of their respective obligations under the Indenture and the Notes.

CONSOLIDATION, MERGER AND SALE OF ASSETS

(a) The Parent Guarantor will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

(1) the Parent Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Parent Guarantor under the Indenture and the Parent Guarantee, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Parent Guarantee, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) the Parent Guarantor delivers to the Trustee (x) an Officers' Certificate and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

(4) the Issuer shall execute and deliver a supplemental indenture to the Indenture confirming that the Parent Guarantee shall apply to the obligations of the Issuer or the Surviving Person in accordance with the Notes and the Indenture; and

(5) no Rating Decline shall have occurred.

(b) The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Parent Guarantor that may adversely affect Holders.

NO PAYMENTS FOR CONSENTS

The Parent Guarantor will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes or the Parent Guarantee unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, any payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes or the Parent Guarantee in connection with an exchange offer, the Parent Guarantor and any of its Subsidiaries may exclude (i) Holders or beneficial owners of the Notes that are not "qualified institutional buyers" as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), or "non-U.S. Persons" as defined in Regulation S under the Securities Act, and (ii) Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Parent Guarantor or any such Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of any jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Parent Guarantor in its sole discretion.

DEFEASANCE

Defeasance and Discharge

The Indenture will provide that the Issuer will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

(1) the Issuer (a) has deposited with the Trustee (or its agent), in trust, cash in U.S. dollars and/or cash equivalents consisting of non-callable U.S. dollar-denominated government securities that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Issuer is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;

(2) the Issuer has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Parent Guarantor or any of its Subsidiaries is a party or by which the Parent Guarantor or any of its Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes and the Parent Guarantee will terminate.

Defeasance of Certain Covenants

The Indenture will further provide that the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3)(x) and (5) under the first paragraph under "– Consolidation, Merger and Sale of Assets" and all the covenants described herein under "– Certain Covenants", clause (3) under "Events of Default" with respect to clause (3)(x) and (5) under the first paragraph under "Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in such clause, clause (4) under "Events of Default" with respect to such other covenants and clauses (5) and (6) under "Events of Default" shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of cash in U.S. dollars, cash equivalents consisting of non-callable U.S. dollar-denominated government securities or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event that the Issuer exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of cash in U.S. dollars and/or cash equivalents consisting of non-callable U.S. dollar-denominated government securities on deposit with the Trustee (or its agent) will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Issuer will remain liable for such payments.

SATISFACTION AND DISCHARGE

The Indenture will be discharged and will cease to be of further effect as to all outstanding Notes, when:

(1) either:

(a) all Notes that have been authenticated and issued (except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust by the Issuer and thereafter repaid to the Issuer) have been delivered to the Registrar for cancellation; or

(b) all Notes that have not been delivered to the Registrar for cancellation have become due and payable pursuant to a notice of redemption or otherwise or will become due and payable within one year, and the Issuer or the Parent Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable U.S. dollar-denominated government securities, or a combination thereof, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the Notes not delivered to the Registrar for cancellation, for principal of, premium, if any, and interest, if any, on, the Notes to the date of maturity or redemption, as the case may be;

(2) in respect of clause 1(b), no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any similar deposit relating to other indebtedness and, in each case, the granting of Liens to secure such borrowings) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Issuer or the Parent Guarantor is a party or by which the Issuer or the Parent Guarantor is bound (other than with respect to the borrowing of funds to be applied concurrently to make the deposit required to effect such satisfaction and discharge and any similar concurrent deposit relating to other indebtedness, and in each case the granting of Liens to secure such borrowings);

(3) the Issuer or the Parent Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and

(4) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

AMENDMENTS AND WAIVER

Amendments Without Consent of Holders

The Indenture, the Notes or the Parent Guarantee may be amended, without the consent of any Holder, to:

(1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes or the Parent Guarantee;

(2) comply with the provisions described under "– Consolidation, Merger and Sale of Assets";

(3) evidence and provide for the acceptance of appointment by a successor Trustee;

(4) release the Parent Guarantor from the Parent Guarantee as provided or permitted by the terms of the Indenture;

(5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(6) add any guarantee or any collateral to secure the Notes or the Parent Guarantee;

(7) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(8) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;

(9) to conform the text of the Indenture, the Notes or the Parent Guarantee to any provision of this Description of the Notes to the extent that such provision in this Description of the Notes was intended to be a *verbatim* recitation of a provision of Indenture, the Notes or the Parent Guarantee, which intent may be evidenced by an Officers' Certificate to that effect; or

(10) make any other change that does not materially and adversely affect the rights of any Holder.

Amendments With Consent of Holders

The Indenture, the Notes or the Parent Guarantee may be amended, and the future compliance by the Issuer and the Parent Guarantor with any provision thereof may be waived, with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes; *provided*, however, that no such modification, amendment or waiver may, without the consent of Holders of not less than 90% in aggregate principal amount of the outstanding Notes:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the currency of payment of principal of, or premium, if any, or interest on, any Note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(7) release the Parent Guarantor from the Parent Guarantee, except as provided in the Indenture;

(8) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(9) amend, change or modify the Parent Guarantee in a manner that adversely affects the Holders;

(10) reduce the amount payable upon an Offer to Purchase in the manner described under the caption "– Repurchase of Notes upon a Change of Control Triggering Event";

(11) change the redemption date or the redemption price of the Notes from that stated under the captions "– Optional Redemption" or "– Redemption for Taxation Reasons";

(12) amend, change or modify the obligation of the Issuer or the Parent Guarantor to pay Additional Amounts; or

(13) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or the Parent Guarantee in a manner which adversely affects the Holders.

UNCLAIMED MONEY

Claims against the Issuer or the Parent Guarantor for the payment of principal, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

NO PERSONAL LIABILITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS, DIRECTORS OR EMPLOYEES

No recourse for the payment of the principal, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Issuer or the Parent Guarantor in the Indenture, or in any of the Notes or the Parent Guarantee, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Issuer or the Parent Guarantor, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes or the Parent Guarantee. Such waiver may not be effective to waive liabilities under U.S. federal securities laws.

JUDGMENT CURRENCY

Any payment on account of an amount that is payable in U.S. dollars (the "Required Currency"), which is made to or for the account of any Holder of the Notes or the Trustee in lawful currency of any other jurisdiction (the "Judgment Currency"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Issuer or the Parent Guarantor, shall constitute a discharge of the Issuer's or the Parent Guarantor's obligation, if any, under the Indenture and the Notes or the Parent Guarantee, as the case may be, only to the extent of the amount of the Required Currency with such Holder or the Trustee, as the case may be, could purchase in London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of the Required Currency that could be so purchased is less than the amount of the Required Currency originally due to such Holder or the Trustee, as the case may be, the Issuer and the Parent Guarantor shall indemnify and hold harmless the Holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture or the Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

CONCERNING THE TRUSTEE AND THE AGENTS

The Bank of New York Mellon, London Branch will be appointed as Trustee under the Indenture and as paying agent (the "Paying Agent") and The Bank of New York Mellon SA/NV, Luxembourg Branch, a banking corporation organized and existing under the laws of the State of New York with limited liability and operating through its branch in Luxembourg at Vertigo Building – Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg, will be appointed as registrar (the "Registrar") and transfer agent (the "Transfer Agent", and together with the Paying Agent and the Registrar, the "Agents") with regard to the Notes. Except during the continuance of an Event of Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. The Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless the requisite number of Holders have instructed the Trustee in writing and offered to the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense.

The Indenture contains provisions setting out the rights of the Trustee, the Agents and other persons such as delegates and co-trustees for the benefit and protection of such parties.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Issuer or the Parent Guarantor, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, including normal banking and trustee relationships, with the Parent Guarantor and its Affiliates; *provided*, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

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

Neither the Trustee nor the Agents shall be deemed to have knowledge of any Event of Default or Default unless the Responsible Officer of the Trustee or the Agents has been notified in writing of such Event of Default or Default.

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

BOOK-ENTRY; DELIVERY AND FORM

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

GLOBAL NOTE

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

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

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

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

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

PAYMENTS ON THE GLOBAL NOTE

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "– Additional Amounts."

Under the terms of the Indenture, the Issuer, the Agents and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Parent Guarantor, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or

- any action or failure to take any action by Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

REDEMPTION OF GLOBAL NOTE

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided*, however, that no book-entry interest of US$200,000 principal amount, or less, as the case may be, will be redeemed in part.

ACTION BY OWNERS OF BOOK-ENTRY INTERESTS

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note.

TRANSFERS

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "Transfer Restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

GLOBAL CLEARANCE AND SETTLEMENT UNDER THE BOOK-ENTRY SYSTEM

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

INFORMATION CONCERNING EUROCLEAR AND CLEARSTREAM

The Issuer understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Issuer, the Parent Guarantor, the Trustee, the Agents or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

INDIVIDUAL DEFINITIVE NOTES

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "– Events of Default" and the Issuer has received a written request from a Holder, the Issuer will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Issuer will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by the Registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Registrar, through the relevant clearing system, with written instruction and other information required by the Issuer and the Registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

NOTICES

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in mails (if intended for the Issuer or the Parent Guarantor) addressed to the Issuer or the Parent Guarantor at its registered office, (if intended for the Trustee) addressed to the Trustee at the Corporate Trust Office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

CONSENT TO JURISDICTION; SERVICE OF PROCESS

Each of the Issuer and the Parent Guarantor will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, the Parent Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Fosun Management (US) Inc. at 80 State Street, Albany, NY, 12207-2543, USA as agent for receipt of service of process in any such suit, action or proceeding.

GOVERNING LAW

Each of the Notes, the Parent Guarantee and the Indenture will provide that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

DEFINITIONS

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

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

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

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

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

"*Affiliate*" means, with respect to any Person, whether now or in the future, as of the date on which, or any time during the period for which, the determination of affiliation is being made, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"*Applicable Premium*" means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the redemption price of such Note on October 19, 2023 (such redemption price being set forth in the table appearing above under the caption "– Optional Redemption"), plus (y) all required remaining scheduled interest payments due on such Note through October 19, 2023 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

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

"*Capital Stock*" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock.

"*Change of Control*" means the occurrence of one or more of the following events:

(1) the merger, amalgamation or consolidation of the Parent Guarantor with or into another Person (other than one or more of the Permitted Holders) or the merger or amalgamation of another Person with or into the Parent Guarantor, or the sale of all or substantially all the assets of the Parent Guarantor to another Person;

(2) the Permitted Holders are the beneficial owners of less than 40% of the total voting power of the Voting Stock of the Parent Guarantor;

(3) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Parent Guarantor greater than such total voting power held beneficially by the Permitted Holders;

(4) individuals who on the Original Issue Date constituted the board of directors of the Parent Guarantor, together with any new directors whose nomination for election or whose election to the board of directors was approved by the Permitted Holders or a vote of at least a majority of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Parent Guarantor then in office; or

(5) the adoption of a plan relating to the liquidation or dissolution of the Parent Guarantor.

"*Change of Control Triggering Event*" means the occurrence of both a Change of Control and, provided that the Notes are rated by at least one Rating Agency, a Rating Decline.

"*Clearstream*" means Clearstream Banking S.A.

"*Common Stock*" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

"*continuing*" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"*Corporate Trust Office*" means the office of the Trustee at which the corporate trust business of the Trustee is principally administered, which shall initially be located at One Canada Square, London E14 5AL, United Kingdom, attention: Global Corporate Trust – Fortune Star (BVI) Limited and shall include a reference to the Specified Corporate Trust Office, facsimile: +44 207 964 2509.

"*Default*" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"*Dollar Equivalent*" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

"*Equity Offering*" means (i) any underwritten primary public offering or private placement of Common Stock of the Parent Guarantor after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Parent Guarantor beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Parent Guarantor at the same price as the public offering or private placing price; *provided* that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Parent Guarantor being no less than US$25.0 million (or the Dollar Equivalent thereof).

"*Entrusted Loans*" means borrowings by a PRC Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Subsidiary to the lending bank as security for such borrowings, *provided* that, such borrowings are not reflected on the consolidated balance sheet of the Parent Guarantor.

"*Euroclear*" means Euroclear Bank SA/NV.

"*Existing Indebtedness*" means, to the extent outstanding, the 2014 Notes, the 2016 Notes, the March 2017 Notes, the January 2018 Notes, the January 2019 Notes, the July 2019 Notes, the November 2019 Notes, the July 2020 Notes and the October 2020 Notes.

"*Existing Notes Issuer*" means the 2014 Notes Issuer, the 2016 Notes Issuer or the Issuer.

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

"*GAAP*" means Hong Kong Financial Reporting Standards as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person to purchase or pay (or advance or supply funds for the purchase or payment of) such indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), *provided* that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Holder*" means the Person in whose name a Note is registered in the Note register.

"*Investment Grade*" means (1) a rating of "AAA", "AA", "A" or "BBB", as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns, (2) a rating of "Aaa", or "Aa", "A" or "Baa", as modified by a "1", "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's, or any of its successors or assigns, (3) a rating of "AAA", "AA", "A", "BBB", as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns, or (4) the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Parent Guarantor as having been substituted for S&P, Moody's or Fitch or any of them, as the case may be.

"*Issuer*" means Fortune Star (BVI) Limited, a wholly owned subsidiary of the Parent Guarantor.

"*January 2018 Notes*" means the 5.95% Senior Notes due 2023 of the Issuer, guaranteed by the Parent Guarantor as the parent guarantor.

"*January 2019 Notes*" means the 6.875% Senior Notes due 2021 of the Issuer, guaranteed by the Parent Guarantor as the parent guarantor.

"*July 2019 Notes*" means the 6.75% Senior Notes due 2023 of the Issuer, guaranteed by the Parent Guarantor as the parent guarantor.

"*July 2020 Notes*" means the 6.85% Senior Notes due 2024 of the Issuer, guaranteed by the Parent Guarantor as the parent guarantor.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

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

"*Moody's*" means Moody's Investors Service, Inc. and its successors.

"*Net Cash Proceeds*" means, with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"*November 2019 Notes*" means the 4.35% Senior Notes due 2023 of the Issuer, guaranteed by the Parent Guarantor as the parent guarantor.

"*October 2020 Notes*" means the 5.95% Senior Notes due 2025 of the Issuer, guaranteed by the Parent Guarantor as the parent guarantor.

"*Offer to Purchase*" means an offer to purchase Notes by the Issuer or the Parent Guarantor from the Holders commenced by the Issuer or the Parent Guarantor mailing a notice by first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Note register stating:

(1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Issuer or the Parent Guarantor defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000.

No later than 9.00 a.m. (London time) on the date which is one Business Day prior to the Offer to Purchase Payment Date, the Issuer or the Parent Guarantor shall pay or cause to be paid to the account of the Paying Agent money sufficient to pay the purchase price of the Notes or portions thereof so accepted. On the Offer to Purchase Payment Date, the Issuer or the Parent Guarantor, as the case may be, shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Issuer or the Parent Guarantor, as the case may be. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Registrar shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000 in excess thereof. The Issuer or the Parent Guarantor will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Issuer or the Parent Guarantor will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Issuer or the Parent Guarantor is required to repurchase Notes pursuant to an Offer to Purchase.

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

"*Officer*" means one of the directors or officers of the Issuer or the Parent Guarantor, as the case may be.

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

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

"*Original Issue Date*" means , 2021.

"*Permitted Holders*" means any or all of the following:

(1) Messrs. Guo Guangchang and Wang Qunbin;

(2) any estate and spouse or immediate family member of any Person specified in clause (1) or any legal representative of any of the foregoing;

(3) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Person specified in clause (1); and

(4) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% by Persons specified in clauses (1) and (2).

"*Permitted Liens*" means Liens (including extensions and renewals thereof) arising from Relevant Indebtedness (or any refinancing thereof) incurred for the purpose of financing (or refinancing) all or any part of the acquisition or cost of design, development, construction, installation or improvement of any real or personal property, plant or equipment.

"*Person*" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"*Preferred Stock*" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*PRC*" means the People's Republic of China, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region, and Taiwan.

"*PRC Subsidiary*" means a Subsidiary organized under the laws of the PRC.

"*Rating Agencies*" means (1) S&P, (2) Moody's, (3) Fitch and (4) if S&P, Moody's, Fitch or any of them shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Parent Guarantor, which shall be substituted for S&P, Moody's, Fitch or any of them, as the case may be.

"*Rating Category*" means (1) with respect to S&P, any of the following categories: "BB", "B", "CCC", "CC", "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Ba", "B", "Caa", "Ca", "C" and "D" (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: "BB", "B", "CCC", "CC", "C" and "D" (or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody's or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P; "1", "2" and "3" for Moody's and "+" and "-" for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB", as well as from "B+" to "B", will constitute a decrease of one gradation).

"*Rating Date*" means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Parent Guarantor or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption "– Consolidation, Merger and Sale of Assets", that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"*Rating Decline*" means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Parent Guarantor or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under the caption "– Consolidation, Merger and Sale of Assets", the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(a) in the event the Notes are rated by each of Moody's, S&P and Fitch on the Rating Date as Investment Grade, the rating of the Notes by any Rating Agency shall be below Investment Grade;

(b) in the event the Notes are rated by any, but not all, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any such Rating Agency shall be below Investment Grade; or

(c) in the event the Notes are rated below Investment Grade by all Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"*Relevant Indebtedness*" means any present or future indebtedness issued outside of the PRC that is in the form of, or represented or evidenced by any bonds, notes, debentures, debenture stocks, loan stock certificates or other securities, which are, or intended to be, quoted, listed or dealt in or traded on any stock exchange or over-the-counter market or other securities market and has a final maturity of one year or more from its date of incurrence or issuance.

"*Responsible Officer*" means, when used with respect to the Trustee, any managing director, vice president, trust associate, relationship manager, transaction manager, client service manager, any trust officer or any other officer located at the Specified Corporate Trust Office who customarily performs functions similar to those performed by any persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and in each such case, who shall have direct responsibility for the day to day administration of the Indenture.

"*S&P*" means S&P Global Ratings and its affiliates.

"*Significant Subsidiary*" means any Subsidiary, or group of Subsidiaries, that would, taken together, be a "significant subsidiary" as defined in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of the Indenture.

"*Specified Corporate Trust Office*" means The Bank of New York Mellon, Hong Kong Branch located at Level 26, Three Pacific Place, 1 Queen's Road East, Hong Kong; Attention: Corporate Trust – Fortune Star (BVI) Limited; Facsimile: +852 2295 3283.

"*Stated Maturity*" means, (1) with respect to any indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such indebtedness is due and payable as set forth in the documentation governing such indebtedness and (2) with respect to any scheduled installment of principal of or interest on any indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such indebtedness.

"*subsidiary*" means, with respect to any Person, any corporation, association or other business entity (1) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person, (2) which is accounted for and consolidated in the audited consolidated accounts of another entity as a subsidiary pursuant to applicable Hong Kong Financial Reporting Standards; or (3) which will, as a result of acquisition of its equity interest by another entity, be accounted for and consolidated in the next audited consolidated accounts of such other entity as a subsidiary pursuant to applicable Hong Kong Financial Reporting Standards.

"*Subsidiary*" means any subsidiary of the Parent Guarantor.

"*Treasury Rate*" means, as of any redemption date, the yield to maturity as of the earlier of (a) such redemption date or (b) the date on which such Notes are defeased or satisfied and discharged, of the most recently issued United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) that has become publicly available at least two Business Days prior to such date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to October 19, 2023; provided, however, that if the period from the redemption date to October 19, 2023 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. Any such Treasury Rate shall be obtained by the Issuer.

"*Voting Stock*" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

PLAN OF DISTRIBUTION

Credit Suisse (Hong Kong) Limited, Deutsche Bank AG Hong Kong Branch, Crédit Agricole Corporate and Investment Bank, Fosun Hani Securities Limited, The Hongkong and Shanghai Banking Corporation Limited, Natixis and Standard Chartered Bank are acting as joint global coordinators, joint lead managers and joint bookrunners of the offering. Subject to the terms and conditions stated in the purchase agreement dated the date of this Offering Circular, each Initial Purchaser named below has severally agreed to purchase, and we have agreed to sell to such Initial Purchaser, the principal amount of the Notes set forth opposite such Initial Purchaser's name, subject to further adjustments to be agreed among the Initial Purchasers.

Initial Purchaser	**Principal Amount of Notes**
Credit Suisse (Hong Kong) Limited	US$
Deutsche Bank AG Hong Kong Branch	US$
Crédit Agricole Corporate and Investment Bank	US$
Fosun Hani Securities Limited	US$
The Hongkong and Shanghai Banking Corporation Limited	US$
Natixis	US$
Standard Chartered Bank	US$
Total	US$

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Initial Purchasers must purchase all the Notes if they purchase any of the Notes. The Company or any of its subsidiaries or affiliates may from time to time purchase a portion of the Notes. In addition, the Company has agreed with the Initial Purchasers that certain private banks will be paid a commission in connection with the purchase of the Notes by their private bank clients.

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

The Notes and the Parent Guarantee have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the benefit of, U.S. persons except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States or to, or for the benefit of, U.S. persons by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act.

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

Credit Suisse (Hong Kong) Limited may engage in stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit Credit Suisse (Hong Kong) Limited (as stabilizing manager) to reclaim a selling concession from a dealer when the Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither the Company nor the Initial Purchasers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither the Company nor the Initial Purchasers makes any representation that Credit Suisse (Hong Kong) Limited (as stabilizing manager) will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

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

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

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

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

SELLING RESTRICTIONS

General

No action has been taken or will be taken in any jurisdiction by the Company or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this Offering Circular or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The Notes and the Parent Guarantee have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefits of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

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

Prohibition of Sales to EEA Retail Investors

The Notes may not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of Sales to UK Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression retail investor means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or

(ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder.

Japan

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

Singapore

This Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the "MAS") under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

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

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Notification under Section 309B(1)(c) of the SFA – the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PRC

The Initial Purchasers have acknowledged that this Offering Circular does not constitute a public offer of the Notes, whether by way of sale or subscription, in the PRC. The Initial Purchasers have represented and agreed that, except to the extent consistent with applicable laws and regulations in the PRC, the Notes are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC. According to the laws and regulatory requirements in the PRC, with the exception to the extent consistent with applicable laws and regulations in the PRC, the Notes may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

Canada

The distribution of the Notes in Canada is being made only on a private placement basis exempt from the requirement that the issuer prepare and file a prospectus with the applicable Canadian securities regulatory authorities. Accordingly, the Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors and permitted clients as defined in Canadian securities legislation. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's provincor territory for particulars of these rights or consult with a legal advisor.

British Virgin Islands

Each of the Initial Purchasers has represented, warranted and agreed that no invitation has been made or will be made, directly or indirectly, to any person in the British Virgin Islands or to the public in the British Virgin Islands to purchase the Notes and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands laws.

This Offering Circular does not constitute, and there will not be, an offering of the Notes to any person in the British Virgin Islands.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.

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

1. You understand and acknowledge that:

   - the Notes have not been registered under the Securities Act or any other applicable securities laws;

   - the Notes are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;

   - the Notes are being offered and sold only to non-U.S. persons outside the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and

   - unless so registered, the Notes may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph 4 below.

2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are not a U.S. person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing the Notes in an offshore transaction in accordance with Regulation S.

3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offering of the Notes, other than the information contained in this Offering Circular. You represent that you are relying only on this Offering Circular in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase the Notes including an opportunity to ask questions of and request information from us.

4. You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of the Notes by its acceptance of the Notes will agree, that until the end of the Resale Restriction Period (as defined below), the Notes may be offered, sold or otherwise transferred only:

   (a) to us;

   (b) under a registration statement that has been declared effective under the Securities Act;

   (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act; or

   (d) under any other available exemption from the registration requirements of the Securities Act,

   subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and in compliance with applicable state and other securities laws.

5. You also acknowledge that:

   - the above restrictions on resale will apply from the closing date until the date that is 40 days after the closing date (the "Resale Restriction Period"), and will not apply after the Resale Restriction Period ends;

   - we and the Trustee reserve the right to require in connection with any offer, sale or other transfer of the Notes under clause 4(d) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the Trustee; and

   - each Note will contain a legend substantially to the following effect:

     THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE ISSUE DATE HEREOF (THE "RESALE RESTRICTION TERMINATION DATE"), ONLY (A) TO FORTUNE STAR (BVI) LIMITED (THE "ISSUER"), (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

6. You acknowledge that we, the Initial Purchasers, the Trustee, the Transfer Agent and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Notes is no longer accurate, you will promptly notify us, the Transfer Agent and the Initial Purchasers. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

7. You also acknowledge that this Offering Circular has not been and will not be registered as a prospectus with the MAS under the SFA. Accordingly, you have represented, warranted and agreed that you have not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and have not circulated or distributed, nor will you circulate or distribute, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

TAXATION

The following summary of certain BVI and Hong Kong tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of the Notes.

BRITISH VIRGIN ISLANDS

The Issuer does not constitute a tax resident in any jurisdiction.

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

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the BVI with respect to the Notes.

All instruments relating to transfers of property to or by the Issuer and all instruments relating to transactions in respect of the Notes and all instruments relating to other transactions relating to the business of the Issuer are exempt from payment of stamp duty in the BVI. This assumes that the Issuer does not hold an interest in real estate in the BVI.

There are currently no withholding taxes or exchange control regulations in the BVI applicable to the Issuer or its members.

The BVI enacted the Economic Substance (Companies and Limited Partnerships) Act, 2018 (the "**ES Act**"), which became effective on January 1, 2019, and the Rules on Economic Substance in the Virgin Islands, containing rules and guidance relating to the interpretation of the ES Act and how the International Tax Authority (the "ITA") will carry out its obligations, were released on 9 October 2019, and were further updated on February 10, 2020. The Issuer is required to report to the ITA on a periodic basis to enable the ITA to monitor compliance with the economic substance requirements, if it is carrying on one or more relevant activities. If this is the case, it may be required to adopt adequate economic substance in the BVI.

HONG KONG

Withholding tax

No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or interest in respect of the Notes.

Profits tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance"), Hong Kong profits tax may be charged on profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

- a corporation carrying on a trade, profession or business in Hong Kong; or

- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue, transfer or conversion of a Note.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished estate duty with effect from February 11, 2006. No estate duty affidavits and accounts need to be filed and no estate duty clearance papers are needed for the application for a grant of representation in respect of deaths occurring on or after that date.

PRC

For a discussion of certain PRC tax consequences that may apply if the Company were treated as a PRC tax resident see "Risk Factors – Risks Relating to China – We may be treated as a PRC resident enterprise for PRC tax purposes, which may subject us to PRC income taxes on our worldwide income and may result in PRC withholding taxes on payments on the Notes and PRC tax on a sale of the Notes."

RATINGS

The Notes are expected to be rated "BB" by S&P Global Ratings.

ISSUANCE OF FOREIGN DEBT

The Notes will be issued pursuant to an approval received from the NDRC obtained by High Technology in relation to issuance of debt securities outside China. We will cause relevant information and documents relating to the issue of the Notes to be reported to the NDRC within 10 PRC working days after the issue date of the Notes in accordance with such approval.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Jingtian & Gongcheng as to matters of PRC law, by Sidley Austin as to matters of United States federal and New York law and Hong Kong law, and by Harney Westwood & Riegels as to matters of BVI law. Certain legal matters will be passed upon for the Initial Purchasers by Jia Yuan Law Office as to matters of PRC law and by Norton Rose Fulbright Hong Kong as to matters of United States federal and New York law.

INDEPENDENT AUDITORS

The consolidated statements of financial position of Fosun International Limited and its subsidiaries as of December 31, 2017, 2018 and 2019, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of Fosun International Limited and its subsidiaries for each of the years ended December 31, 2017, 2018 and 2019 included in this Offering Circular have been audited by Ernst & Young, independent auditors, as stated in their reports and in our annual reports for the years ended December 31, 2017, 2018 and 2019.

Our unaudited consolidated financial information as of and for the six months ended June 30, 2019 and 2020 set forth below is derived from our unaudited condensed consolidated financial statements for the six months ended June 30, 2020, which have been reviewed by Ernst & Young, our independent auditors, and are included elsewhere in this offering circular, and should be read in conjunction with such unaudited condensed consolidated financial statements, including the notes thereto.

GENERAL INFORMATION

CONSENTS

We have obtained all necessary consents, approvals and authorizations in the BVI and Hong Kong in connection with the issue and performance of the Notes and the Parent Guarantee. The entering into of the Indenture and the issue of the Notes have been authorized by a resolution of the Issuer's board of directors dated January 19, 2021 and the executive committee of the Company dated January 19, 2021.

LITIGATION

Save as disclosed in this Offering Circular, none of the Issuer and the Company is involved in any legal, governmental or arbitration proceedings during the last 12 months which may have, or have had in the recent past a significant effect on the financial position or profitability of the Issuer or the Company, nor so far as the Issuer or the Company is aware, no such governmental, legal or arbitration proceedings are pending or threatened.

NO MATERIAL ADVERSE CHANGE

Except as disclosed in this Offering Circular, there has been no material adverse change in the prospects of the Company since June 30, 2020 nor any significant change in the financial or trading position of the Company since June 30, 2020.

DOCUMENTS AVAILABLE

For so long as any of the Notes are outstanding, electronic copies of the articles of association of the Issuer and Articles of Association of the Company may be obtained during normal business hours on any weekday (except public holidays) at the Corporate Trust Office of the Trustee.

For so long as any of the Notes are outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the Corporate Trust Office of the Trustee. For so long as any of the Notes are outstanding, electronic copies of our audited financial statements for the last two financial years, if any, may be obtained during normal business hours on any weekday (except public holidays) at the principal office of the Company.

For so long as any of the Notes are outstanding, electronic copies of Guarantee may be obtained during normal business hours on any weekday (except public holidays) at the Corporate Trust Office of the Trustee.

CLEARING SYSTEMS AND SETTLEMENT

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream under the Common Code 228132179 and the International Securities Identification Number XS2281321799. Only Notes evidenced by the Global Note have been accepted for clearance through Euroclear and Clearstream.

LISTING

Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000.

GLOSSARY OF TERMS

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

COMPANIES

Holding Companies

Our Company/ the Company/ Fosun International	復星國際有限公司 (Fosun International Limited)
Our Group	Our Company and its subsidiaries
Industrial Holdings	復星產業控股有限公司 (Fosun Industrial Holdings Limited)
Gold Holdings	復星黃金控股有限公司 (Fosun Gold Holdings Limited)
Financial Holdings	復星金融控股有限公司 (Fosun Financial Holdings Limited)
Property Holdings	復星地產控股有限公司 (Fosun Property Holdings Limited)

Principal Portfolio Companies

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

Other Portfolio Companies in the Wealth Business

Insurance Segment and Finance Segment

AmeriTrust	AmeriTrust Group, Inc. (formerly known as Meadowbrook Insurance Group, Inc.)

Fosun Insurance Portugal	A group of companies which comprise Fidelidade, Fidelidade Assistência and Multicare
Fosun United Health Insurance	復星聯合健康保險股份有限公司 (Fosun United Health Insurance Co., Ltd.)
Fidelidade	Fidelidade-Companhia de Seguros, S.A.
Fidelidade Assistência	Fidelidade Assistência – Companhia de Seguros, S.A. (formerly known as Cares – Companhia de Seguros, S.A.)
Multicare	Multicare-Seguros de Saúde, S.A.
Yong'an P&C Insurance	永安財產保險股份有限公司 (Yong'an Property Insurance Company Limited)
Pramerica Fosun Life Insurance	復星保德信人壽保險有限公司 (Pramerica Fosun Life Insurance Co., Ltd.)
Peak Reinsurance	鼎睿再保險有限公司 (Peak Reinsurance Company Limited)
Investment Segment	
Zhaojin Mining	招金礦業股份有限公司 (Zhaojin Mining Industry Company Limited)
Industrial Development	上海復星工業技術發展有限公司 (Shanghai Fosun Industrial Technology Development Co., Ltd.)
Industrial Investment	上海復星產業投資有限公司 (Shanghai Fosun Industrial Investment Co., Ltd.)
Financial Vantage	Financial Vantage Limited
Topper Link	Topper Link Limited
Nanjing Steel United	南京鋼鐵聯合有限公司 (Nanjing Iron & Steel United Co., Ltd.)
IDERA	IDERA Capital Management Ltd.
H&A	Hauck & Aufhäuser Privatbankiers AG (formerly known as Hauck & Aufhäuser Privatbankiers KGaA)
Fosun Finance Company	上海復星高科技集團財務有限公司 (Shanghai Fosun High Technology Group Finance Co., Ltd.)
Fosun Hani Securities	復星恒利證券有限公司 (Fosun Hani Securities Limited)
Mybank	浙江網商銀行股份有限公司 (Zhejiang E-Commerce Bank Co., Ltd.)

ROC	Roc Oil Company Pty Limited

Hive Property Business

Resource Property	上海策源置業顧問股份有限公司 (Shanghai Resource Property Consultancy Co., Ltd.)
Forte Entities	A group of companies which comprise Forte, its subsidiaries, joint ventures and associates
Shanghai Zendai	上海証大房地產有限公司 (Shanghai Zendai Property Limited), a company whose shares are listed on the Hong Kong Stock Exchange with stock code 00755

Other Portfolio Companies in Our Health Business

Medical Services & Health Management

Luz Saúde	Luz Saúde, S.A. (formerly known as ESPÍRITO SANTO SAÚDE – SGPS, SA)
Starcastle Senior Living	上海星堡老年服務有限公司 (Shanghai Starcastle Senior Living Co., Ltd.)

Healthcare Products Business

BabyTree	BabyTree Group, a company whose shares are listed on the Hong Kong Stock Exchange with stock code 01761
St Hubert	St Hubert SAS
Silver Cross	Silver Cross Nurseries Limited
Sanyuan Foods	北京三元食品股份有限公司 (Beijing Sanyuan Foods Co., Ltd.), a company whose A shares are listed on the Shanghai Stock Exchange with stock code 600429
Chongqing Yaoyou	重慶藥友製藥有限責任公司 (Chongqing Yao Pharmaceutical Co., Ltd.)
Guilin Pharma	桂林南藥股份有限公司 (Guilin South Pharma Co., Ltd.)
Shanghai Henlius	上海復宏漢霖生物技術股份有限公司 (Shanghai Henlius Biotech, Co., Ltd.), a company whose stock is listed on the main board of Hong Kong Stock Exchange with stock code 2696
Gland Pharma	Gland Pharma Limited
Sinopharm	國藥控股股份有限公司 (Sinopharm Group Co., Ltd.)

Sinopharm Investment	國藥產業投資有限公司 (Sinopharm Industrial Investment Co., Ltd.)

Other Portfolio Companies in Our Happiness Business

Tourism & Leisure Business

Atlantis Sanya	A tourism destination of FTG on the Haitang Bay National Coast of Sanya, Hainan Province, PRC
Club Med	Club Med SAS (formerly known as Club Méditerranée SA)
FTG	Fosun Tourism Group, a company whose shares are listed on the Hong Kong Stock Exchange with stock code 01992
Thomas Cook	Thomas Cook Group plc, a company whose shares are listed on the London Stock Exchange with stock code TCG

Fashion

Tom Tailor	TOM TAILOR Holding SE, a company whose shares are listed on the Frankfurt Stock Exchange with stock code TTI

Consumer & Lifestyle

Yuyuan	上海豫園旅遊商城(集團)股份有限公司 (Shanghai Yuyuan Tourist Mart (Group) Co., Ltd.), a company whose A shares are listed on the Shanghai Stock Exchange with stock code 600655
Studio 8	Studio 8, LLC
AHAVA	AHAVA Dead Sea Laboratories Ltd.

Parent Companies and Other Related Parties

Fosun Holdings	復星控股有限公司 (Fosun Holdings Limited)
Fosun International Holdings	復星國際控股有限公司 (Fosun International Holdings Ltd.)

TECHNICAL TERMS

Insurance Segment

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

Asset Management Business

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

Health Business

clinical trial	systematic research conducted with patients or healthy volunteers to prove or reveal the effects and undesirable reactions of a test drug and/or the pattern of absorption, distribution, metabolism and excretion in relation to a test drug for the purpose of confirming the therapeutic value and safety of the test drug
first-to-market chemical generic drug	the first chemical generic drug that receives approval to be launched, following the expiry of the patent of an innovative drug
generic drugs	drugs which use the same active ingredients as the original products and are generally available in the same strengths and dosage forms as the original
influenza	highly infectious respiratory disease. The disease is caused by certain strains of the influenza virus. When the virus is inhaled, it attacks cells in the upper respiratory tract, causing typical flu symptoms such as fatigue, fever and chills, a hacking cough, and body aches
innovative drugs	new chemical or biochemical drugs that are different from existing drugs or therapies to treat diseases
National Medical Insurance Drugs Catalogue	a catalogue of the list of pharmaceutical products under the National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance Drugs Catalogue (國家基本醫療保險、工傷保險和生育保險藥品目錄(2009年版)) issued by the Ministry of Labor and Social Security of the PRC in 2009, as amended, supplemented or otherwise modified from time to time

non-prescription	a drug that may be bought by consumers over the counter without prescription
prescription drug	drugs which may only be prescribed by qualified medical practitioners
Provincial Medical Insurance Drugs Catalogue	the basic medical insurance, work injury insurance and maternity insurance drugs catalogue, issued by the local agency of human resources and social security of a province, municipality or autonomous region

Hive Property Business

BOC	building ownership certificate
GFA	gross floor area
LURC	land usage rights certificate
REC	real estate title certificate
sq.m.	square meter(s)

Other

Articles of Association	the current articles of association of the Company with the latest amendments made on June 17, 2008
Board	the board of Directors
CG Code	Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules
COVID-19	Coronavirus disease 2019
Director(s)	the director(s) of the Company
EUR, Euro or €	Euro, the official currency of the Eurozone
GBP	Pound Sterling, the official currency of United Kingdom
Hong Kong	the Hong Kong Special Administrative Region of PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
JPY	Japanese yen, the official currency of Japan
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange

NEEQ	National Equities Exchange and Quotations
PRC or China	the People's Republic of China
RMB	Renminbi, the official currency of the PRC
Share(s)	the share(s) of the Company
USD or US$	United States Dollars, the official currency of the United States of America

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Page references included in the unaudited consolidated financial statements for the six months ended June 30, 2020 set for above refer to pages in such consolidated financial statements as appeared in our interim report for the six months ended June 30, 2020.

Page references included in the consolidated financial statements for the year ended December 31, 2018 and 2019 set forth above refer to pages in such consolidated financial statements as appeared in our annual reports for the years ended December 31, 2018 and 2019.

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Independent review report

To the board of directors of Fosun International Limited

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 28 to 77, which comprises the condensed consolidated statement of financial position of Fosun International Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
27 August 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June **2020** **RMB'000** **(Unaudited)**	 2019 RMB'000 (Unaudited)
REVENUE	3	**63,269,235**	68,475,442
Cost of sales		**(38,708,624)**	(43,749,865)
Gross profit		**24,560,611**	24,725,577
Other income and gains	3	**7,383,163**	13,018,314
Selling and distribution expenses		**(10,008,730)**	(10,429,198)
Administrative expenses		**(10,301,509)**	(10,370,687)
Other expenses		**(5,177,449)**	(1,954,301)
Finance costs	4	**(5,037,956)**	(4,934,179)
Amount reported in profit or loss applying the overlay approach		**982,147**	(493,419)
Share of profits and losses of:			
Joint ventures		**900,529**	309,532
Associates		**2,071,733**	3,616,114
PROFIT BEFORE TAX	5	**5,372,539**	13,487,753
Tax	6	**(2,200,250)**	(2,269,932)
PROFIT FOR THE PERIOD		**3,172,289**	11,217,821
Attributable to:			
Owners of the parent		**2,012,111**	7,608,763
Non-controlling interests		**1,160,178**	3,609,058
		3,172,289	11,217,821
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic			
– For profit for the period (RMB)		**0.24**	0.89
Diluted			
– For profit for the period (RMB)		**0.24**	0.89

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**3,172,289**	11,217,821
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 (loss)/income applying the overlay approach	**(982,147)**	493,419
Income tax effect	**219,411**	(157,940)
	(762,736)	335,479
Debt investments at fair value through other comprehensive income:		
Change in fair value	**(1,098,761)**	1,987,134
Changes in allowance for expected credit losses	**16,073**	22,844
Reclassification adjustments for gains on disposal included in the consolidated statement of profit or loss	**(2,779)**	(311,800)
Income tax effect	**342,662**	(321,140)
	(742,805)	1,377,038
Change in other life insurance contract liabilities due to potential losses/(gains) on financial assets	**94,723**	(144,773)
Income tax effect	**4,076**	(11,808)
	98,799	(156,581)
Fair value adjustments of hedging instruments in cash flow hedges	**69,816**	(61,883)
Income tax effect	**(11,715)**	2,264
	58,101	(59,619)
Fair value adjustments of hedging of a net investment in a foreign operation	**172,776**	(54,046)
Income tax effect	**(40,652)**	12,342
	132,124	(41,704)
Share of other comprehensive loss of joint ventures	**–**	(470)
Share of other comprehensive income of associates	**23,979**	16,630
Exchange differences on translation of foreign operations	**(902,722)**	253,115
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(2,095,260)**	1,723,888

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME (continued)		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Revaluation gain/(losses) upon transfer from owner-occupied property to investment property	**51,283**	(5,322)
Income tax effect	**(10,565)**	1,353
	40,718	(3,969)
Actuarial reserve relating to employee benefit	**350**	(24,116)
Income tax effect	**(408)**	2,786
	(58)	(21,330)
Equity investments designated at fair value through other comprehensive income:		
Change in fair value	**(167,453)**	(520,129)
Income tax effect	**13,744**	1,340
	(153,709)	(518,789)
Share of other comprehensive income of associates	**49,403**	–
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(63,646)**	(544,088)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(2,158,906)**	1,179,800
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,013,383**	12,397,621
Attributable to:		
Owners of the parent	**416,201**	8,679,474
Non-controlling interests	**597,182**	3,718,147
	1,013,383	12,397,621

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Note	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**39,661,005**	39,610,397
Investment properties		**64,905,189**	59,360,379
Right-of-use assets		**16,246,738**	18,777,362
Exploration and evaluation assets		**479,343**	507,028
Mining rights		**527,710**	536,023
Oil and gas assets		**1,700,108**	1,687,056
Intangible assets		**22,171,929**	23,326,888
Goodwill		**22,603,204**	20,252,439
Investments in joint ventures		**25,193,216**	25,757,655
Investments in associates		**93,028,805**	88,379,506
Financial assets at fair value through profit or loss		**24,295,193**	25,358,039
Equity investments designated at fair value through other comprehensive income		**801,548**	898,596
Debt investments at fair value through other comprehensive income		**65,469,957**	68,233,284
Debt investments at amortised cost		**26,192,309**	25,709,406
Properties under development		**14,925,609**	18,211,654
Due from related companies		**995,892**	854,603
Prepayments, other receivables and other assets		**3,377,094**	4,024,361
Deferred tax assets		**6,546,400**	5,787,038
Inventories		**41,218**	41,218
Policyholder account assets in respect of unit-linked contracts		**1,204,852**	907,648
Insurance and reinsurance debtors		**112,284**	126,409
Reinsurers' share of insurance contract provisions		**5,120,411**	4,669,061
Term deposits		**1,201,452**	1,253,305
Placements with and loans to banks and other financial institutions		**39,805**	39,078
Loans and advances to customers		**364,763**	426,292
Derivative financial instruments		**373,416**	303,116
Finance lease receivables		**796,184**	911,142
Total non-current assets		**438,375,634**	435,948,983

	Note	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
CURRENT ASSETS			
Cash and bank balances		**114,662,795**	93,647,199
Financial assets at fair value through profit or loss		**28,882,030**	36,039,326
Debt investments at fair value through other comprehensive income		**22,316,127**	20,209,046
Debt investments at amortised cost		**7,500,700**	7,868,974
Derivative financial instruments		**976,538**	977,860
Trade and notes receivables	9	**9,002,827**	7,694,125
Contract assets and other assets		**1,671,369**	191,938
Prepayments, other receivables and other assets		**21,755,416**	19,056,697
Inventories		**9,377,741**	8,668,650
Completed properties for sale		**11,804,481**	12,640,372
Properties under development		**38,389,605**	33,036,615
Due from related companies		**11,704,019**	13,745,593
Policyholder account assets in respect of unit-linked contracts		**203,908**	176,539
Insurance and reinsurance debtors		**17,008,903**	13,973,826
Reinsurers' share of insurance contract provisions		**5,868,636**	5,958,133
Placements with and loans to banks and other financial institutions		**–**	273,511
Loans and advances to customers		**4,350,323**	4,195,966
Finance lease receivables		**1,058,769**	1,306,901
		306,534,187	279,661,271
Assets of a disposal group classified as held for sale		**75,791**	70,942
Total current assets		**306,609,978**	279,732,213

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	10	**108,278,748**	82,738,138
Contract liabilities		**20,851,424**	21,419,105
Trade and notes payables	11	**16,392,872**	16,718,466
Accrued liabilities and other payables		**34,177,779**	36,122,172
Tax payable		**9,572,272**	10,020,028
Deposits from customers		**49,289,885**	40,892,261
Due to the holding company		**1,182,140**	3,058,650
Due to related companies		**2,876,030**	3,340,958
Derivative financial instruments		**1,641,906**	1,396,069
Accounts payable to brokerage clients		**547,618**	156,513
Unearned premium provisions		**9,634,709**	8,972,868
Provision for outstanding claims		**21,215,243**	21,321,027
Provision for unexpired risks		**268,206**	248,466
Financial liabilities for unit-linked contracts		**129,386**	133,031
Investment contract liabilities		**10,500,929**	7,621,231
Other life insurance contract liabilities		**1,686,032**	1,756,869
Insurance and reinsurance creditors		**10,333,260**	8,217,474
Financial liabilities at fair value through profit or loss		**2,688,681**	2,245,801
Due to banks and other financial institutions		**3,533,146**	1,994,062
Placements from banks and other financial institutions		**240,617**	17,501
		305,040,883	268,390,690
Liabilities directly associated with the assets classified as held for sale		**8,611**	8,454
Total current liabilities		**305,049,494**	268,399,144
NET CURRENT ASSETS		**1,560,484**	11,333,069
TOTAL ASSETS LESS CURRENT LIABILITIES		**439,936,118**	447,282,052

	Note	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	10	**124,284,540**	125,548,919
Deposits from customers		**78,209**	141,815
Derivative financial instruments		**679,137**	588,393
Deferred income		**1,133,524**	1,185,697
Other long term payables		**16,440,954**	18,364,777
Deferred tax liabilities		**15,713,999**	15,720,248
Provision for outstanding claims		**19,258,442**	17,831,984
Financial liabilities for unit-linked contracts		**1,280,977**	951,156
Investment contract liabilities		**56,029,934**	61,003,956
Other life insurance contract liabilities		**23,921,415**	24,361,463
Insurance and reinsurance creditors		**186,119**	146,361
Contract liabilities		**537,703**	513,067
Due to banks and other financial institutions		**936,612**	–
Due to the holding company		**3,000,000**	–
Total non-current liabilities		**263,481,565**	266,357,836
Net assets		**176,454,553**	180,924,216
EQUITY			
Equity attributable to owners of the parent			
Share capital		**36,714,828**	36,714,828
Treasury shares		**(87,489)**	(130,259)
Other reserves		**83,895,594**	85,967,773
		120,522,933	122,552,342
Non-controlling interests		**55,931,620**	58,371,874
Total equity		**176,454,553**	180,924,216

Guo Guangchang
Director

Gong Ping
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent										
	Issued capital RMB'000	Treasury shares RMB'000	Other deficits RMB'000	Surplus reserve RMB'000	Fair value reserve 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 2019 (audited)	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
Total comprehensive income/(loss) for the Period	–	–	–	–	(1,323,505)	276,534	2,012,111	(548,939)	416,201	597,182	1,013,383
Acquisition of subsidiaries (note 13(a))	–	–	–	–	–	–	–	–	–	978,946	978,946
Distributions to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(3,005,275)	(3,005,275)
Transfer from retained profits	–	–	–	1,477,662	–	–	(1,477,662)	–	–	–	–
Disposal of subsidiaries (note 13(b))	–	–	–	–	–	–	–	–	–	(62,252)	(62,252)
Liquidation of subsidiaries	–	–	–	–	–	–	–	–	–	(1,542)	(1,542)
Final dividend declared	–	–	–	–	–	–	(2,078,369)	–	(2,078,369)	–	(2,078,369)
Share of other reserve of associates	–	–	–	–	–	(6,017)	–	–	(6,017)	8,776	2,759
Acquisition of additional interests in subsidiaries	–	–	–	–	–	(70,281)	–	–	(70,281)	(1,816,598)	(1,886,879)
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	404,654	404,654
Deemed acquisition of additional interest in a subsidiary	–	–	–	–	–	(66,331)	–	–	(66,331)	(17,449)	(83,780)
Deemed disposal of partial interests in subsidiaries	–	–	–	–	–	(301)	–	–	(301)	3,092	2,791
Reclassification of non-controlling interests to liabilities as if the acquisition took place due to put options granted to non-controlling shareholders of subsidiaries	–	–	–	–	–	18,487	–	–	18,487	278,753	297,240
Repurchase of shares of the Company	–	–	–	–	–	–	(338,223)	–	(338,223)	–	(338,223)
Equity-settled share-based payments of the Company**	–	42,770	–	–	–	52,655	–	–	95,425	–	95,425
Equity-settled share-based payments of subsidiaries	–	–	–	–	–	–	–	–	–	191,459	191,459
At 30 June 2020 (unaudited)	36,714,828	(87,489)	(443,540)*	14,351,051*	(1,226,335)*	5,501,493*	66,518,524*	(805,599)*	120,522,933	55,931,620	176,454,553

* These reserve accounts comprise the consolidated other reserves of RMB83,895,594,000 in the interim condensed consolidated statement of financial position.

** According to the share award scheme announced by the Company, 5,043,720 shares were vested during the Period.

	Attributable to owners of the parent										
	Issued capital RMB'000	Treasury shares RMB'000	Other deficits RMB'000	Surplus reserve RMB'000	Fair value reserve 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 (audited)	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
Total comprehensive income/(loss) for the Period	–	–	–	–	1,066,214	(227,413)	7,608,763	231,910	8,679,474	3,718,147	12,397,621
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	1,649,577	1,649,577
Distributions to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(2,089,984)	(2,089,984)
Transfer from retained profits	–	–	–	2,859,362	–	–	(2,859,362)	–	–	–	–
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(28,829)	(28,829)
Liquidation of subsidiaries	–	–	–	–	–	–	–		–	(662)	(662)
Final dividend declared	–	–	–	–	–	–	(2,730,595)	–	(2,730,595)	–	(2,730,595)
Share of other reserve of associates	–	–	–	–	–	(1,901)	–	–	(1,901)	48,458	46,557
Acquisition of additional interests in subsidiaries	–	–	–	–	–	170,138	–	–	170,138	(607,896)	(437,758)
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	250,412	250,412
Deemed acquisition of additional interests in subsidiaries	–	–	–	–	–	427	–	–	427	(427)	–
Deemed disposal of partial interests in subsidiaries	–	–	–	–	–	84,618	–	–	84,618	50,993	135,611
Reclassification of non-controlling interests to liabilities as if the acquisition took place due to put options granted to non-controlling shareholders of subsidiaries	–	–	–	–	–	41,818	–	–	41,818	14,897	56,715
Repurchase of shares of the Company	–	–	–	–	–	–	(95,826)	–	(95,826)	–	(95,826)
Equity-settled share-based payments of the Company**	51,436	1,711	–	–	–	50,615	–	–	103,762	–	103,762
Equity-settled share-based payments of subsidiaries	–	–	–	–	–	–	–	–	–	123,475	123,475
At 30 June 2019 (unaudited)	36,712,165	(137,515)	(443,540)*	12,016,060*	(717,920)*	4,466,505*	63,138,378*	(253,380)*	114,780,753	55,040,346	169,821,099

* These reserve accounts comprise the consolidated other reserves of RMB78,206,103,000 in the interim condensed consolidated statement of financial position.

** According to the share award scheme announced by the Company, the Company issued and the employee benefit trust established by the Company allotted 5,973,750 new shares which were awarded to selected participants and will be vested based on certain vesting conditions. During the Period, 5,078,760 shares were vested.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June 2020 RMB'000 (Unaudited)	 2019 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations		**12,225,611**	6,414,395
Tax paid		**(3,075,200)**	(4,204,645)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES		**9,150,411**	2,209,750
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment, intangible assets, exploration and evaluation assets and oil and gas assets		**(3,905,238)**	(3,666,219)
Prepayments for addition of right-of use assets		**(65,912)**	(401,267)
Increase of investment properties		**(639,138)**	(3,465,659)
Purchase of financial assets at fair value through profit or loss, equity investments designated at fair value through other comprehensive income, debt investments at fair value through other comprehensive income and debt investments at amortised cost		**(66,551,607)**	(41,257,067)
Increase in deposits of derivative financial instruments		**(540,341)**	–
Proceeds from disposal of financial assets at fair value through profit or loss, equity investments designated at fair value through other comprehensive income, debt investments at fair value through other comprehensive income and debt investments at amortised cost		**72,773,166**	49,581,750
Proceeds from disposal of items of property, plant and equipment, intangible assets, current assets held-for-sale, investment properties and oil and gas assets		**376,891**	478,663
Disposal of subsidiaries	13(b)	**(258,792)**	1,686,935
Proceeds from disposal or partial disposal of associates and joint ventures		**662,333**	843,724
Acquisition of subsidiaries	13(a)	**(572,679)**	(534,276)
Investment in associates and joint ventures		**(2,652,977)**	(3,024,829)
Dividends and interest received from financial assets at fair value through profit or loss, equity investments designated at fair value through other comprehensive income, debt investment at fair value through other comprehensive income, debt investments at amortised cost, associates and joint ventures		**2,714,727**	1,842,876
(Increase)/decrease in pledged bank balances and time deposits with original maturity of more than three months		**(439,830)**	1,363,295
Prepayments for proposed acquisitions of long term assets		**(269,203)**	(633,578)
Interest received		**472,894**	421,756
NET CASH FLOWS GENERATED FROM INVESTING ACTIVITIES		**1,104,294**	3,236,104

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution from non-controlling shareholders of subsidiaries	**407,445**	386,023
New bank and other borrowings	**80,671,001**	45,987,781
Principal portion of lease payments	**(1,284,939)**	(905,049)
Repayment of bank and other borrowings	**(57,445,153)**	(44,595,387)
Decrease in loans from non-controlling shareholders	**(2,445,355)**	(619,401)
Distributions to non-controlling shareholders of subsidiaries	**(2,310,470)**	(1,184,389)
Acquisition of additional interests in subsidiaries	**(1,573,892)**	(598,208)
Interest paid	**(5,096,621)**	(4,482,114)
Dividends paid to the shareholders of the Company	**–**	(220,283)
Repurchase of shares of the Company	**(338,223)**	(95,826)
NET CASH FLOWS GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**10,583,793**	(6,326,853)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**20,838,498**	(880,999)
Cash and cash equivalents at beginning of the Period	**81,976,345**	91,333,170
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**102,814,843**	90,452,171
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES AT END OF THE PERIOD	**115,864,247**	103,747,675
Less: Pledged bank balances and term deposits with original maturity of more than three months	**(10,147,123)**	(9,935,379)
Required reserve deposits	**(403,484)**	(469,931)
Restricted presale proceeds of properties	**(2,498,797)**	(2,890,194)
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**102,814,843**	90,452,171

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

1.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2020 (the "Period") has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

The financial information relating to the year ended 31 December 2019 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditors have reported on the financial statements for the year ended 31 December 2019. The auditor's report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

1.2 Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

1.2 Changes in accounting policies *(Continued)*

The nature and impact of the revised HKFRSs are described below:

(a) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any significant impact on the financial position and performance of the Group.

(b) 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 did not have any significant impact on the financial position and performance of the Group.

(c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the six months ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings and retail stores have been reduced, waived or deferred by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB75,720,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

(d) 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. The amendments did not have any significant impact on the Group's interim condensed consolidated financial information.

2. 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.

2. OPERATING SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2020 (unaudited)

	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	16,139,688	26,896,302	14,150,407	1,225,716	4,857,122	–	63,269,235
Inter-segment sales	284,198	44,114	–	86,698	104,472	(519,482)	–
Total revenue	16,423,886	26,940,416	14,150,407	1,312,414	4,961,594	(519,482)	63,269,235
Segment results:	2,886,735	755,873	(694,745)	643,122	2,412,686	(83,868)	5,919,803
Unallocated expenses							(547,264)
Profit before tax	2,886,735	755,873	(694,745)	643,122	2,412,686	(83,868)	5,372,539
Tax	(377,441)	(1,169,940)	(134,098)	(81,294)	(437,477)	–	(2,200,250)
Profit for the Period	2,509,294	(414,067)	(828,843)	561,828	1,975,209	(83,868)	3,172,289
Other segment information:							
Interest and dividend income	115,645	202,658	1,581,162	27,013	337,580	(83,408)	2,180,650
Other income and gains (excluding interest and dividend income)	1,091,345	549,118	1,131,369	113,199	2,320,232	(2,750)	5,202,513
Amount reported in profit or loss applying the overlay approach	–	–	982,147	–	–	–	982,147
Impairment losses recognised in the statement of profit or loss, net	(59,368)	(56,076)	(221,630)	(22,292)	(19,326)	16,344	(362,348)
Finance costs	(566,836)	(1,044,237)	(110,180)	(1,400)	(3,450,565)	135,262	(5,037,956)
Share of profits and losses of							
– Joint ventures	(46,558)	(4,757)	(21,410)	–	973,254	–	900,529
– Associates	652,279	339,725	328,387	442,692	447,644	(138,994)	2,071,733

2. OPERATING SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2019 (unaudited)

	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	16,199,088	30,891,497	15,534,259	988,263	4,862,335	–	68,475,442
Inter-segment sales	266,312	2,369	–	77,223	14,801	(360,705)	–
Total revenue	16,465,400	30,893,866	15,534,259	1,065,486	4,877,136	(360,705)	68,475,442
Segment results:	2,625,222	3,950,171	1,345,810	984,936	5,576,534	(101,306)	14,381,367
Unallocated expenses							(893,614)
Profit before tax	2,625,222	3,950,171	1,345,810	984,936	5,576,534	(101,306)	13,487,753
Tax	(383,623)	(1,618,930)	(50,704)	(48,365)	(180,694)	12,384	(2,269,932)
Profit for the Period	2,241,599	2,331,241	1,295,106	936,571	5,395,840	(88,922)	11,217,821
Other segment information:							
Interest and dividend income	104,852	246,616	1,755,230	46,005	443,291	(78,521)	2,517,473
Other income and gains (excluding interest and dividend income)	944,713	1,582,606	2,432,559	232,113	5,409,045	(100,195)	10,500,841
Amount reported in profit or loss applying the overlay approach	–	–	(493,419)	–	–	–	(493,419)
Impairment losses recognised in the statement of profit or loss, net	(36,311)	(105,209)	(45,931)	(21,330)	(45,334)	–	(254,115)
Finance costs	(584,338)	(860,416)	(100,620)	(2,247)	(3,494,138)	107,580	(4,934,179)
Share of profits and losses of							
– Joint ventures	(25,933)	(268,105)	(77,617)	–	681,169	18	309,532
– Associates	886,016	221,112	455,621	712,386	1,371,422	(30,443)	3,616,114

2. OPERATING SEGMENT INFORMATION *(Continued)*

Total segment assets and liabilities as at 30 June 2020 and 31 December 2019 are as follows:

Segment assets:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Health	**90,735,834**	91,740,082
Happiness	**177,590,696**	178,393,923
Wealth		
Insurance	**219,322,977**	209,784,478
Finance	**88,916,290**	77,278,841
Investment	**184,438,862**	174,444,052
Eliminations*	**(16,019,047)**	(15,960,180)
Total consolidated assets	**744,985,612**	715,681,196

Segment liabilities:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Health	**41,239,302**	41,631,049
Happiness	**109,545,087**	109,147,094
Wealth		
Insurance	**170,276,533**	163,631,353
Finance	**67,032,441**	56,460,998
Investment	**195,030,007**	179,629,359
Eliminations*	**(14,592,311)**	(15,742,873)
Total consolidated liabilities	**568,531,059**	534,756,980

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

2. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

Revenue from external customers

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Chinese Mainland	**35,841,277**	38,916,298
Portugal	**8,459,635**	9,661,305
Other countries and regions	**18,968,323**	19,897,839
Total Revenue	**63,269,235**	68,475,442

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

3. REVENUE, OTHER INCOME AND GAINS

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

		For the six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
	Note	**(Unaudited)**	(Unaudited)
Revenue			
Revenue from contracts with customers			
– Sale of goods		**36,388,284**	36,688,059
– Rendering of services		**11,859,716**	15,594,690
		48,248,000	52,282,749
Revenue from other sources			
– Insurance revenue	(1)	**14,019,496**	15,467,100
– Rental income		**905,168**	722,521
– Interest income		**294,368**	240,042
		15,219,032	16,429,663
Others			
– Less: Government surcharges		**(197,797)**	(236,970)
		63,269,235	68,475,442
(1) Insurance revenue:			
Gross premiums written		**18,111,967**	19,562,945
Less: Premiums ceded to reinsurers and retrocessionaires		**(3,516,591)**	(2,866,761)
Net premiums written		**14,595,376**	16,696,184
Change in unearned premium provisions, net of reinsurance		**(575,880)**	(1,229,084)
Net earned premiums		**14,019,496**	15,467,100

3. 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 to the amounts disclosed in the segment information:

For the six months ended 30 June 2020 (unaudited)

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	**12,242,875**	**21,171,538**	**–**	**3,937**	**2,969,934**	**36,388,284**
Rendering of services	**3,938,868**	**5,633,349**	**131,181**	**923,142**	**1,233,176**	**11,859,716**
	16,181,743	**26,804,887**	**131,181**	**927,079**	**4,203,110**	**48,248,000**
Timing of revenue recognition						
Goods transferred at a point in time	**12,242,875**	**21,171,538**	**–**	**3,937**	**2,969,934**	**36,388,284**
Services transferred over time	**3,938,868**	**5,633,349**	**131,181**	**923,142**	**1,233,176**	**11,859,716**
	16,181,743	**26,804,887**	**131,181**	**927,079**	**4,203,110**	**48,248,000**

For the six months ended 30 June 2019 (unaudited)

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	12,543,597	21,035,852	–	–	3,108,610	36,688,059
Rendering of services	3,741,819	9,769,300	67,159	743,147	1,273,265	15,594,690
	16,285,416	30,805,152	67,159	743,147	4,381,875	52,282,749
Timing of revenue recognition						
Goods transferred at a point in time	12,543,597	21,035,852	–	–	3,108,610	36,688,059
Services transferred over time	3,741,819	9,769,300	67,159	743,147	1,273,265	15,594,690
	16,285,416	30,805,152	67,159	743,147	4,381,875	52,282,749

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

An analysis of the Group's other income and gains is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Interest income	**493,623**	537,920
Dividends and interest from financial assets	**1,687,027**	1,979,553
Rental income	**347,863**	302,531
Government grants	**350,213**	259,077
Consultancy and other service income	**208,971**	158,962
Fee income relating to investment contracts	**355,396**	223,677
Others	**419,111**	456,992
	3,862,204	3,918,712
Gains		
Gain on disposal of subsidiaries	**–**	1,591,006
Gain on bargain purchase of subsidiaries	**–**	19,095
Gain on deemed disposal of associates	**399,001**	2,506,731
Gain on disposal/partial disposal of associates	**205,437**	663,867
Gain on bargain purchase of associates	**1,341,916**	–
Gain on disposal of property, plant and equipment	**533**	6,895
Gain on disposal of investment properties	**4,171**	14,952
Gain on disposal of intangible assets	**61,563**	70,251
Gain on disposal of financial assets	**–**	213,315
Gain on fair value adjustment of investment properties	**1,432,618**	1,249,596
Gain on fair value adjustment of financial assets at fair value through profit or loss	**–**	2,540,876
Gain on rent concessions as a result of the COVID-19 pandemic	**75,720**	–
Exchange gains, net	**–**	223,018
	3,520,959	9,099,602
Other income and gains	**7,383,163**	13,018,314

4. FINANCE COSTS

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Total interest expenses (excluding lease liabilities)	**5,154,043**	5,260,493
Interest on lease liability	**351,489**	256,423
Less: Interest capitalised, in respect of bank and other borrowings	**(777,484)**	(716,157)
Interest expenses, net	**4,728,048**	4,800,759
Interest on discounted bills	**6,246**	9,811
Bank charges and other finance costs	**303,662**	123,609
Total finance costs	**5,037,956**	4,934,179

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of sales	**38,708,624**	43,749,865
Depreciation of items of property, plant and equipment	**1,539,120**	1,358,709
Depreciation of items of right of use assets	**1,228,570**	823,931
Amortisation of:		
Mining rights	**8,313**	7,014
Intangible assets	**724,795**	511,273
Oil and gas assets	**169,317**	125,221
Impairment of financial assets, net:		
– Impairment of trade and other receivables	**102,696**	121,092
– Impairment of debt investments at fair value through other comprehensive income	**16,073**	22,844
– Impairment of loans and advances to customers	**16,144**	25,135
– Impairment of insurance and reinsurance debtors	**188,064**	20,308
– Impairment of debt investments at amortised cost	**6,211**	15,542
– Impairment of finance lease receivables	**1,499**	863
Write-down of inventories to net realisable value	**5,935**	8,130
Write-down of properties under development to net realisable value	**–**	17,714
Write-down of completed properties for sale to net realisable value	**13,301**	–
Provision for impairment of items of property, plant and equipment (note 8)	**12,425**	22,487
Exchange loss/(gain), net	**117,133**	(223,018)
Loss/(gain) on disposal of subsidiaries (note 13(b))	**56,343**	(1,591,006)
Loss/(gain) on disposal of financial assets	**296,285**	(213,315)
Loss/(gain) on fair value adjustment of financial assets at fair value through profit or loss	**2,504,045**	(2,540,876)
Loss on derivative financial instruments	**338,470**	762,042

6. TAX

The major components of tax expenses for the six months ended 30 June 2020 and 2019 are as follows:

		For the six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
	Notes	**(Unaudited)**	(Unaudited)
Current – Portugal, Hong Kong and others	(1)	**428,368**	120,208
Current – Chinese Mainland			
– Income tax in Chinese Mainland for the period	(2)	**1,145,647**	1,783,073
– LAT in Chinese Mainland for the period	(3)	**806,763**	1,021,147
Deferred		**(180,528)**	(654,496)
Tax expenses for the period		**2,200,250**	2,269,932

Notes:

(1) Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period.

The provision for income tax of Peak Reinsurance Company Limited ("Peak Re") incorporated in Hong Kong and acquired by the Group, is based on a preferential rate of 8.25% (six months ended 30 June 2019: 8.25%).

The provision for income tax of Alma Lasers Ltd. ("Alma Lasers"), a subsidiary of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharma"), which was incorporated in Israel, is based on a preferential rate of 9.48% (six months ended 30 June 2019: 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 and acquired by the Group, is based on a rate of 31.5% (six months ended 30 June 2019: 31.5%).

The provision for income tax of AmeriTrust Group, Inc. and its subsidiaries which was incorporated in the United States and acquired by the Group is based on a rate of 21% (six months ended 30 June 2019: 21%).

The provision for income tax of Club Med Holding and its subsidiaries which was incorporated in France acquired by the Group is based on a rate of 32.02% (six months ended 30 June 2019: 34.43%).

The provision for income tax of Hauck & Aufhäuser Privatbankiers AG and its subsidiaries which was incorporated in Germany acquired by the Group is based on a rate of 32.15% (six months ended 30 June 2019: 32.15%).

The provision for income tax of Gland Pharma Limited ("Gland"), which was incorporated in India, was based on a statutory rate of 34.94% from 1 April 2018 to 31 March 2019. Since 31 March 2019 till 30 June 2020, the statutory rate has decreased to 25.17%.

(2) The provision for Chinese Mainland current income tax is based on a statutory rate of 25% (six months ended 30 June 2019: 25%) of the assessable profits of the Group as determined in accordance with the Enterprise Income Tax Law of the PRC which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Chinese Mainland, which were taxed at preferential rates of 0% to 20%.

(3) According to the tax notices issued by the relevant local tax authorities, the Group commenced to pay 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 Period, the prepaid LAT of the Group amounted to RMB331,717,000 (six months ended 30 June 2019: RMB323,535,000).

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 RMB693,881,000 (six months ended 30 June 2019: RMB743,469,000) in respect of the sales of properties in the Period in accordance with the requirements set forth in the relevant PRC tax laws and regulations. During the Period, unpaid LAT provision in the amount of RMB218,835,000 (six months ended 30 June 2019: RMB45,857,000) was reversed to the consolidated statement of profit or loss upon the completion of the liquidation and clearance with the local tax authorities by certain subsidiaries of the Group.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 8,504,385,532 (six months ended 30 June 2019: 8,536,228,345) in issue during the Period.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2020 in respect of a dilution as the impact of the share award scheme and the share option scheme outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculation of the diluted earnings per share amount for the six months ended 30 June 2019 is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the cash dividends distributed to the share award scheme. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed vesting or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent	**2,012,111**	7,608,763
Less: Cash dividends distributed to share award scheme	**(1,708)**	(3,831)
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**2,010,403**	7,604,932
Cash dividends distributed to share award scheme	**1,708**	3,831
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**2,012,111***	7,608,763

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

	Number of shares For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**8,504,385,532**	8,536,228,345
Effect of dilution – weighted average number of ordinary shares:		
– Share award scheme	**5,427,603**	4,853,351
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**8,509,813,135***	8,541,081,696
Basic earnings per share (RMB)	**0.24**	0.89
Diluted earnings per share (RMB)	**0.24**	0.89

* Because the diluted earnings per share amount is increased when taking the share award scheme into account, the share award scheme had an anti-dilutive effect on the basic earnings per share for the Period and were ignored in the calculation of diluted earnings per share. The potential ordinary shares of the share option scheme are excluded from the calculation of diluted earnings per share, because the exercise price of the share option scheme is higher than the average market price of the ordinary shares of the Company for the Period. Therefore, the diluted earnings per share amount is based on the profit for the six months ended 30 June 2020 of RMB2,010,403,000, and the weighted average number of ordinary shares of 8,504,385,532 in issue during the Period.

For the six months ended 30 June 2019, the share award scheme had a dilutive effect on the basic earnings per share. The potential ordinary shares of the share option scheme are excluded from the calculation of diluted earnings per share, because the exercise price of share option scheme was higher than the average market price of the ordinary shares of the Company for the six months ended 30 June 2019.

8. PROPERTY, PLANT AND EQUIPMENT

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Carrying value at 31 December 2019 (audited)	**39,610,397**	36,310,360
Transfer to right-of-use assets upon the adoption of HKFRS 16	**–**	(565,205)
Carrying value at 1 January 2020	**39,610,397**	35,745,155
Additions	**2,059,000**	1,894,574
Acquisition of subsidiaries (note 13(a))	**521,752**	480,153
Transfer from investment properties	**10,435**	–
Disposal of subsidiaries (note 13(b))	**(510,737)**	(5,066)
Disposals	**(105,419)**	(133,866)
Included in asset of a disposal group held for sale	**(44,080)**	–
Transfer to investment properties	**(51,586)**	–
Provision for impairment (note 5)	**(12,425)**	(22,487)
Depreciation charge for the Period (note 5)	**(1,539,120)**	(1,358,709)
Exchange alignment	**(277,212)**	78,025
Carrying value at end of the Period (unaudited)	**39,661,005**	36,677,779

As at 30 June 2020, the Group's property, plant and equipment with a net carrying value of RMB6,397,717,000 (31 December 2019: RMB6,312,167,000) were pledged as security for interest-bearing bank and other borrowings as set out in note 10 to the interim condensed consolidated financial statements.

9. TRADE AND NOTES RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables	**8,860,526**	7,586,989
Notes receivable	**142,301**	107,136
	9,002,827	7,694,125

9. TRADE AND NOTES RECEIVABLES *(Continued)*

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Outstanding balances with ages:		
Within 90 days	**5,653,782**	4,583,266
91 to 180 days	**1,326,074**	1,176,040
181 to 365 days	**1,512,341**	1,481,813
1 to 2 years	**428,510**	379,729
2 to 3 years	**250,561**	180,133
Over 3 years	**190,406**	186,557
	9,361,674	7,987,538
Less: Provision for impairment of trade receivables	**(501,148)**	(400,549)
	8,860,526	7,586,989

Trade and notes receivables of the Group mainly arose from the Health segment and the 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 30 June 2020, the Group's trade and notes receivables with a carrying amount of approximately RMB10,168,000 (31 December 2019: RMB126,632,000) were pledged to secure interest-bearing bank and other borrowings as set out in note 10 to the interim condensed consolidated financial statements.

10. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
Bank loans:			
Guaranteed	(1)	**20,000**	1,000,000
Secured	(2)	**45,353,492**	42,998,410
Unsecured		**72,647,550**	61,721,259
		118,021,042	105,719,669
Corporate bonds and enterprise bonds	(3)	**38,478,000**	33,980,708
Private placement notes	(4)	**979,161**	1,976,150
Private placement bond	(2) &(5)	**3,638,328**	5,208,922
Senior notes	(6)	**33,539,373**	33,187,427
Medium-term notes	(7)	**16,124,816**	14,489,280
Short-term commercial papers	(8)	**1,000,000**	1,000,000
Super short-term commercial papers	(9)	**3,912,459**	2,020,035
Other borrowings, secured	(2) & (10)	**16,106,271**	9,583,654
Other borrowings, unsecured	(10)	**763,838**	1,121,212
Total		**232,563,288**	208,287,057
Portion classified as current liabilities		**(108,278,748)**	(82,738,138)
Non-current portion		**124,284,540**	125,548,919

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

Notes:

(1) No interest-bearing bank and other borrowings (2019: RMB1,000,000,000) were guaranteed by Fosun Holdings Limited which is the holding company of the Group.

(2) Certain of the Group's bank loans, other borrowings and private placement bonds are secured by the pledges of assets with carrying values at the end of each reporting period as follows:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Pledge of assets:		
Buildings (note 8)	**6,226,739**	5,479,748
Plant and machinery (note 8)	**–**	804,355
Construction in progress (note 8)	**170,978**	28,064
Investment properties	**38,048,399**	35,123,620
Right-of-use assets	**1,348,629**	1,692,302
Properties under development	**30,575,073**	25,174,888
Completed properties for sale	**1,961,497**	3,107,921
Trade and notes receivables (note 9)	**10,168**	126,632
Pledged bank balances	**–**	72,765
Finance lease receivables	**938,650**	1,031,187
Inventories	**–**	428,216
Investment in an associates	**19,380,577**	19,595,882
Financial assets at fair value through profit or loss	**1,894,619**	2,489,369
Debt investments at amortised cost	**136,145**	–
Debt investments at fair value through Comprehensive income	**382,548**	320,542

Apart from the above, certain interest-bearing bank borrowings are secured by investments in subsidiaries as at 30 June 2020.

The bank loans bear interest at rates ranging from 0.3% to 7.6% (31.December 2019: 0.5% to 14.88%) per annum.

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

Notes: *(Continued)*

(3) 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. On 14 March 2020, Fosun Pharma repaid in advance with a par value of RMB158,050,000. Interest is paid annually in arrears and the maturity date is 14 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.

On 14 February 2020, Forte issued three-year domestic corporate bonds with a par value of RMB1,000,000,000 and an effective interest rate of 4.33% per annum. Interest is paid annually in arrears and the maturity date is 14 February 2023.

On 20 February 2020, Yuyuan issued five-year domestic corporate bonds with a par value of RMB1,900,000,000 and an effective interest rate of 3.60% per annum. Interest is paid annually in arrears and the maturity date is 20 February 2025.

On 21 April 2020, Fosun High Technology issued four-year domestic corporate bonds with a par value of RMB1,700,000,000 and an effective interest rate of 3.38% per annum. Interest is paid annually in arrears and the maturity date is 21 April 2024.

On 21 April 2020, Fosun High Technology issued five-year domestic corporate bonds with a par value of RMB300,000,000 and an effective interest rate of 4.58% per annum. Interest is paid annually in arrears and the maturity date is 21 April 2025.

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

Notes: *(Continued)*

(4) Private placement notes

On 20 March 2020, Treble Hooray Limited issued one-year private placement notes with a par value of EUR122,000,000 and the effective interest rate is 3.20% per annum. Interest is paid annually in arrears and the maturity date is 20 March 2021.

(5) Private placement bond

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 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.

On 20 March 2020, Forte issued three-year private placement bonds with a par value of RMB1,160,000,000 and the effective interest rate is 5.09% per annum. Interest is paid annually in arrears and the maturity date is 20 March 2023.

(6) 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 USD477,684,000 were purchased by third party investors. Interest is paid semi-annually in arrears and the maturity date is 17 August 2023. On 6 July 2020, the par value of USD32,675,000 of senior notes were repurchased from third party investors by the Group and cancelled.

On 23 March 2017, Fortune 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 USD1,362,412,000 were purchased by third party investors. Interest is paid semi-annually in arrears and the maturity date is 23 March 2022. On 6 July 2020, the par value of USD75,242,000 of senior notes were repurchased from third party investors by the Group and cancelled.

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 USD372,635,000 were purchased by third party investors. Interest is paid semi-annually in arrears and the maturity date is 5 December 2020. On 6 July 2020, the par value of USD33,196,000 of senior notes were repurchased from third party investors by the Group and cancelled.

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%. Among these, senior notes with a par value of USD496,900,000 were purchased by third party investors. Interest is paid semi-annually in arrears and the maturity date is 28 January 2021. On 6 July 2020, the par value of USD89,734,000 of senior notes were repurchased from third party investors by the Group and cancelled.

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%. Among these, senior notes with a par value of USD699,700,000 were purchased by third party investors. 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.

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

Notes: *(Continued)*

(7) 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. On 7 February 2020, Fosun High Technology repaid in advance with a par value of RMB290,000,000. 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. On 19 April 2020, Fosun High Technology repaid in advance with a par value of RMB60,000,000. 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 RMB900,000,000 were purchased by third party investors. Interest is paid annually in arrears and the maturity date is 25 October 2022.

On 15 January 2020, Fosun High Technology issued five-year medium-term notes with a par value of RMB1,000,000,000 and an effective interest rate of 4.79% per annum. Among these, medium-term notes with a par value of RMB960,000,000 were purchased by third party investors. Interest is paid annually in arrears and the maturity date is 15 January 2025.

On 25 February 2020, Fosun High Technology issued five-year medium-term notes with a par value of RMB1,000,000,000 and an effective interest rate of 4.31% per annum. Among these, medium-term notes with a par value of RMB980,000,000 were purchased by third party investors. Interest is paid annually in arrears and the maturity date is 25 February 2025.

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

Notes: *(Continued)*

(8) 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.

(9) Super short-term commercial papers

On 2 March 2020, Fosun Pharma issued super short-term commercial papers with a par value of RMB600,000,000 and an effective interest rate of 2.85% per annum. Interest is payable at the maturity date which is 27 November 2020.

On 1 April 2020, Fosun High Technology issued super short-term commercial papers with a par value of RMB2,000,000,000 and an effective interest rate 2.82% of per annum. Interest is payable at the maturity date which is 23 September 2020.

On 7 April 2020, Fosun Pharma issued super short-term commercial papers with a par value of RMB300,000,000 and an effective interest rate of 2.56% per annum. Interest is payable at the maturity date which is 6 July 2020.

On 14 May 2020, Yuyuan issued super short-term commercial papers with a par value of RMB1,000,000,000 and an effective interest rate 2.20% of per annum. Interest is payable at the maturity date which is 16 September 2020.

(10) Other borrowings

In March 2020, Fosun Tourism Group issued asset-backed securities which were backed by the certain fixed assets of a subsidiary as mortgage, and the 100% equity interest in this subsidiary and operating revenue of this subsidiary as pledge. The securities of the prioritized level of RMB6,800 million was subscribed by various third-party investors with coupon rates of 5% and the securities of the subordinated level of RMB201 million was subscribed by a subsidiary of the Group. The principal and interest of the prioritized level shall be repaid semi-annually in 48 instalments in 24 years. The coupon rates of the securities of the prioritized level are subject to adjustments by Fosun Tourism Group and the holders have the rights, at their option, to require Fosun Tourism Group to redeem at an interval of every three years within the terms of the securities. The fund raised by Fosun Tourism Group from the third party investors was recorded in other borrowings as at 30 June 2020.

The other borrowings represent borrowings from third parties, which bear interest at rates ranging from 0.98% to 9.50% (31 December 2019: 0.98% to 17.65%) per annum.

11. TRADE AND NOTES PAYABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade payables	**16,011,801**	16,338,761
Notes payable	**381,071**	379,705
	16,392,872	16,718,466

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Outstanding balances with ages:		
Within 90 days	**6,213,811**	7,890,570
91 to 180 days	**2,449,742**	1,826,778
181 to 365 days	**3,860,849**	2,531,034
1 to 2 years	**1,770,003**	2,657,181
2 to 3 years	**978,751**	455,079
Over 3 years	**738,645**	978,119
	16,011,801	16,338,761

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.

12. DIVIDENDS

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final declared – HKD0.27 per ordinary share (2019: HKD0.37)	**2,078,369**	2,781,877
Interim – Nil (Six months ended 30 June 2019: HKD0.13 per ordinary share)	**–**	977,244
	2,078,369	3,759,121

The proposed final dividend of HKD0.27 per ordinary share for the year ended 31 December 2019 was approved by the shareholders at the annual general meeting of the Company on 3 June 2020.

The directors did not recommend the payment of an interim dividend in respect of the Period (six months ended 30 June 2019: HKD0.13 per ordinary share).

13. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries

(i) Acquisition of subsidiaries accounted for as business combination

The major acquisition of subsidiaries accounted for as a business combination is set out as follows:

In March 2020, Yuyuan, a subsidiary of the Group, completed the acquisition of 65% equity interests in Tianjin Seagull Watch Group Co., Ltd. and 55% equity interests in Shanghai Watch Co., Ltd. at the considerations of RMB522,129,000 and RMB71,312,000, respectively. The acquisition was undertaken to further develop the fashion business under the happiness segment of the Group.

In March 2020, Fosun Jinmei (Shanghai) Cosmetics Co., Ltd, a subsidiary of the Group, acquired 68% equity interest in Wei Holding,Inc. and Wei East Cosmetics (Wuhan) Ltd at the total consideration of RMB375,977,000. The acquisition was undertaken to further develop the fashion business under the 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.

13. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

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

The provisional fair values of the identifiable assets and liabilities of all the acquired subsidiaries during the Period as at the dates of acquisition were as follows:

	Provisional fair value recognised on acquisition RMB'000 (Unaudited)
Property, plant and equipment (note 8)	**521,752**
Investment in associates	**9,876**
Investment properties	**572,367**
Intangible assets	**647,918**
Right-of-use assets	**97,883**
Deferred tax assets	**89,050**
Cash and bank balances	**1,102,008**
Trade and notes receivables	**761,548**
Prepayments, other receivables and other assets	**716,958**
Due from related companies	**684**
Contract assets	**1,557,833**
Inventories	**719,303**
Property under development	**3,273,051**
Interest-bearing bank and other borrowings	**(2,152,672)**
Trade and notes payables	**(739,098)**
Accrued liabilities and other payables (excluding lease liabilities)	**(588,012)**
Due to related companies	**(721,777)**
Tax payable	**(110,346)**
Derivative liabilities	**(100)**
Deferred tax liabilities	**(208,793)**
Contract liabilities	**(1,657,289)**
Other long term payables (excluding lease liabilities)	**(4,758)**
Lease liabilities	**(90,149)**
Total identifiable net assets at fair values	**3,797,237**
Non-controlling interests	**(978,946)**
Total net assets acquired	**2,818,291**
Goodwill on acquisition	**2,173,083**
	4,991,374

13. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

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

	RMB'000
Satisfied by:	
Cash	1,607,548
Investments in joint ventures	978,022
Investments in associates	1,788,796
Financial assets at fair value through profit or loss	60,503
Prepayments, other receivables and other assets	556,505
	4,991,374

The fair values of the acquired trade and notes receivables and other receivables as at the date of acquisition approximate to their gross contractual amounts. None of these receivables are expected to be uncollectible.

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

The assessments of the fair values of the identifiable assets and liabilities of the subsidiaries acquired are still undergoing, and the information of the fair values of the identifiable assets and liabilities were provisional at the date of the approval of this interim condensed consolidated financial information.

(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	(1,607,548)
Cash and cash equivalents acquired	1,101,648
Unpaid cash consideration as at 30 June 2020	5,180
Payment of unpaid cash consideration as at 31 December 2019	(71,959)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(572,679)

13. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of subsidiaries

The total net assets disposed of in respect of the disposal of the subsidiaries during the Period were as follows:

	30 June 2020 RMB'000 (Unaudited)
Net assets disposed of:	
Property, plant and equipment (note 8)	510,737
Intangible asset	1,851,330
Right-of-use assets	2,147,890
Inventories	1,037,565
Cash and bank balances	402,888
Contract assets	26,986
Trade and notes receivables	367,673
Prepayments, other receivables and other assets	353,260
Deferred income	(2,721)
Interest-bearing bank and other borrowings	(1,833,226)
Trade and notes payables	(713,704)
Accrued liabilities and other payables (excluding lease liabilities)	(558,792)
Contract liabilities	(86,774)
Due to related parties	(287,581)
Lease liabilities	(2,500,708)
Tax payables	(84,465)
Derivative financial instruments	(8,596)
Deferred tax liabilities	(386,598)
Non-controlling interests	(62,252)
	172,912
Exchange fluctuation reserve	(11,695)
	161,217
Portion relating to the right of use retained in the lease back*	19,184
Net loss on disposal of subsidiaries (note 5)	(56,343)
	124,058

* The Group disposed one of its subsidiaries and entered into a lease contract with the buyer for the lease back of the assets of this subsidiary on a 12-year term. The Group measured the right-of-use assets arising from the leaseback for the proportion that relates to the right of use retained by the Group and recognized the amount of the gains that relates to the rights transferred to the buyer.

13. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of subsidiaries *(Continued)*

An analysis of the cash flows in respect of the disposal of subsidiaries is as follows:

	30 June 2020 RMB'000 (Unaudited)
Satisfied by:	
Cash	**124,058**
Cash consideration	**124,058**
Cash and bank balances disposed of	**(402,888)**
Receipt of unreceived cash consideration for disposal as at 31 December 2019	**25,447**
Cash consideration unreceived as at 30 June 2020	**(5,409)**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(258,792)**

14. COMMITMENTS

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contracted, but not provided for:		
Plant and machinery	**4,877,523**	3,906,608
Properties under development	**1,490,278**	2,755,842
Investments	**3,052,090**	2,552,079
Oil and gas	**170,616**	389,272
	9,590,507	9,603,801

15. CONTINGENT LIABILITIES

The Group had the following contingent liabilities:

		30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Principal amount of the guaranteed bank loans of:			
Related parties		**20,181**	–
Third parties		**–**	11,402
Qualified buyers' mortgage loans	(1)	**10,020,830**	8,591,399
		10,041,011	8,602,801

(1) As at 30 June 2020, the Group provided guarantees of approximately RMB10,020,830,000 (31 December 2019: RMB8,591,399,000) in favour of their customers in respect of mortgage loans provided by banks to such customers for their purchases of the Group's developed properties where the underlying real estate certificates can only be provided to the banks in a time delayed manner due to administrative procedures in the PRC. These guarantees provided by the Group will be released when the customers pledge their real estate certificates as security to the banks for the mortgage loans granted by the banks.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made for the guarantees in the interim condensed consolidated financial statements.

(2) Owing to the nature of the insurance business, the insurance and finance segment of the Group is involved in legal proceedings in the ordinary course of its activity, including being the plaintiff or the defendant in litigation and arbitration proceedings. Most of such legal proceedings involve claims concerning insurance policies, which are already provisioned, and some additional losses arising therefrom will be indemnified either by reinsurers or by other recoveries, like salvages. Although the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the Group believes that any resulting liabilities will not have a material adverse effect on its financial position or operating results.

16. RELATED PARTY TRANSACTIONS

(1) During the Period, the Group had the following material transactions with related parties in addition to the transactions disclosed in note 10:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Associates, joint ventures and other related parties:		
Sales of pharmaceutical products	**1,758,608**	1,850,660
Purchases of pharmaceutical products	**141,984**	152,982
Sales of other products	**48,064**	44,425
Purchases of other products	**21,334**	4,385
Rental income	**9,112**	6,570
Service income	**188,758**	160,014
Interest income	**173,994**	67,769
Interest expense	**10,018**	16,850
Service expense	**13,736**	8,245
Increase of right-of-use assets	**155,123**	–
Deposits from related companies	**6,886,550**	7,064,894
Bank loan guarantees provided	**20,181**	18,594
Bank loan guarantees received	**–**	1,001,600
Loans to related parties	**308,098**	1,012,311

The bank loans were guaranteed by the related companies free of charge. The guarantees were given by the Group for bank loans of the related companies free of charge. In the opinion of the directors, except for guarantees received from and provided to related parties, all related party transactions as set out above were conducted on normal commercial terms.

In March 2020, the Group entered into three-year lease contracts in respect of certain leasehold property with a joint venture. The amount of rent payable by the Group under the leases was determined with reference to amounts charged to third parties. At the commencement date of the lease, the Group recognised a right-of-use assets of RMB155,123,000.

(2) Compensation of key management personnel of the Company:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	**29,022**	30,537
Equity-settled share award scheme expense	**11,331**	11,249
Equity-settled share option scheme expense	**17,351**	14,455
Pension scheme contributions	**87**	217
	57,791	56,458

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
Financial assets				
Equity investments designated at fair value through other comprehensive income	**801,548**	898,596	**801,548**	898,596
Debt investments at fair value through other comprehensive income	**87,786,084**	88,442,330	**87,786,084**	88,442,330
Debt investments at amortised cost	**33,693,009**	33,578,380	**33,783,841**	33,800,168
Financial assets at fair value through profit or loss	**53,177,223**	61,397,365	**53,177,223**	61,397,365
Loans and advances to customers	**364,763**	426,292	**382,801**	445,692
Policyholder account assets in respect of unit-linked contracts	**1,264,875**	995,547	**1,264,875**	995,547
Derivative financial instruments	**1,349,954**	1,280,976	**1,349,954**	1,280,976
Associates measured at fair value through profit or loss	**8,349,270**	7,454,219	**8,349,270**	7,454,219
	186,786,726	194,473,705	**186,895,596**	194,714,893
Financial liabilities				
Interest-bearing bank and other borrowings	**124,284,540**	125,548,919	**125,865,068**	126,644,234
Financial liabilities at fair value through profit or loss	**2,688,681**	2,245,801	**2,688,681**	2,245,801
Financial liabilities included in accrued liabilities and other payables	**35,196**	343,132	**35,196**	343,132
Financial liabilities included in other long term payables	**4,897,379**	5,012,261	**4,897,379**	5,012,261
Deposits from customers	**78,209**	141,815	**78,516**	141,728
Due to banks and other financial institutions	**936,612**	–	**936,612**	–
Financial liabilities for unit-linked contracts	**1,264,875**	995,547	**1,264,875**	995,547
Due to the holding company	**3,000,000**	–	**2,909,852**	–
Derivative financial instruments	**2,321,043**	1,984,462	**2,321,043**	1,984,462
	139,506,535	136,271,937	**140,997,222**	137,367,165

17. 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, the non-current portion of interest-bearing bank and other borrowings as at 30 June 2020 was assessed to be insignificant. The fair values of listed bonds and senior notes are based on quoted market prices.

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

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 30 June 2020, 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.

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 and liquidity discount. 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.

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 30 June 2020:

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 to calculate 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)

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

Fair value hierarchy *(Continued)*

Assets measured at fair value:

As at 30 June 2020 (unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	505,286	47,258	249,004	801,548
Debt investments at fair value through other comprehensive income	71,931,297	15,746,727	108,060	87,786,084
Financial assets at fair value through profit or loss	21,947,733	23,131,847	8,097,643	53,177,223
Derivative financial instruments	95,488	1,251,678	2,788	1,349,954
Policyholder account assets in respect of unit-linked contracts	1,252,069	–	12,806	1,264,875
Associates measured at fair value through profit or loss	590,393	6,167,740	1,591,137	8,349,270
	96,322,266	46,345,250	10,061,438	152,728,954

As at 31 December 2019 (audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
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

During the Period, none of the financial assets in Level 2 as at 31 December 2019 were transferred out to Level 1 due to the end of the lock-up period for these equity investments in 2020 (2019: RMB673,093,000).

17. 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 2019	338,484	68,173	8,362,174	11,134	273	1,298,813	10,079,051
Total gains/(loss) recognised in the consolidated statement of profit or loss included in other gains	–	(204)	(168,608)	(748)	213	353,086	183,739
Total losses recognised in other comprehensive income	(93,404)	(54,605)	–	–	–	–	(148,009)
Addition	30	119,665	1,323,213	2,172	2,228	285,000	1,732,308
Disposals	–	(47,003)	(1,556,040)	–	–	(131,965)	(1,735,008)
Exchange realignment	3,894	22,034	280,367	248	74	1,009	307,626
Transfers*	–	–	(143,463)	–	–	(214,806)	(358,269)
	249,004	108,060	8,097,643	12,806	2,788	1,591,137	10,061,438

* During the Period, the financial assets with a fair value of RMB678,934,000 in Level 3 as at 31 December 2019 were transferred out, and a fair value of RMB320,665,000 in Level 2 as at 31 December 2019 were transferred in due to the change in valuation techniques.

The movements in fair value measurements within Level 3 during the last 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

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

Fair value hierarchy *(Continued)*

Assets for which fair values are disclosed:

As at 30 June 2020 (unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Loans and advances to customers	**–**	**–**	**382,801**	**382,801**
Debt investments at amortised cost	**28,337,149**	**5,066,627**	**380,065**	**33,783,841**
	28,337,149	**5,066,627**	**762,866**	**34,166,642**

As at 31 December 2019 (audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Loans 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

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

Fair value hierarchy *(Continued)*

Liabilities measured at fair value:

As at 30 June 2020 (unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Financial liabilities for unit-linked contracts	**1,252,069**	**–**	**12,806**	**1,264,875**
Financial liabilities included in other long term payables	**–**	**–**	**2,643,984**	**2,643,984**
Financial liabilities included in other payables and accruals	**–**	**–**	**35,196**	**35,196**
Financial liabilities at fair value through profit or loss	**2,688,681**	**–**	**–**	**2,688,681**
Derivative financial instruments	**101,855**	**2,214,348**	**4,840**	**2,321,043**
	4,042,605	**2,214,348**	**2,696,826**	**8,953,779**

As at 31 December 2019 (audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial liabilities 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

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

Fair value hierarchy *(Continued)*

Liabilities measured at fair value: *(Continued)*

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

As at 30 June 2020 (unaudited)

	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	**343,132**	**11,134**	**2,608,958**	**3,878**	**2,967,102**
Total gains recognised in the consolidated statement of profit or loss included in other income	**–**	**(748)**	**–**	**–**	**(748)**
Total losses recognised in other comprehensive income	**–**	**–**	**35,026**	**–**	**35,026**
Addition	**–**	**2,172**	**–**	**3,404**	**5,576**
Decrease	**(307,936)**	**–**	**–**	**(2,442)**	**(310,378)**
Exchange realignment	**–**	**248**	**–**	**–**	**248**
At 30 June	**35,196**	**12,806**	**2,643,984**	**4,840**	**2,696,826**

As at 31 December 2019 (audited)

	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

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

Fair value hierarchy *(Continued)*

Liabilities for which fair values are disclosed:

As at 30 June 2020 (unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	**45,952,487**	**79,912,581**	**–**	**125,865,068**
Deposits from customers	**–**	**–**	**78,516**	**78,516**
Due to banks and other financial institutions	**–**	**–**	**936,612**	**936,612**
Due to the holding company	**–**	**–**	**2,909,852**	**2,909,852**
Financial liabilities included in other long term payables	**–**	**1,565,931**	**687,464**	**2,253,395**
	45,952,487	**81,478,512**	**4,612,444**	**132,043,443**

As at 31 December 2019 (audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	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

18.EVENT AFTER THE REPORTING PERIOD

On 2 July 2020, Fortune Star (BVI) Limited, an indirect subsidiary of the Company, issued four-year senior notes with a par value of USD600 million at a coupon rate of 6.85% per annum.

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.

EY 安永

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.

EY 安永

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.

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.

EY 安永

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

31 December 2019

	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.

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	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

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	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	2018
	RMB'000	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	2018
	RMB'000	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	2018
	RMB'000	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	2018
	RMB'000	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	Liabilities
	RMB'000	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

		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)*	**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			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	**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			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	**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

	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)*	**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 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	**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 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	**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.

Ernst & Young
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1 Tim Mei Avenue
Central, Hong Kong

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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 125 to 320, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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.

EY 安永

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 2018, the carrying amount of investment properties, which are stated at fair value, amounted to approximately RMB46,568 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 and note 3 estimation uncertainty (iv), which specify the policies regarding the fair value measurement of investment properties and note 14 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 on the fair value measurement of investment properties.

EY 安永

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 (sole 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 2018, the carrying value of financial assets at fair value through other comprehensive income ("OCI"), financial assets at fair value through profit or loss and financial assets at amortised costs amounted to RMB85,794 million, RMB49,016 million and RMB20,123 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 2018 of financial assets applying the overlay approach amounted to RMB11,121 million. As a result, the 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, note 3 judgements (v) and estimation uncertainty (iii), 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 the SPPI testing on a sampling basis by examining the contracts of these financial instruments. We evaluated the appropriateness of the business model assessment 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 tests 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 on the classification and measurement of the financial assets and the impact of the overlay approach.

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 RMB57,352 million as at 31 December 2018. The valuation of insurance contract liabilities relies on significant judgement over uncertain future outcomes, mainly including the timing and ultimate settlement of long-term policyholder liabilities. Actuarial models are used to support the calculation of insurance contract liabilities. The complexity of the models may give rise to errors as a result of inadequate/incomplete data or the design or application of the models. Assumptions used in the valuation, such as investment return, discount rate, mortality, morbidity, expense, 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 and note 3 estimation uncertainty (xiv) which specifically explain the methodologies and assumptions used in the valuation and notes 49, 50 and 52 which disclose the details of the insurance contract liabilities recognised as at 31 December 2018.	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 for insurance contract liabilities.
Business combination	
During the year of 2018, the Group completed certain business combination transactions with third parties. Management, assisted by the external valuers, evaluated the fair values of identifiable assets acquired and liabilities assumed and completed the purchase price allocation. This matter was significant to our audit because the fair value determination in the accounting for business combination relied on significant management estimation in respect of fair value assessments. Related disclosures about the business combination are included in note 2.4, note 3 estimation uncertainty (xv) and note 61(a) acquisition of subsidiaries to the consolidated financial statements.	Our audit procedures included, among others, obtaining and reading the purchase agreements and examining the payment of considerations. We assessed the objectivity, independence and competence of the external appraisers engaged by the Group to perform the valuation. We also involved our internal valuation specialists to assist us in evaluating the valuation methodologies adopted and the assumptions used, in particular, expected future cashflows, estimated market rentals of comparable properties, discount rate and etc., in the valuation of the identifiable assets and liabilities of the acquired subsidiaries against historical trends and market data. In the case of gain on bargain purchase, we checked management's reassessment of the purchase price allocation to see whether the identifiable assets acquired and liabilities assumed had been properly identified and measured. In addition, we further assessed the adequacy of the disclosures of business combinations in the consolidated financial statements.

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

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

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

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

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
26 March 2019

Consolidated Statement of Profit or Loss

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	6	**109,351,641**	88,025,169
Cost of sales		**(67,728,602)**	(55,874,895)
Gross profit		**41,623,039**	32,150,274
Other income and gains	6	**19,728,897**	24,529,078
Selling and distribution expenses		**(17,955,596)**	(13,167,869)
Administrative expenses		**(18,054,175)**	(13,472,924)
Other expenses		**(4,817,639)**	(5,997,454)
Finance costs	7	**(7,230,418)**	(5,583,752)
Amount reported in profit or loss applying the overlay approach	24	**2,742,521**	–
Share of profits of:			
Joint ventures		**1,779,707**	1,492,552
Associates		**4,178,234**	3,021,090
PROFIT BEFORE TAX	8	**21,994,570**	22,970,995
Tax	10	**(4,985,054)**	(6,174,962)
PROFIT FOR THE YEAR		**17,009,516**	16,796,033
Attributable to:			
Owners of the parent		**13,406,403**	13,161,275
Non-controlling interests		**3,603,113**	3,634,758
		17,009,516	16,796,033
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the year (RMB)	12	**1.57**	1.53
Diluted			
– For profit for the year (RMB)	12	**1.56**	1.53

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

	Note	**2018 RMB'000**	2017 RMB'000
PROFIT FOR THE YEAR		**17,009,516**	16,796,033
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		–	10,156,055
Reclassification adjustments for gains/(losses) included in the consolidated statement of profit or loss			
– gain on disposal		–	(11,759,548)
– impairment loss		–	369,522
– gain on disposal of a subsidiary		–	(173,092)
Income tax effect	*30*	–	(1,090,261)
		–	(2,497,324)
Financial assets designated under the overlay approach:			
Amount reported in other comprehensive loss applying the overlay approach		**(2,742,521)**	–
Income tax effect		**696,174**	–
		(2,046,347)	–
Debt investments at fair value through other comprehensive income:			
Changes in fair value		**(2,210,134)**	–
Changes in allowance for expected credit losses		**88,863**	–
Reclassification adjustments for gains on disposal included in the consolidated statement of profit or loss		**(721,212)**	–
Income tax effect		**640,981**	–
		(2,201,502)	–
Change in other life insurance contract liabilities due to potential losses/(gains) on financial assets		**228,727**	(453,588)
Income tax effect		**21,147**	133,809
		249,874	(319,779)
Fair value adjustments of hedging instruments in cash flow hedges		**117,717**	(29,724)
Income tax effect		**132**	(1,769)
		117,849	(31,493)
Fair value adjustments of hedging of a net investment in a foreign operation		**(782,588)**	(1,126,495)
Income tax effect		**26,503**	5,095
		(756,085)	(1,121,400)

	Notes	2018 RMB'000	2017 RMB'000
OTHER COMPREHENSIVE INCOME/(LOSS) *(continued)*			
Share of other comprehensive (loss)/income of joint ventures		**(13,232)**	27,826
Share of other comprehensive loss of associates		**(117,201)**	(93,794)
Exchange differences:			
Reclassification adjustments for a foreign operation disposed of during the year		**–**	(20,812)
Exchange differences on translation of foreign operations		**171,172**	612,609
		171,172	591,797
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(4,595,472)**	(3,444,167)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Revaluation (loss)/gain upon transfer from owner-occupied property to investment property	*14*	**(3,616)**	359
Income tax effect	*30*	**(747)**	–
		(4,363)	359
Actuarial reserve relating to employee benefits		**(3,155)**	23,619
Income tax effect		**3,536**	(1,316)
		381	22,303
Equity investments designated at fair value through other comprehensive income:			
Change in fair value		**(3,507,342)**	–
Income tax effect		**749,404**	–
		(2,757,938)	–
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods		**(2,761,920)**	22,662
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(7,357,392)**	(3,421,505)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**9,652,124**	13,374,528
Attributable to:			
Owners of the parent		**6,990,090**	10,113,610
Non-controlling interests		**2,662,034**	3,260,918
		9,652,124	13,374,528

Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**36,310,360**	25,413,153
Investment properties	14	**46,567,826**	32,438,435
Prepaid land lease payments	15	**3,427,895**	2,359,772
Exploration and evaluation assets	16	**403,267**	174,935
Mining rights	17	**548,186**	542,180
Oil and gas assets	18	**1,498,223**	957,612
Intangible assets	19	**19,084,808**	10,880,302
Goodwill	20	**19,092,279**	15,203,443
Investments in joint ventures	21	**24,891,895**	20,418,447
Investments in associates	22	**84,084,130**	61,721,901
Available-for-sale investments	23	**–**	111,575,761
Financial assets at fair value through profit or loss	24	**15,171,503**	–
Equity investments designated at fair value through other comprehensive income	23	**1,579,915**	–
Debt investments at fair value through other comprehensive income	25	**63,516,255**	–
Debt investments at amortised cost	26	**15,765,478**	–
Properties under development	27	**11,660,816**	22,850,114
Loans receivable	26	**–**	2,393,352
Due from related companies	28	**809,991**	–
Prepayments, other receivables and other assets	29	**4,221,889**	3,072,337
Deferred tax assets	30	**6,311,021**	3,852,666
Inventories	31	**86,070**	188,918
Policyholder account assets in respect of unit-linked contracts	32	**139,328**	858,734
Insurance and reinsurance debtors	33	**123,697**	152,094
Reinsurers' share of insurance contract provisions	34	**4,794,300**	4,630,070
Term deposits	35	**410,812**	964,496
Placements with and loans to banks and other financial institutions		**78,473**	117,035
Loans and advances to customers	36	**653,693**	2,543,362
Derivative financial instruments	37	**290,585**	363,961
Finance lease receivables	38	**515,373**	599,046
Total non-current assets		**362,038,068**	324,272,126

	Notes	2018 RMB'000	2017 RMB'000
CURRENT ASSETS			
Cash and bank	35	**105,905,697**	81,651,571
Investments at fair value through profit or loss	24	**–**	17,158,173
Financial assets at fair value through profit or loss	24	**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	**20,632,910**	–
Debt investments at amortised cost	26	**4,357,878**	–
Derivative financial instruments	37	**861,043**	1,122,387
Trade and notes receivables	39	**7,755,027**	6,349,958
Contract assets and other assets	40	**99,030**	–
Prepayments, other receivables and other assets	29	**16,842,348**	14,081,682
Inventories	31	**6,650,594**	4,182,799
Completed properties for sale		**14,313,790**	8,343,896
Properties under development	27	**27,860,035**	18,517,485
Loans receivable	26	**–**	982,891
Due from related companies	28	**14,557,412**	12,309,468
Available-for-sale investments	23	**–**	25,116,703
Policyholder account assets in respect of unit-linked contracts	32	**176,822**	511,285
Insurance and reinsurance debtors	33	**13,041,130**	8,932,147
Reinsurers' share of insurance contract provisions	34	**3,298,322**	2,170,922
Placements with and loans to banks and other financial institutions		**39,327**	345
Loans and advances to customers	36	**4,629,621**	3,803,068
Finance lease receivables	38	**1,880,575**	1,749,081
		276,811,059	206,983,861
Assets of a disposal group classified as held for sale	41	**34,711**	2,532,067
Total current assets		**276,845,770**	209,515,928

Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	42	**67,740,818**	58,027,951
Convertible bonds	43	**–**	81,428
Contract liabilities	44	**22,112,767**	–
Trade and notes payables	45	**14,105,942**	12,368,277
Accrued liabilities and other payables	46	**27,466,126**	41,911,579
Tax payable		**7,315,529**	6,419,801
Finance lease payables	47	**88,827**	68,323
Deposits from customers	48	**41,714,245**	34,971,708
Due to the holding company	28	**2,289,988**	769,062
Due to related companies	28	**5,508,089**	3,922,928
Derivative financial instruments	37	**1,102,562**	1,065,674
Accounts payable to brokerage clients		**85,051**	40,967
Unearned premium provisions	49	**6,684,319**	5,845,267
Provision for outstanding claims	50	**15,740,723**	13,325,966
Provision for unexpired risks		**286,538**	384,049
Financial liabilities for unit-linked contracts	51	**144,102**	351,138
Investment contract liabilities	51	**7,593,473**	5,856,188
Other life insurance contract liabilities	52	**1,674,062**	1,475,431
Insurance and reinsurance creditors	53	**8,380,093**	4,896,620
Financial liabilities at fair value through profit or loss	54	**1,825,082**	–
Due to banks and other financial institutions	55	**1,557,878**	1,101,553
Placements from banks and other financial institutions		**140,119**	268,165
		233,556,333	193,152,075
Liabilities directly associated with the assets classified as held for sale	41	**4,156**	204,047
Total current liabilities		**233,560,489**	193,356,122
NET CURRENT ASSETS		**43,285,281**	16,159,806
TOTAL ASSETS LESS CURRENT LIABILITIES		**405,323,349**	340,431,932

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	42	**118,399,533**	92,347,113
Finance lease payables	47	**477,578**	268,911
Deposits from customers	48	**70,625**	105,859
Derivative financial instruments	37	**528,816**	689,354
Deferred income	56	**966,959**	894,450
Other long term payables	57	**10,585,968**	5,968,071
Deferred tax liabilities	30	**15,067,449**	10,326,318
Provision for outstanding claims	50	**18,152,768**	18,291,386
Financial liabilities for unit-linked contracts	51	**172,040**	1,018,881
Investment contract liabilities	51	**64,796,552**	59,649,260
Other life insurance contract liabilities	52	**14,813,332**	13,862,939
Insurance and reinsurance creditors	53	**141,169**	142,034
Contract liabilities	44	**252,710**	–
Due to banks and other financial institutions	55	**456,827**	455,075
Total non-current liabilities		**244,882,326**	204,019,651
Net assets		**160,441,023**	136,412,281
EQUITY			
Equity attributable to owners of the parent			
Share capital	58	**36,660,729**	36,485,351
Treasury shares		**(139,226)**	(108,757)
Equity component of convertible bonds		**–**	18,054
Other reserves		**72,007,335**	64,566,106
		108,528,838	100,960,754
Non-controlling interests		**51,912,185**	35,451,527
Total equity		**160,441,023**	136,412,281

Guo Guangchang
Director

Wang Can
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 58)	Treasury shares RMB'000	Other deficits RMB'000 (note 59(a))	Statutory surplus reserve RMB'000 (note 59(b))	Available-for-sale investment revaluation reserve/ Fair value reserve RMB'000	Other reserve RMB'000	Convertible bonds RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	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 (note 2.2)	–	–	–	–	(1,194,223)	–	–	1,116,013	–	(78,210)	(10,999)	(89,209)
Impact of adopting HKFRS 15 (note 2.2)	–	–	–	–	–	–	–	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:												
Financial assets 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 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 58)	Treasury shares RMB'000	Other deficits RMB'000 (note 59(a))	Statutory surplus reserve RMB'000 (note 59(b))	Available-for-sale investment revaluation reserve/ Fair value reserve RMB'000	Other reserve RMB'000	Convertible bonds RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Acquisition of subsidiaries (note 61(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 profits	–	–	–	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 63)**	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 61(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 (31 December 2017: RMB64,566,106,000) 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 Changes in Equity

Year ended 31 December 2018

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 58)	Treasury shares RMB'000	Other deficits RMB'000 (note 59(a))	Statutory surplus reserve RMB'000 (note 59(b))	Available-for-sale investment revaluation reserve RMB'000	Other reserve RMB'000	Convertible bonds RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	36,157,089	(93,008)	(443,540)	6,359,899	7,567,180	2,278,620	68,674	41,481,920	(1,009,835)	92,366,999	30,506,829	122,873,828
Profit for the year	–	–	–	–	–	–	–	13,161,275	–	13,161,275	3,634,758	16,796,033
Other comprehensive income for the year:												
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	6,511,658	–	–	–	–	6,511,658	1,123,695	7,635,353
Reclassification adjustments for gains/(losses) included in the consolidated statement of profit or loss												
– gain on disposal, net of tax	–	–	–	–	(8,393,447)	–	–	–	–	(8,393,447)	(1,827,658)	(10,221,105)
– impairment loss, net of tax	–	–	–	–	213,205	–	–	–	–	213,205	48,315	261,520
– gain on disposal of a subsidiary	–	–	–	–	(173,092)	–	–	–	–	(173,092)	–	(173,092)
Share of other comprehensive income/(loss) of associates	–	–	–	–	(35,272)	–	–	–	1,983	(33,289)	(60,505)	(93,794)
Fair value adjustments of hedging instruments in cash flow hedges, net of tax	–	–	–	–	–	(29,646)	–	–	–	(29,646)	(1,847)	(31,493)
Fair value adjustments of hedging of a net investment in a foreign operation, net of tax	–	–	–	–	–	(1,169,591)	–	–	–	(1,169,591)	48,191	(1,121,400)
Revaluation gain upon transfer from owner-occupied property to investment property, net of tax	–	–	–	–	–	305	–	–	–	305	54	359
Actuarial reserve relating to employee benefits, net of tax	–	–	–	–	–	17,406	–	–	–	17,406	4,897	22,303
Share of other comprehensive income of joint ventures	–	–	–	–	27,826	–	–	–	–	27,826	–	27,826
Change in other life insurance contract liabilities due to potential gains on financial assets, net of tax	–	–	–	–	–	(271,812)	–	–	–	(271,812)	(47,967)	(319,779)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	252,812	252,812	338,985	591,797
Total comprehensive income for the year	–	–	–	–	(1,849,122)	(1,453,338)	–	13,161,275	254,795	10,113,610	3,260,918	13,374,528

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 58)	Treasury shares RMB'000	Other deficits RMB'000 (note 59(a))	Statutory surplus reserve RMB'000 (note 59(b))	Available-for-sale investment revaluation reserve RMB'000	Other reserve RMB'000	Convertible bonds RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Acquisition of subsidiaries (note 61(a))	–	–	–	–	–	–	–	–	–	–	1,986,954	1,986,954
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	369,986	369,986
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(1,116,949)	(1,116,949)
Final 2016 dividend declared	–	–	–	–	–	–	–	(1,613,959)	–	(1,613,959)	–	(1,613,959)
Transfer from retained profits	–	–	–	1,046,862	–	–	–	(1,046,862)	–	–	–	–
Share of other reserve of associates	–	–	–	–	–	(50,280)	–	–	–	(50,280)	(55,638)	(105,918)
Share of other reserve of joint ventures	–	–	–	–	–	(1,322)	–	–	–	(1,322)	–	(1,322)
Deemed disposal of partial interests in subsidiaries without losing control	–	–	–	–	–	898,732	–	–	–	898,732	2,925,255	3,823,987
Fair value adjustment on the share redemption option granted to non-controlling shareholders of a subsidiary	–	–	–	–	–	(335,279)	–	–	–	(335,279)	(1,524,968)	(1,860,247)
Equity-settled share-based payments of the Company (note 63)**	50,033	(15,749)	–	–	–	69,797	–	–	–	104,081	–	104,081
Equity-settled share-based payment of a subsidiary	–	–	–	–	–	3,929	–	–	–	3,929	6,428	10,357
Deemed acquisition of additional interests in a subsidiary	–	–	–	–	–	(14,359)	–	–	–	(14,359)	14,359	–
Disposal of subsidiaries (note 61(b))	–	–	–	–	–	–	–	–	–	–	(6,411)	(6,411)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	(378,972)	–	–	–	(378,972)	(915,236)	(1,294,208)
Conversion of convertible bonds to ordinary shares	278,229	–	–	–	–	–	(50,620)	–	–	227,609	–	227,609
Re-purchase of shares	–	–	–	–	–	–	–	(360,035)	–	(360,035)	–	(360,035)
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

* These reserve accounts comprise the consolidated other reserves of RMB64,566,106,000 in the consolidated statement of financial position.

** According to the share award scheme announced by the Company, during the year of 2017, the Company issued and the employee benefit trust established by the Company allotted 4,605,200 new shares which were awarded to selected participants and will be vested based on certain vesting conditions. During the year, 2,945,250 shares were vested.

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**21,994,570**	22,970,995
Adjustments for:			
Depreciation of items of property, plant and equipment	8	**2,546,476**	1,794,203
Amortisation of prepaid land lease payments	8	**55,774**	51,227
Amortisation of intangible assets	8	**975,496**	526,357
Amortisation of mining rights	8	**9,407**	3,719
Amortisation of oil and gas assets	8	**241,084**	309,292
Exploration expensed and written off	16	**128,312**	73,426
Provision for impairment of items of property, plant and equipment	8	**73,031**	68,477
Provision for impairment of intangible assets	8	**12,252**	10,814
Provision for impairment of goodwill	8	**87,425**	122,959
Provision for impairment of available-for-sale investments	8	**–**	1,275,571
Provision for impairment of debt investments at fair value through other comprehensive income	8	**88,863**	–
Provision for impairment of investments in associates	8	**90,050**	123,935
Provision for impairment of receivables	8	**66,793**	340,134
Reversal of impairment of insurance and reinsurance debtors	6/8	**(15,747)**	(81,451)
Reversal of impairment of debt investment at amortised cost	6/8	**(710)**	–
Provision for inventories	8	**64,713**	29,336
Reversal for impairment of completed properties for sale	6/8	**(14,864)**	(1,674)
Provision for impairment of loans and advances to customers	8	**89,801**	35,042
Amount reported in profit or loss applying the overlay approach	24	**(2,742,521)**	–
Gain on disposal of subsidiaries	6	**(45,059)**	(2,323,121)
Gain on bargain purchase of subsidiaries	6	**(3,706,384)**	(234,355)
Gain on bargain purchase of associates	6	**–**	(1,239,698)
Gain on disposal of available-for-sale investments	6	**–**	(8,370,800)
Loss on disposal of investments at fair value through profit or loss	8	**–**	162,030
Gain on disposal of associates	6	**(1,439,879)**	(419,091)
Gain on deemed disposal of investments in associates	6	**(2,069,071)**	(56,307)
Gain on disposal of joint ventures	6	**–**	(280,594)
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	**(53,936)**	(85,671)
Gain on disposal of investment properties	6	**(5,201)**	(330,922)
Gain on disposal of debt investments at fair value through other comprehensive income	6	**(2,136,148)**	–
Loss on fair value adjustment of financial assets at fair value through profit or loss	8	**585,193**	–
Gain on fair value adjustment on investment at fair value through profit or loss	6	**–**	(1,489,792)
Gain on fair value adjustment of investment properties	6	**(432,929)**	(914,646)
Loss/(gain) on derivative financial instruments	8	**1,790,822**	(1,597,695)
Reclassification of available-for-sale revaluation reserve from other comprehensive income to the consolidated statement of profit or loss upon disposal of a subsidiary	6	**–**	(173,092)
Reclassification of exchange fluctuation reserve from other comprehensive income to the consolidated statement of profit or loss upon disposal of a subsidiary	6	**–**	(20,812)
Ineffectiveness of hedges	8	**193,160**	218,647
Interest expenses		**6,887,572**	5,133,410
Interest income	6	**(757,874)**	(703,938)
Dividends and interest from equity investments at fair value through other comprehensive income	6	**(49,189)**	–
Dividends and interest from available-for-sale investments	6	**–**	(3,092,800)
Dividends and interest from debt investments at fair value through other comprehensive income	6	**(2,374,184)**	–
Dividends and interest from financial assets at fair value through profit or loss	6	**(1,368,533)**	(427,887)
Share of profits and losses of associates		**(4,178,234)**	(3,021,090)
Share of profits and losses of joint ventures		**(1,779,707)**	(1,492,552)
Equity-settled share-based payments	8	**372,432**	114,438
Subtotal carried forward		**12,287,145**	7,006,024

	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES *(Continued)*		
CASH INFLOW BEFORE WORKING CAPITAL CHANGES	**12,287,145**	7,006,024
Increase in properties under development	**(17,295,797)**	(17,014,133)
Decrease in completed properties held for sale	**9,461,246**	11,765,432
Decrease/(increase) in trade and notes receivables	**770,348**	(1,501,344)
(Increase)/decrease in prepayments, other receivables and other assets	**(753,958)**	3,022,842
Decrease/(increase) in inventories	**625,265**	(925,214)
Increase in insurance and reinsurance debtors	**(4,064,839)**	(2,178,751)
Increase in reinsurers' share of insurance contract provisions	**(1,291,630)**	(1,311,125)
Decrease/(increase) in amounts due from related companies	**1,142,402**	(1,683,621)
Decrease/(increase) in loans and advances to customers	**973,315**	(2,637,594)
(Decrease)/increase in trade and notes payables	**(2,649,368)**	1,870,785
(Decrease)/increase in accrued liabilities and other payables	**(20,342,908)**	8,618,930
Increase in deferred income	**71,332**	118,296
(Decrease)/increase in other long term payables	**(1,720,345)**	818,200
Increase in amounts due to related companies	**1,537,982**	575,724
Increase/(decrease) in accounts payable to brokerage clients	**44,084**	(27,856)
Decrease in placements with and loans to banks and other financial institutions	**(420)**	(44,275)
Increase/(decrease) in placements from banks and other financial institutions	**1,289,713**	(5,818)
Decrease in amounts due to banks and other financial institutions	**(1,024,906)**	(285,633)
Increase in deposits from customers	**6,707,303**	11,387,193
(Increase)/decrease in restricted pre-sale proceeds of properties	**(1,009,931)**	493,240
(Increase)/decrease in required reserve deposits	**(124,660)**	3,290,203
(Increase)/decrease in derivative financial instruments	**(2,448,106)**	1,026,742
Increase in financial liabilities at fair value through profit or loss	**300,288**	–
Increase in finance lease receivables	**(47,822)**	(1,129,851)
Increase in unearned premium provisions	**707,450**	1,115,806
Increase in provision for outstanding claims	**1,363,725**	4,151,132
Increase in insurance and reinsurance creditors	**3,482,608**	1,527,478
(Decrease)/increase in provision for unexpired risks	**(97,511)**	23,426
Increase in other life insurance contract liabilities	**1,284,422**	1,133,084
Increase in investment contract liabilities	**6,476,422**	4,807,166
Increase in contract assets and other assets	**(99,030)**	–
Increase in contract liabilities	**22,365,477**	–
CASH GENERATED FROM OPERATIONS	**17,919,296**	34,006,488
Tax paid	**(4,616,904)**	(3,553,371)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	**13,302,392**	30,453,117

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(5,433,758)**	(6,067,595)
Increase of prepaid land lease payments		**(2,038,533)**	(139,409)
Increase of investment properties		**(3,211,264)**	(2,187,071)
Purchase of intangible assets		**(3,065,439)**	(1,313,745)
Purchase of mining rights		**(15,413)**	(14,603)
Purchase of exploration and evaluation assets		**(335,849)**	(60,480)
Purchase of oil and gas assets		**(731,114)**	(364,912)
Purchase of available-for-sale investments		**–**	(79,113,036)
Purchase of financial assets at fair value through profit or loss		**(93,021,102)**	–
Purchase of equity investments designated at fair value through other comprehensive income		**(317,149)**	–
Purchase of debt investments at fair value through other comprehensive income		**(39,832,021)**	–
Purchase of debt investments at amortised cost		**(9,458,929)**	–
Purchase of investments at fair value through profit or loss		**–**	(122,599,493)
Proceeds from disposal of investments at fair value through profit or loss		**–**	115,928,970
Proceeds from disposal of available-for-sale investments		**–**	67,845,455
Proceeds from disposal of financial assets at fair value through profit or loss		**85,756,954**	–
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**8,047,416**	–
Proceeds from disposal of debt investments at fair value through other comprehensive income		**40,669,306**	–
Proceeds from maturity of debt investments at amortised cost		**4,727,875**	–
Proceeds from disposal of items of property, plant and equipment		**1,526,056**	672,933
Proceeds from disposal of prepaid land lease payments		**86,249**	98,003
Proceeds from disposal of intangible assets		**221,560**	115,098
Proceeds from disposal of subsidiaries	*61(b)*	**4,005,165**	18,728,472
Proceeds from disposal of associates and disposal of partial interests in associates		**745,921**	586,751
Proceeds from disposal of joint ventures		**1,205,558**	771,266
Proceeds from disposal of assets of a disposal group classified as held for sale		**3,206,061**	–
Acquisition of subsidiaries	*61(a)*	**(1,815,431)**	(3,924,607)
Acquisition of associates		**(7,961,728)**	(8,257,160)
Acquisition of joint ventures		**(638,036)**	(1,928,415)
Dividends and interest received from available-for-sale investments		**–**	3,775,122
Dividends and interest received from debt investments		**2,764,425**	–
Dividends and interest received from equity investments		**1,456,665**	–
Dividends and interest received from investments at fair value through profit or loss		**–**	466,103
Dividends received from associates		**1,083,551**	960,795
Dividends received from joint ventures		**74,939**	14,813
Shareholder loans provided		**–**	(1,170,645)
Increase in pledged bank balances and time deposits with original maturity of more than three months		**199,874**	(1,203,484)
Prepayments for proposed acquisitions of long term assets		**(847,012)**	(909,026)
Proceeds received from disposal of investment properties		**366,821**	2,228,850
Interest received		**716,413**	598,928
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(11,861,969)**	(16,462,122)

	Note	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital element of finance lease rental payments		**(4,536)**	(54,923)
Capital contribution from non-controlling shareholders of subsidiaries		**8,792,556**	4,193,971
New bank and other borrowings		**132,950,240**	107,426,389
Repayment of bank and other borrowings		**(107,503,352)**	(86,084,364)
Dividends paid to non-controlling shareholders of subsidiaries		**(1,272,654)**	(1,150,814)
Acquisition of additional interests in subsidiaries		**(2,290,601)**	(1,287,897)
Dividends paid to shareholders		**(991,023)**	(1,226,543)
Repurchase of shares		**(699,566)**	(360,035)
Interest paid		**(7,655,762)**	(5,584,617)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**21,325,302**	15,871,167
NET INCREASE IN CASH AND CASH EQUIVALENTS		**22,765,725**	29,862,162
Cash and cash equivalents at beginning of year		**68,567,445**	38,705,283
CASH AND CASH EQUIVALENTS AT END OF YEAR	35	**91,333,170**	68,567,445

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 Ecosystem, Happiness Ecosystem and Wealth Ecosystem. The Wealth Ecosystem 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. Disposal group 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 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*

Except for the Amendments to HKFRS 4 and *Annual Improvements 2014-2016 Cycle,* which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no significant impact on the financial position or performance of the Group.

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

(b) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continued to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement		Re-	Remeasurement		HKFRS 9
In RMB'000	Notes	Category	Amount	classification	ECL	Other	Amount
Investments at fair value through profit or loss		**FVPL[4]**	**17,158,173**	**(17,158,173)**	**–**	**–**	**N/A**
To: Financial assets at FVPL			N/A[3]	17,158,173	–	–	17,158,173[a]
Available-for-sale investments		**AFS[6]**	**136,692,464**	**(136,692,464)**	**–**	**–**	**N/A**
To: Financial assets at FVPL			N/A	28,395,609	–	998	28,396,607[a]
To: Debt investment at FVOCI[5]	*(iv)*		N/A	83,678,242	–	–	83,678,242[b]
To: Equity investments at FVOCI	*(i)*		N/A	11,774,481	–	(7,679)	11,766,802[c]
To: Debt investment at amortised cost	*(ii)*		N/A	12,844,132	(1,994)	(117,912)	12,724,226[d]
Loans and advances to customers		**L&R[1]**	**6,346,430**	**–**	**(43,097)**	**–**	**6,303,333[e]**
Trade and notes receivables	*(iii)*	**L&R**	**6,314,231**	**–**	**(16,157)**	**–**	**6,298,074[f]**
Cash and bank		**L&R**	**81,651,571**	**–**	**–**	**–**	**81,651,571[g]**
Term deposits		**L&R**	**964,496**	**–**	**–**	**–**	**964,496[h]**
Financial assets included in prepayments, other receivables and other assets		**L&R**	**10,993,132**	**–**	**–**	**–**	**10,993,132[i]**
Due from related companies		**L&R**	**12,309,468**	**–**	**–**	**–**	**12,309,468[j]**
Placements with and loans to banks and other financial institutions		**L&R**	**117,380**	**–**	**–**	**–**	**117,380[k]**
Finance lease receivables		**L&R**	**2,348,127**	**–**	**–**	**–**	**2,348,127[l]**
Policyholder account assets in respect of unit-linked contracts		**L&R**	**396,817**	**–**	**–**	**–**	**396,817[m]**
Policyholder account assets in respect of unit-linked contracts		**FVPL**	**973,202**	**–**	**–**	**–**	**973,202[n]**

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

(b) *(Continued)*

Classification and measurement *(Continued)*

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows: *(Continued)*

		HKAS 39 measurement		Re-	Remeasurement		HKFRS 9
In RMB'000	*Notes*	Category	Amount	classification	ECL	Other	Amount
Loans receivable		**L&R**	**3,376,243**	**(3,376,243)**	**–**	**–**	**N/A**
To: Debt investments at amortised cost			N/A	2,250,540	(9,115)	–	2,241,425[d]
To: Financial assets at FVPL			N/A	982,453	–	663	983,116[a]
To: Debt investments at FVOCI			N/A	143,250	–	–	143,250[b]

		HKFRS 9	
		Category	Subtotal amount
Financial assets at FVPL	a	FVPL	46,537,896
Debt investments at FVOCI	b	FVOCI	83,821,492
Equity investments at FVOCI	c	FVOCI	11,766,802
Debt investments at amortised cost	d	AC[2]	14,965,651
Loans and advances to customers	e	AC	6,303,333
Trade and notes receivables	f	AC	6,298,074
Cash and bank	g	AC	81,651,571
Term deposits	h	AC	964,496
Financial assets included in prepayments, other receivables and other assets	i	AC	10,993,132
Due from related companies	j	AC	12,309,468
Placements with and loans to banks and other financial institutions	k	AC	117,380
Finance lease receivables	l	AC	2,348,127
Policyholder account assets in respect of unit-linked contracts	m	AC	396,817
Policyholder account assets in respect of unit-linked contracts	n	FVPL	973,202

[1]L&R: Loans and receivables
[2]AC: Amortised cost
[3]N/A: Not applicable
[4]FVPL: Financial assets at fair value through profit or loss
[5]FVOCI: Financial assets at fair value through other comprehensive income
[6]AFS: Available-for-sale investments

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

(b) *(Continued)*

Classification and measurement *(Continued)*

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

(ii) As of 1 January 2018, the Group classified debt investments previously classified as available-for-sale investments as debt investments at amortised cost. These instruments which passed the contractual cash flow characteristics test in HKFRS 9, were not actively traded and were held with the intention to collect cash flows and without the intention to sell. The fair value of these instruments that the Group still held as at 31 December 2018 was RMB9,503,468,000. The change in fair value of these instruments in 2018, that would have been recorded in other comprehensive loss had these instruments continued to be revalued through other comprehensive loss, would have been RMB78,817,000.

(iii) The gross carrying amounts of the trade receivables under the column "HKAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECL. Further details of the adjustments for the adoption of HKFRS 15 are included in note 2.2 (c) to the financial statements.

(iv) As of 1 January 2018, the Group has assessed its liquidity portfolio of debt investments which had previously been classified as AFS debt investments. The objective of the Group in holding this liquidity portfolio is to earn interest income and, at the same time, manage everyday liquidity needs. The Group concluded that these debt investments are managed within a business model to collect contractual cash flows and to sell the financial assets. Accordingly, the Group has classified these investments as debt investments measured at fair value through other comprehensive income.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

In RMB'000	Loss provision under HKAS 39 at 31 December 2017	Re-measurement ECL	**Loss provision under HKFRS 9 at 1 January 2018**
Impairment allowance for			
Loans and receivables per HKAS 39/financial assets at amortised cost under HKFRS 9	724,108	68,369	**792,477**
Available-for-sale debt investment per HKAS 39/debt investment at amortised cost under HKFRS 9	–	1,994	**1,994**
Available-for-sale debt investment per HKAS 39/debt investment at FVOCI under HKFRS 9	1,131,889	425,129	**1,557,018**

Hedge accounting

The general hedge accounting requirements under HKFRS 9 aim to simplify hedge accounting, creating a stronger link with risk management strategy and permitting hedge accounting to be applied to a greater variety of hedging instruments and risks. However, HKFRS 9 does not explicitly address macro hedge accounting strategies, as a result, HKFRS 9 includes an accounting policy choice to remain with the hedge accounting under HKAS 39. The Group elected to continue to apply hedge accounting in accordance with HKAS 39.

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

(b) *(Continued)*

Impact on reserves and retained earnings

The impact of transition to HKFRS 9 on reserves and retained earnings is as follows:

	Reserves and retained earnings RMB'000
Fair value reserve attributable to owners of the parent under HKFRS 9 (available-for-sale investment revaluation reserve under HKAS 39)	
Balance under HKAS 39 (31 December 2017)	5,718,058
Reversal of impairment losses under HKAS 39 for equity investments designated at fair value through other comprehensive income previously classified as available-for-sale investments	(213,522)
Reclassification of debt investment from available-for-sale to amortised cost	(117,912)
Reclassification of investment (debt and equity) from available-for-sale to FVPL	(3,277,096)
Recognition of expected credit losses under HKFRS 9 for debt investment at FVOCI	361,954
Re-measurement impact of the available-for-sale at cost to FVOCI	(3,019)
Reclassification between retained earnings and fair value reserve under the overlay approach	1,675,371
Deferred tax in relation to the above	380,001
Balance under HKFRS 9 (1 January 2018)	4,523,835
Retained earnings attributable to owners of the parent under HKAS 39	
Balance under HKAS 39 (31 December 2017)	51,622,339
Reversal of impairment losses under HKAS 39 for equity investments designated at fair value through other comprehensive income previously classified as available-for-sale investments	213,522
Re-measurement impact of reclassifying financial assets held at amortised cost and available-for-sale at cost to FVPL	62,652
Reclassification of investment (debt and equity) from available-for-sale to FVPL	3,277,096
Recognition of expected credit losses under HKFRS 9	(422,290)
Reclassification between retained earnings and fair value reserve under the overlay approach	(1,675,371)
Deferred tax in relation to the above	(339,596)
Balance under HKFRS 9 (1 January 2018)	52,738,352
Total change in equity attributable to owners of the parent due to adopting HKFRS 9	**(78,210)**
Total change in non-controlling interests	**(10,999)**

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

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Notes	**Increase/(decrease) RMB'000**
Assets		
Non-current assets		
Property, plant and equipment	*(ii)*	17,100
Trade and notes receivables		(35,727)
Properties under development	*(ii)*	434,454
Contract assets and other assets		103,201
Total assets		519,028
Liabilities		
Contract liabilities	*(i),(ii)*	20,701,201
Accrued liabilities and other payables	*(i)*	(20,214,267)
Total liabilities		486,934
Equity		
Reserves		32,094

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

(c) *(Continued)*

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 December 2018:

		Amounts prepared under		
	Notes	HKFRS 15 RMB'000	Previous HKFRS RMB'000	Increase/ (decrease) RMB'000
Revenue	*(ii)*	109,351,641	108,937,712	413,929
Cost of sales	*(ii)*	(67,728,602)	(67,412,048)	316,554
Gross profit		41,623,039	41,525,664	97,375
Selling and distribution expenses		(17,955,596)	(17,969,546)	(13,950)
Finance costs	*(ii)*	(7,230,418)	(7,153,262)	77,156
Profit before tax		21,994,570	21,960,400	34,170
Income tax expense		(4,985,054)	(4,976,065)	8,989
Profit for the year		17,009,516	16,984,335	25,181

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
	Notes	HKFRS 15 RMB'000	Previous HKFRS RMB'000	Increase/ (decrease) RMB'000
Property, plant and equipment	*(ii)*	36,310,360	36,285,563	24,797
Trade and notes receivables		7,755,027	7,772,633	(17,606)
Completed properties for sale	*(ii)*	14,313,790	14,201,068	112,722
Properties under development-current	*(ii)*	27,860,035	27,478,504	381,531
Contract assets and other assets		99,030	–	99,030
Total assets		638,883,838	638,283,364	600,474
Contract liabilities	*(i),(ii)*	22,365,477	–	22,365,477
Accrued liabilities and other payables	*(i)*	27,466,126	49,044,681	(21,578,555)
Deferred tax liabilities		15,067,449	15,058,460	8,989
Other long term payables	*(i)*	10,585,968	10,838,678	(252,710)
Total liabilities		478,442,815	477,899,614	543,201
Net assets and total equity		160,441,023	160,383,750	57,273

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

(c) *(Continued)*

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 and the statement of profit or loss for the year ended 31 December 2018 are described below:

(i) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as accrued liabilities and other payables and other long term payables. Under HKFRS 15, the amount is classified as contract liabilities.

Therefore, upon adoption of HKFRS 15, accrued liabilities and other payables were decreased by RMB20,214,267,000 and contract liabilities were increased by RMB20,214,267,000, respectively, as at 1 January 2018 in relation to the consideration received from customers in advance.

As at 31 December 2018, the adoption of HKFRS 15 resulted in a decrease in accrued liabilities and other payables of RMB21,578,555,000, a decrease in other long term payables of RMB252,710,000 and an increase in contract liabilities of RMB21,831,265,000.

(ii) Significant financing components within contracts

Before the adoption of HKFRS 15, revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Group. Upon adoption of HKFRS 15, in determining the transaction price, the Group adjusted the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract provides the customer with a significant benefit of financing the transfer of goods or services to the customer.

Therefore, upon adoption of HKFRS 15, property, plant and equipment were increased by RMB17,100,000, properties under development were increased by RMB434,454,000 and contract liabilities were increased by RMB486,934,000, as at 1 January 2018.

As at 31 December 2018, the adoption of HKFRS 15 resulted in an increase in property, plant and equipment of RMB24,797,000, an increase in properties under development of RMB381,531,000, an increase in contract liabilities of RMB534,212,000, an increase in completed properties for sale of RMB112,722,000, an increase in finance costs of RMB77,156,000, an increase in revenue and cost of sales of RMB413,929,000 and RMB316,554,000, respectively.

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no significant impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

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*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 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.

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.

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

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application.

The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. The Group estimated that the right of use assets and lease liabilities will be recognised at 1 January 2019 and the impact on the opening balance of total equity as at 1 January 2019 will not be significant.

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.

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 expects to adopt the amendments on 1 January 2019 and the amendments are not expected to have any significant impact on the Group's financial statements.

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

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 is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated 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*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in joint operations

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

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

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

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

Business combinations and goodwill

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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

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

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

Fair value measurement

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

or

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

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

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

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

Buildings	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 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" 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 with indefinite useful lives are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

MEDICINE LICENCES, 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 consolidated statement of profit or loss as incurred.

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

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, 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

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

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

When the Group is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the consolidated statement of financial position as loans and accounts receivables. Any unguaranteed residual value is also recognised at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognised as unearned finance income. Unearned finance income is recognised over the period of the lease using the effective interest rate method.

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

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

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

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 (applicable from 1 January 2018)" 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.

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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

SUBSEQUENT MEASUREMENT

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

FINANCIAL ASSETS AT AMORTISED COST (DEBT INSTRUMENTS)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

SUBSEQUENT MEASUREMENT *(Continued)*

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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 (policies under HKFRS 9 applicable from 1 January 2018) *(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.

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

INITIAL RECOGNITION AND MEASUREMENT

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

SUBSEQUENT MEASUREMENT

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in the consolidated statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition (applicable before 1 January 2018)” below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) *(Continued)*

SUBSEQUENT MEASUREMENT *(Continued)*

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

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

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

LOANS AND RECEIVABLES

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

AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the consolidated statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the consolidated statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

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

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

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

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

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

GENERAL APPROACH *(Continued)*

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.

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) *(Continued)*

FINANCIAL ASSETS CARRIED AT AMORTISED COST

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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

ASSETS CARRIED AT COST

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

AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) *(Continued)*

AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS *(Continued)*

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

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

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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, finance lease payables, other long term payables, convertible bonds and interest-bearing bank and other borrowings.

SUBSEQUENT MEASUREMENT

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

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 2018)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) *(Continued)*

SUBSEQUENT MEASUREMENT *(Continued)*

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS(POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018)

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

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

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

LOANS AND BORROWINGS

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

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

FINANCIAL GUARANTEE CONTRACTS (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 2018)

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 (policies under HKFRS 9 applicable from 1 January 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

FINANCIAL GUARANTEE CONTRACTS (POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018)

A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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 (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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 (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

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. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) *(Continued)*

INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT *(Continued)*

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet 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 consolidated statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the consolidated statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the consolidated statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated statement of profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated statement of profit or loss. The changes in the fair value of the hedging instrument are also recognised in the consolidated statement of profit or loss.

CASH FLOW HEDGES

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in cash flow hedge reserve recorded in 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.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the consolidated statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the consolidated statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) *(Continued)*

CASH FLOW HEDGES *(Continued)*

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 consolidated 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 consolidated statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated statement of profit or loss.

CURRENT VERSUS NON-CURRENT CLASSIFICATION

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties under development

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

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

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

Completed properties for sale

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

Cash and cash equivalents

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

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

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 guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

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

Current tax assets and liabilities 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.

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income 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 (applicable from 1 January 2018)

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.

When the contract contains a financing component which provides the customer 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (applicable from 1 January 2018) *(Continued)*

REVENUE FROM CONTRACTS WITH CUSTOMERS *(Continued)*

(B) SALES OF PROPERTIES (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (applicable before 1 January 2018)

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

(A) SALE OF GOODS

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

(B) SALE OF COMPLETED PROPERTIES

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

(C) SERVICE INCOME

Service income is recognised when the relevant services have been rendered and it is probable that economic benefits will flow to the Group and the relevant income can be measured reliably.

(D) INSURANCE INCOME

Non-life insurance contract premiums, life insurance and investment contracts with a discretionary profit sharing component are recognised as income when written in "Net premiums written" in the consolidated statement of profit or loss.

Premiums written on non-life insurance contracts are recognised as income over the corresponding risk periods, through the use of the unearned premiums provision.

(E) RENTAL INCOME

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

(F) INTEREST INCOME

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

(G) DIVIDEND INCOME

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contract assets (applicable from 1 January 2018)

A contract asset is the right 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 liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract costs (applicable from 1 January 2018)

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.

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 59 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

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.

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:

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 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits *(Continued)*

(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.

Contributions by the companies in Portugal to the defined contribution plan are made in accordance with the rules set forth in the collective labour agreement, and recorded as an expense in the period they are due as a charge to administrative expenses.

(VI) EMPLOYEE BENEFITS TO ALL ELIGIBLE EMPLOYEES OF THE SUBSIDIARY IN FRANCE

All eligible employees of the subsidiary in France receive certain short-term benefits, such as vacation pay, "13th month" bonuses, sick leave, health insurance, and unemployment insurance in France.

The post-employment benefit plans of the subsidiary in France are based on legal obligations in each host country and on its subsidiaries' compensation policies. Long-term benefit plans include both defined contribution and defined benefit plans.

(A) DEFINED CONTRIBUTION PLANS

Under defined contribution plans, the subsidiary in France pays contributions to an external fund that is responsible for paying the benefits. The payment of contributions releases the employer of its further obligation towards his employees. The main defined contribution plans consist of government-sponsored basic and supplementary pension plans in Europe and defined-contribution pension plans in North America.

Contributions to all of these plans are recognised as an expense for the period in which they are due.

(B) DEFINED BENEFIT PLANS

Under defined benefit plans, the subsidiary in France has an obligation to pay benefits to employees either at the end of their employment or during their retirement. The defined benefit plans of the subsidiary in France are unfunded and are covered by provisions recorded in the financial statements.

The main defined benefit plans of the subsidiary in France concern indemnities payable to employees on retirement (France, Greece and Turkey) or when they leave the subsidiary in France (Italy and Japan).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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

Foreign currencies

The functional currencies of the Company and PRC subsidiaries are Hong Kong dollars ("HKD") and RMB, respectively. The financial statements are presented in RMB. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

Insurance and investment contracts

(A) CLASSIFICATION OF CONTRACTS

Transactions associated with insurance contracts written and reinsurance contracts held by the Group are recognised in accordance with HKFRS 4 "Insurance Contracts". Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Contracts without a significant insurance risk are considered to be investment contracts.

As provided for in HKFRS 4, investment contracts with a discretionary profit sharing component also continue to be classified as insurance contracts, and other investment contracts are accounted for under HKAS 39.

An insurance or investment contract is considered to include profit sharing with a discretionary component when the respective contractual conditions provide for the allocation of additional benefits to the insured, as a complement to the contract's guaranteed component part.

The liabilities related to life insurance contracts and investment contracts with discretionary profit sharing 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Insurance and investment contracts *(Continued)*

(D) MATHEMATICAL PROVISION FOR LIFE INSURANCE

This corresponds to the estimated actuarial value of the insurance company's commitments, including profit sharing payments already distributed and following the deduction of the actuarial value of future premiums, calculated for each policy in accordance with actuarial methods and their respective technical bases.

In the case of life insurance contracts in which the investment risk is borne by the policyholder, this account heading only includes any additional technical provisions which may be set up to cover mortality risks, administrative or other expenditure (e.g., guaranteed payments on maturity or guaranteed redemption values).

(E) PROFIT SHARING PROVISION

The profit sharing provision in 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Insurance and investment contracts *(Continued)*

(H) PROVISION FOR UNEXPIRED RISKS

This provision is calculated for all non-life insurance and is intended to respond to situations in which premiums to be allocated to subsequent years regarding contracts in force at the date of the financial statements are not sufficient to pay for the indemnities and the expenses to be allocated to the respective technical lines of business. This provision is calculated on the basis of the ratios for claims, operating costs, ceding and income, in accordance with which is defined by the Portuguese Insurance Regulator.

(I) TECHNICAL PROVISIONS FOR OUTWARDS REINSURANCE

These provisions are assessed by applying the above described criteria for direct insurance, based on ceding percentages, in addition to other clauses existing in the treaties in force.

(J) LIABILITIES TO SUBSCRIBERS OF UNIT-LINKED PRODUCTS

Liabilities, associated with unit-linked investment contracts issued by the Group in which the risk is borne by the policyholder, are recognised at fair value and assessed on the basis of the fair value of investment portfolio assets allocated to each of the products, less the corresponding management costs and recognised in "financial liabilities for unit-linked contracts".

Investment portfolios allocated to unit-linked products comprise financial assets, including fixed-income securities, variable-income securities, derivative instruments and deposits in credit institutions, which are recognised at fair value and whose corresponding unrealised capital gains and losses are recognised in the consolidated statement of profit or loss for the year.

(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 policyholders, 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) OPERATING LEASE COMMITMENTS – GROUP AS LESSOR

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

(II) CLASSIFICATION BETWEEN INVESTMENT PROPERTIES AND OWNER-OCCUPIED PROPERTIES

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

(III) CONSOLIDATION OF ENTITIES IN WHICH THE GROUP HOLDS LESS THAN A MAJORITY OF VOTING RIGHTS

The Group considers that it controls Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharma") even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Fosun Pharma with a 37.55% equity interest as at 31 December 2018. The remaining 62.45% of the equity shares in Fosun Pharma are widely held by many other shareholders. The Group controls the board of directors of Fosun Pharma, and holds relatively larger voting rights than other dispersed public shareholders. Since the date of Fosun Pharma's domestic shares being listed on the Shanghai Stock Exchange, there has been no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

(IV) DEFERRED TAX LIABILITIES

Deferred tax liabilities are recognised for withholding corporate income taxes relating to the unremitted earnings of the Group's subsidiaries established in Chinese Mainland that are subject to withholding taxes. Significant management judgement is required to determine the amount of deferred tax liabilities, based upon the likely distribution level of such earnings from these subsidiaries in the foreseeable future. The amount of deferred tax liabilities arising from the withholding tax associated with the investments in subsidiaries in Chinese Mainland for the year ended 31 December 2018 was RMB235,136,000 (31 December 2017: RMB114,579,000). Further details are contained in note 30 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(Continued)

Judgements *(Continued)*

(V) 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 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 2018 was RMB19,092,279,000 (31 December 2017: RMB15,203,443,000). Further details are given in note 20 to the financial statements.

(II) IMPAIRMENT OF NON-FINANCIAL ASSETS (OTHER THAN GOODWILL)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. For the year ended 31 December 2018, impairment losses in the amount of RMB175,333,000 (2017:RMB203,226,000) have been recognised as set out in note 8 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(Continued)

Estimation uncertainty *(Continued)*

(III) IMPAIRMENT OF AVAILABLE-FOR-SALE INVESTMENTS

Before 1 January 2018, the Group classified certain assets as available for sale and recognised movements of their fair values in other comprehensive income. When the fair value declined, management made assumptions about the decline in value to determine whether there was an impairment that should be recognised in the consolidated statement of profit or loss.

Since 1 January 2018, 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. As at 31 December 2018, the carrying amount of designated eligible financial assets under the overlay approach (including current and non-current portion) was RMB11,121,411,000.

(IV) ESTIMATION OF FAIR VALUE OF INVESTMENT PROPERTIES

As described in note 14 to the financial statements, investment properties were revalued on 31 December 2018 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 2018 was RMB46,567,826,000 (31 December 2017: RMB32,438,435,000). Further details, including the key assumptions used for fair value measurement, are given in note 14 to the financial statements.

(V) FAIR VALUE OF FINANCIAL INSTRUMENTS DETERMINED USING VALUATION TECHNIQUES

Fair value of financial instruments, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations were based on certain assumptions about credit risk, volatility and liquidity risks, associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. Further details are included in note 70 to the financial statements.

(VI) 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(Continued)

Estimation uncertainty *(Continued)*

(VII) 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.

(VIII) ESTIMATION OF REHABILITATION COST PROVISION

FOR MINING RIGHTS

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

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

FOR OIL AND GAS ASSETS

The Group estimates the future removal costs of on and offshore oil and gas platforms, production facilities, wells and pipelines at the time of installation of the assets. In most instances, removal of assets 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.

(IX) PROVISION FOR BAD DEBTS OF TRADE AND NOTES RECEIVABLES AND PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Before 1 January 2018, the Group reviewed the recoverability and ageing of trade and notes receivables and prepayments, other receivables and other assets and provides impairment losses if the balances are not fully recoverable. The assessments involve estimation of the recoverability of these balances. Any change in key assumptions of estimations would affect the carrying amount of the trade and notes receivables and prepayments, other receivables and other assets, and provision expenses in the period in which such estimate has been changed.

(X) MEASUREMENT OF THE EXPECTED CREDIT LOSS ALLOWANCE

The Group assesses the impairment of financial assets at amortised cost and debt investments at 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 2018 was RMB1,673,967,000 (31 December 2017: RMB1,240,255,000). The amount of unrecognised tax losses and deductible temporary differences as at 31 December 2018 was RMB18,421,560,000 (31 December 2017: RMB17,022,761,000). 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

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 CONTRACTS LIABILITIES

The Group's insurance contracts liabilities are assessed on the basis of the methodologies and assumptions described in note 2.4. These liabilities reflect a quantified estimate of the impact of future events on the accounts of the Group's insurance companies, based on actuarial assumptions, claims history and other methods accepted in the sector. Owing to the nature of insurance activity, the assessment of claims provisions and other insurance contracts liabilities is highly subjective and the real amounts payable in the future may differ significantly from the estimates. Management reassesses these estimates at the end of each reporting period, however, that the liabilities on insurance contracts recognised in the consolidated financial statements adequately reflect the best estimate at the end of the reporting period of the amounts to be disbursed by the Group. As at 31 December 2018, the total carrying amount of insurance contracts liabilities was RMB57,351,742,000 (2017: RMB53,185,038,000), which included unearned premium provisions amounting to RMB6,684,319,000 (2017: RMB5,845,267,000), provision for outstanding claims amounting to RMB33,893,491,000 (2017: RMB31,617,352,000), provision for unexpired risks amounting to RMB286,538,000 (2017: RMB384,049,000) and other life insurance contract liabilities amounting to RMB16,487,394,000 (2017: RMB15,338,370,000)

(XV) VALUATION OF THE IDENTIFIABLE ASSETS AND LIABILITIES THROUGH BUSINESS COMBINATION AND 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 gain 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 combination 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 2018 are set out below:

Name of company	Place of incorporation/ registration and place of business	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Subsidiaries						
Investment segment						
上海復星高科技（集團）有限公司# (Shanghai Fosun High Technology (Group) Co., Ltd.)	PRC/ Chinese Mainland	4,800,000	100.0%	–	100.0%	Investment holding
上海復星產業投資有限公司# (Shanghai Fosun Industrial Investment Co., Ltd.)	PRC/ Chinese Mainland	600,000	–	100.0%	100.0%	Investment holding
復星金融控股有限公司 (Fosun Financial Holdings Limited)	Hong Kong	HKD18,598,275,000	100.0%	–	100.0%	Investment holding
復星地產控股有限公司 (Fosun Property Holdings Limited)	Hong Kong	HKD1	100.0%	–	100.0%	Investment holding
海南礦業股份有限公司# (Hainan Mining Co., Ltd.)	PRC/ Chinese Mainland	1,954,720	–	51.6%	51.6%	Mining and ore processing
Roc Oil Company Limited	Australia	AUD687,618,400	–	100.0%	100.0%	Oil and gas exploration
上海復星創富投資管理股份有限公司# (Fosun Capital Investment & Management Co., Ltd.)	PRC/ Chinese Mainland	600,000	–	100.0%	100.0%	Capital investment and management
IDERA Capital Management Ltd.	Japan	JPY100,000,000	–	98.0%	98.0%	Capital investment and management
復地（集團）股份有限公司# (Shanghai Forte Land Co., Ltd.)	PRC/ Chinese Mainland	2,504,155	–	100.0%	100.0%	Property development
武漢中北房地產開發有限公司# (Wuhan Zhongbe Property Development Co., Ltd.)	PRC/ Chinese Mainland	933,000	–	100.0%	90.6%	Property development
浙江復星商業發展有限公司# (Zhejiang Fosun Commercial Development Co., Ltd)	PRC/ Chinese Mainland	10,000	–	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

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 2018 are set out below: *(Continued)*

Name of company	Place of incorporation/ registration and place of business	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Subsidiaries *(Continued)*						
Health Ecosystem						
上海復星醫藥（集團）股份有限公司*/# (Shanghai Fosun Pharmaceutical (Group) Co., Ltd.)	PRC/ Chinese Mainland	2,563,061	–	37.6%	37.6%	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	2,253,308	–	100.0%	37.6%	Investment holding
錦州奧鴻藥業有限責任公司# (Jinzhou Aohong Pharmaceutical Co., Ltd.)	PRC/ Chinese Mainland	107,875	–	100.0%	37.6%	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	440,455	–	100.0%	37.6%	Manufacture and sale of pharmaceutical products
Alma Lasers Ltd.	State of Israel	NIS14,000,000	–	100.0%	19.8%	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	51,120	–	51.0%	19.2%	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	196,540	–	51.0%	19.2%	Manufacture and sale of pharmaceutical products
桂林南藥股份有限公司# (Guilin South Pharma Co., Ltd.)	PRC/ Chinese Mainland	285,030	–	96.2%	36.1%	Manufacture and sale of pharmaceutical products
復星實業（香港）有限公司 (Fosun Industrial Co., Limited)	Hong Kong	USD550,137,905	–	100.0%	37.6%	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	50,000	–	87.4%	32.8%	Provision of healthcare services
Gland Pharma Limited ("Gland")	India	RS154,950,000	–	74.0%	27.8%	Manufacture and sale of pharmaceutical products
Luz Saúde, S.A.	Portugal	EUR95,542,254	–	99.4%	91.8%	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 2018 are set out below: *(Continued)*

Name of company	Place of incorporation/ registration and place of business	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Subsidiaries *(Continued)*						
Happiness Ecosystem						
Club Med SAS	France	EUR149,000,000	–	100.0%	70.7%	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	801,500	–	100.0%	81.8%	Tourism
上海豫園旅遊商城股份有限公司$ (Shanghai Yuyuan Tourist Mart Co., Ltd.)	PRC/ Chinese Mainland	3,881,064	–	68.6%	68.6%	Retail
湖北光霞房地產開發有限公司# (Hubei Guangxia Property Co.,Ltd)	PRC/ Chinese Mainland	261,000	–	65.0%	44.6%	Property development
海南復地投資有限公司# (Hainan Forte Investment Co., Ltd.)	PRC/ Chinese Mainland	10,000	–	100.0%	68.6%	Property development
Insurance segment						
鼎睿再保險有限公司 (Peak Reinsurance Company Limited)	Hong Kong	USD786,720,714	–	86.9%	86.9%	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 2018 are set out below: *(Continued)*

Name of company	Place of incorporation/ registration and place of business	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Associates						
國藥產業投資有限公司# (Sinopharm Industrial Investment Co., Ltd.)	PRC/ Chinese Mainland	100,000	–	49.0%	18.4%	Distribution of pharmaceutical products
青島啤酒股份有限公司# (Tsingtao Brewery Company Limited)	PRC/ Chinese Mainland	1,350,983	–	14.7%	14.3%	Production and distribution of beer
天津建龍鋼鐵實業有限公司# (Tianjin Jianlong Iron & Steel Industrial Co., Ltd.)	PRC/Chinese Mainland	2,000,000	–	25.7%	25.7%	Manufacture and sale of iron and steel products
上海証大房地產有限公司@ (Shanghai Zhengda Property Limited)	Bermuda/ Chinese Mainland	HKD297,587,000	–	15.2%	15.2%	Property investment and management
永安財產保險股份有限公司# (Yong'an Property Insurance Company Limited)	PRC/ Chinese Mainland	3,009,416	–	40.7%	40.7%	Property insurance
Banco Comercial Português, S.A.	Portugal	EUR4,725,000,000	–	27.3%	27.3%	Banking and financial service
Joint ventures						
南京南鋼鋼鐵聯合有限公司#/& (Nanjing Nangang Iron & Steel United Co., Ltd.)	PRC/Chinese Mainland	3,000,000	–	60.0%	60.0%	Manufacture and sale of iron and steel products
上海証大外灘國際金融服務中心# 置業有限公司 (Shanghai Zhengda Bund International Finance Services Centre Real Estate Company Limited)	PRC/Chinese Mainland	7,000,000	–	50.0%	50.0%	Property development

4. PARTICULARS OF THE PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINT VENTURES *(Continued)*

The English names of the above subsidiaries, associates and joint ventures are directly translated from their Chinese names.

The above table lists the subsidiaries, associates and joint ventures of the Group which, in the opinion of the directors of the Company, principally affected the results of the Group for the year ended 31 December 2018 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 37.55% as at 31 December 2018.

@ 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 2018.

\# 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 2018, 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.

$ Shanghai Yuyuan Tourist Mart Co., Ltd. ("Yuyuan"), a previous associate of the Group with 26.45% equity interests as at 31 December 2017, completed the asset restructuring in July 2018, upon which the Group held approximately 68.49% of equity interests in Yuyuan and Yuyuan has been consolidated as a subsidiary of the Group since July 2018.

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 Ecosystem 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 Ecosystem 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 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 the Wealth Ecosystem sector of the Group.

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

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

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

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2018

	Health Ecosystem	Happiness Ecosystem	Wealth Ecosystem				
			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	44,143,845	23,668,480	2,334,476	10,636,888	–	109,351,641
Inter-segment sales	525,328	11,467	–	148,197	90,423	(775,415)	–
Total revenue	29,093,280	44,155,312	23,668,480	2,482,673	10,727,311	(775,415)	109,351,641
Segment results	5,392,910	6,667,622	4,106,312	1,431,945	6,607,585	(40,141)	24,166,233
Unallocated expenses							(2,171,663)
Profit before tax	5,392,910	6,667,622	4,106,312	1,431,945	6,607,585	(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	3,383,339	3,274,445	1,464,154	6,218,098	(57,396)	17,009,516
Segment and total assets	86,877,645	143,824,338	185,550,344	76,530,808	162,000,251	(15,899,548)	638,883,838
Segment and total liabilities	41,250,149	78,009,200	146,403,234	56,911,226	172,709,826	(16,840,820)	478,442,815
Other segment information:							
Interest and dividend income	158,752	187,028	3,565,174	77,518	1,115,215	(553,907)	4,549,780
Other income and gains (excluding interest and dividend income)	3,009,759	4,466,781	5,803,774	386,125	1,023,573	489,105	15,179,117
Amount reported in profit or loss applying the overlay approach	–	–	2,742,521	–	–	–	2,742,521
Impairment losses recognized in the statement of profit or loss, net	(170,725)	(13,031)	(93,553)	(88,407)	(226,628)	50,737	(541,607)
Finance costs	(1,018,923)	(875,549)	(194,197)	–	(5,420,168)	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 amortization	(1,356,132)	(1,175,755)	(399,400)	(52,161)	(844,789)	–	(3,828,237)
Research and development costs	(1,402,292)	(34,375)	(322)	(4,273)	(22,240)	1,113	(1,462,389)
Fair value 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)	2,424,854	(4,589,284)	(229,361)	2,001,881	–	(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	3,340,944	1,901,731	81,891	3,934,525	–	12,930,706

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2017 (restated)

	Health Ecosystem	Happiness Ecosystem	Wealth Ecosystem				
			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	22,078,850	25,455,592	26,133,292	1,700,914	12,656,521	–	88,025,169
Inter-segment sales	407,412	–	–	135,304	120,157	(662,873)	–
Total revenue	22,486,262	25,455,592	26,133,292	1,836,218	12,776,678	(662,873)	88,025,169
Segment results	4,496,160	4,642,384	4,356,438	1,413,628	10,188,017	(35,124)	25,061,503
Unallocated expenses							(2,090,508)
Profit before tax	4,496,160	4,642,384	4,356,438	1,413,628	10,188,017	(35,124)	22,970,995
Tax	(517,281)	(1,694,171)	(866,153)	(100,188)	(2,995,426)	(1,743)	(6,174,962)
Profit for the year	3,978,879	2,948,213	3,490,285	1,313,440	7,192,591	(36,867)	16,796,033
Segment and total assets	74,436,631	79,346,675	176,130,430	65,623,827	152,464,193	(14,213,702)	533,788,054
Segment and total liabilities	35,882,453	54,238,985	136,152,715	48,927,028	144,240,980	(22,066,388)	397,375,773
Other segment information:							
Interest and dividend income	113,386	80,500	3,135,364	289,895	761,677	(156,197)	4,224,625
Other income and gains (excluding interest and dividend income)	1,458,534	1,583,265	5,964,122	211,706	11,214,879	(128,053)	20,304,453
Impairment losses recognised in the statement of profit or loss, net	(65,478)	(90,297)	(726,167)	(38,129)	(1,084,523)	–	(2,004,594)
Finance costs	(635,647)	(915,452)	(206,826)	(400)	(4,209,818)	384,391	(5,583,752)
Share of profits and losses of							
– Joint ventures	(10,134)	(19,290)	(60,078)	–	1,582,054	–	1,492,552
– Associates	1,379,233	258,445	207,594	889,687	324,896	(38,765)	3,021,090
Depreciation and amortisation	(1,224,575)	(617,283)	(137,740)	(37,085)	(668,115)	–	(2,684,798)
Research and development costs	(940,533)	–	–	–	–	–	(940,533)
Fair value gains on fair value adjustments of investment properties	–	193,854	61,070	–	659,722	–	914,646
Fair value gains on financial assets at fair value through profit or loss	44,072	195,666	84,440	–	1,165,614	–	1,489,792
Investments in joint ventures	1,506,168	3,435	746,914	–	18,161,930	–	20,418,447
Investments in associates	20,993,174	6,717,075	8,199,953	10,014,101	16,389,323	(591,725)	61,721,901
Capital expenditure*	2,393,191	3,191,372	1,224,890	41,844	3,486,012	–	10,337,309

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

5. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(A) REVENUE FROM EXTERNAL CUSTOMERS

	2018 RMB'000	2017 RMB'000
Chinese Mainland	**58,628,408**	40,949,068
Portugal	**16,197,962**	14,753,495
Other countries and regions	**34,525,271**	32,322,606
	109,351,641	88,025,169

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

(B) NON-CURRENT ASSETS

	2018 RMB'000	2017 RMB'000
Chinese Mainland	**187,121,427**	139,091,483
Hong Kong	**3,686,002**	3,585,888
Portugal	**20,562,181**	19,009,006
Other countries and regions	**40,508,034**	34,535,172
	251,877,644	196,221,549

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 2018 and 2017.

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 receivables from investment properties during the year.

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

		2018 RMB'000	2017 RMB'000
Revenue			
Revenue from contracts with customers			
– Sale of goods	(1)	**56,878,181**	40,832,917
– Rendering of services	(2)	**28,043,977**	20,509,636
		84,922,158	61,342,553
Revenue from other sources			
– Insurance revenue	(3)	**23,594,764**	26,130,566
– Rental income		**1,070,766**	799,475
– Interest income		**316,471**	315,538
		24,982,001	27,245,579
Others			
– Less: Government surcharges		**(552,518)**	(562,963)
		109,351,641	88,025,169

(1) Sale of goods:

	2018 RMB'000	2017 RMB'000
Pharmaceuticals and medical products	**21,094,954**	15,916,001
Properties	**22,740,120**	20,541,619
Gold and jewelleries	**8,048,203**	–
Ore products	**1,298,815**	2,641,111
Oil and gas	**1,128,388**	881,027
Others	**2,567,701**	853,159
	56,878,181	40,832,917

(2) Rendering of services:

	2018 RMB'000	2017 RMB'000
Tourism	**14,557,519**	11,269,713
Healthcare	**6,421,588**	5,684,040
Property agency	**438,558**	453,560
Property management	**1,273,977**	737,440
Asset management	**389,403**	262,703
Fee and commission income	**1,588,395**	1,120,904
Others	**3,374,537**	981,276
	28,043,977	20,509,636

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

An analysis of revenue, other income and gains is as follows: *(Continued)*

Revenue *(Continued)*

(3) Insurance revenue:

	2018 RMB'000	2017 RMB'000
Gross premiums written	**28,377,536**	31,088,732
Less: Premiums ceded to reinsurers and retrocessionaires	**(4,041,918)**	(4,528,772)
Net premiums written	**24,335,618**	26,559,960
Change in unearned premium provisions, net of reinsurance	**(740,854)**	(429,394)
Net earned premiums	**23,594,764**	26,130,566

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 transfers 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 a 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.

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 2018

Segments:

	Health Ecosystem	Happiness Ecosystem	Wealth Ecosystem			
			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	16,460,240	73,790	2,020,366	2,807,333	28,043,977
	28,769,759	44,296,496	73,790	2,020,366	9,761,747	84,922,158
Timing of revenue recognition						
Goods transferred at point in time	22,087,511	27,836,256	–	–	6,954,414	56,878,181
Services transferred over time	6,682,248	16,460,240	73,790	2,020,366	2,807,333	28,043,977
	28,769,759	44,296,496	73,790	2,020,366	9,761,747	84,922,158

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

	2018 RMB'000	2017 RMB'000
Other income		
Interest income	**757,874**	703,938
Dividends and interest from available-for-sale investments	**–**	3,092,800
Dividends and interest from financial assets at fair value through profit or loss	**1,368,533**	427,887
Dividends and interest from equity investments at fair value through other comprehensive income (note 23)	**49,189**	–
Dividends and interest from debt investments at fair value through other comprehensive income	**2,374,184**	–
Rental income	**537,157**	937,371
Government grants	**570,005**	317,817
Consultancy and other service income	**287,553**	223,098
Fee income relating to investment contracts	**493,955**	641,972
Others	**1,159,202**	493,584
	7,597,652	6,838,467
Gains		
Gain on disposal of subsidiaries (note 61(b))	**45,059**	2,323,121
Gain on bargain purchase of subsidiaries (note 61(a))	**3,706,384**	234,355
Gain on bargain purchase of associates	**–**	1,239,698
Gain on disposal of associates	**1,439,879**	419,091
Gain on deemed disposal of investments in associates	**2,069,071**	56,307
Gain on disposal of joint ventures	**–**	280,594
Gain on disposal of available-for-sale investments	**–**	8,370,800
Gain on disposal of debt investments at fair value through other comprehensive income	**2,136,148**	–
Gain on disposal of items of property, plant and equipment	**53,936**	85,671
Gain on disposal of investment properties	**5,201**	330,922
Gain on disposal of non-current assets of a disposal group classified as held for sale	**895,911**	–
Reclassification of the available-for-sale investment revaluation reserve from other comprehensive income to the statement of consolidated profit or loss upon disposal of a subsidiary	**–**	173,092
Reclassification of exchange fluctuation reserve from other comprehensive income to the statement of consolidated profit or loss upon disposal of a subsidiary	**–**	20,812
Gain on fair value adjustment on investments at fair value through profit or loss	**–**	1,489,792
Gain on derivative financial instruments	**–**	1,597,695
Gain on fair value adjustment of investment properties (note 14)	**432,929**	914,646
Gain on reversal of impairment of completed properties for sale	**14,864**	1,674
Gain on reversal of impairment of insurance and reinsurance debtors (note 33)	**15,747**	81,451
Gain on reversal of debt instruments at amortised cost	**710**	–
Exchange gain, net	**1,315,406**	70,890
	12,131,245	17,690,611
Other income and gains	**19,728,897**	24,529,078
Total revenue, other income and gains	**129,080,538**	112,554,247

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 RMB'000	2017 RMB'000
Interest on bank and other borrowings (including convertible bonds)	**8,072,008**	6,049,011
Incremental interest on other long term payables (note 57)	**9,203**	32,790
	8,081,211	6,081,801
Less: Interest capitalised, in respect of bank and other borrowings (note 13 and note 27)	**(1,230,761)**	(963,703)
Interest expenses, net	**6,850,450**	5,118,098
Interest on discounted bills	**9,490**	7,211
Interest on finance leases	**27,632**	8,101
Bank charges and other financial costs	**342,846**	450,342
Total finance costs	**7,230,418**	5,583,752

8. PROFIT BEFORE TAX

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

	2018 RMB'000	2017 RMB'000
Cost of sales:		
Cost of inventories sold	**32,327,010**	22,333,226
Cost of services provided	**35,401,592**	33,541,669
	67,728,602	55,874,895
Staff costs (including directors' and senior management's remuneration as set out in note 9):		
Wages and salaries	**13,486,951**	11,494,444
Accommodation benefits:		
Defined contribution fund	**573,920**	180,722
Retirement costs:		
Defined contribution fund	**484,503**	872,910
Defined benefit fund	**159,359**	163,429
Equity-settled share-based payments (note 63)	**372,432**	114,438
Total staff costs	**15,077,165**	12,825,943

8. PROFIT BEFORE TAX *(Continued)*

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

	2018 RMB'000	2017 RMB'000
Research and development costs	**1,462,389**	940,533
Auditor's remuneration	**9,950**	10,200
Depreciation of items of property, plant and equipment (note 13)	**2,546,476**	1,794,203
Amortisation of prepaid land lease payments (note 15)	**55,774**	51,227
Amortisation of mining rights (note 17)	**9,407**	3,719
Amortisation of oil and gas assets (note 18)	**241,084**	309,292
Amortisation of intangible assets (note 19)	**975,496**	526,357
Impairment of financial and contract assets, net:		
– Impairment of receivables	**66,793**	340,134
– Impairment of debt investments measured at fair value through other comprehensive income	**88,863**	–
– Impairment of loans and advances to customers (note 36)	**89,801**	35,042
– Reversal of impairment of insurance and reinsurance debtors (note 33)	**(15,747)**	(81,451)
– Reversal of impairment of debt investments at amortised cost	**(710)**	–
Provision for inventories	**64,713**	29,336
Provision for impairment of items of property, plant and equipment (note 13)	**73,031**	68,477
Provision for impairment of investments in associates	**90,050**	123,935
Provision for impairment of available-for-sale investments	**–**	1,275,571
Provision for impairment of intangible assets (note 19)	**12,252**	10,814
Reversal of impairment of completed properties for sale	**(14,864)**	(1,674)
Provision for impairment of goodwill (note 20)	**87,425**	122,959
Operating lease rentals	**1,923,868**	1,662,530
Exchange gain, net	**(1,315,406)**	(70,890)
Loss/(gain) on derivative financial instruments	**1,790,822**	(1,597,695)
Loss on disposal on investments at fair value through profit or loss	**–**	162,030
Loss on fair value adjustment of financial assets at fair value through profit or loss	**585,193**	–
Ineffectiveness of hedges	**193,160**	218,647

* At 31 December 2018, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in the future years (2017: Nil).

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	**32,451**	33,003
Performance related bonus*	**52,027**	32,174
Equity-settled share award scheme expense	**57,365**	45,741
Pension scheme contributions	**455**	426
	142,298	111,344

* The executive directors of the Company are entitled to performance related bonus which is determined based on internal appraisal of various performance indicators.

During 2017 and 2018, certain directors were granted a share award and a share option in respect of their services to the Group under the share award scheme and share option scheme, respectively, of the Company, further details of which are set out in note 63 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

The remuneration including the equity-settled share award/option scheme expenses of independent non-executive directors during the year was as follows:

	2018 RMB'000	2017 RMB'000
Zhang Shengman	**826**	778
Zhang Huaqiao	**826**	778
David T. Zhang	**826**	778
Yang Chao	**821**	750
Lee Kai-Fu	**768**	504
	4,067	3,588

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(a) Directors' remuneration *(Continued)*

(II) EXECUTIVE DIRECTORS

	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 remuneration RMB'000
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

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(a) Directors' remuneration *(Continued)*

(II) EXECUTIVE DIRECTORS *(Continued)*

	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 remuneration RMB'000
Year ended 31 December 2017					
Executive directors:					
Guo Guangchang	4,831	4,157	61	–	9,049
Liang Xinjun (resigned as the executive director, vice chairman and chief executive officer on 28 March 2017)	1,098	627	15	–	1,740
Wang Qunbin (appointed as the chief executive officer on 28 March 2017)	4,659	4,032	61	–	8,752
Ding Guoqi (resigned as an executive director on 28 March 2017)	919	516	15	975	2,425
Qin Xuetang	3,767	3,781	61	9,245	16,854
Chen Qiyu	4,613	5,932	46	9,815	20,406
Xu Xiaoliang	4,166	7,105	61	9,646	20,978
Wang Can (appointed as an executive director on 28 March 2017)	2,140	2,008	47	4,780	8,975
Kang Lan (appointed as an executive director on 28 March 2017)	2,278	2,008	12	5,300	9,598
Gong Ping (appointed as an executive director on 28 March 2017)	2,266	2,008	47	4,658	8,979
	30,737	32,174	426	44,419	107,756

* Wang Qunbin is the chief executive officer of the Company.

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

9. DIRECTORS' AND 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 2018, 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 included three directors (2017: three directors), details of whose remuneration are set out in note 9(a) above. Details of the remuneration for the year of 2018 of the remaining two (2017: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018	2017
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**5,537**	6,396
Performance related bonuses	**19,361**	10,401
Equity-settled share award scheme expense	**15,016**	12,184
Pension scheme contributions	**131**	107
	40,045	29,088

During 2018, a share award and a share option were granted to two non-director highest paid employees (2017: two) in respect of their services to the Group, further details of which are included in the disclosures in note 63 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	
	2018	2017
RMB14,400,001 to RMB14,800,000	**–**	2
RMB18,400,001 to RMB18,800,000	**1**	–
RMB21,200,001 to RMB21,600,000	**1**	–
	2	2

10. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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 8.44% (2017: 16%).

The provision for income tax of Fidelidade – Companhia de Seguros, S.A., Multicare – Seguros de Saúde, S.A. and Fidelidade Assistência – Companhia de Seguros, S.A., subsidiaries incorporated in Portugal acquired by the Group, is based on a rate of 31.5% (2017: 29.5%).

The provision for income tax of AmeriTrust Group, Inc. and its subsidiaries incorporated in the United States acquired by the Group is based on a rate of 21% (2017: 35%).

The provision for income tax of Club Med Holding and its subsidiaries incorporated in France acquired by the Group, is based on a rate of 34.43% (2017: 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 32.14% (2017: 32.175%).

The provision for income tax of Gland Pharma Limited, 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 entities incorporated in Chinese Mainland was based on a statutory rate of 25% (2017: 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 Chinese Mainland, which were taxed at preferential rates from 0% to 20%.

The major components of tax expenses for the years ended 31 December 2018 and 2017 are as follows:

	2018 **RMB'000**	2017 RMB'000
Current – Portugal, Hong Kong and others	**794,324**	1,715,290
Current – Chinese Mainland		
– Income tax in Chinese Mainland for the year	**2,302,745**	2,001,495
– LAT in Chinese Mainland for the year	**2,479,167**	2,165,747
Deferred	**(591,182)**	292,430
Tax expenses for the year	**4,985,054**	6,174,962

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
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 (note 30)	–	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

10. TAX *(Continued)*

	Portugal, Hong Kong and others RMB'000	Chinese Mainland RMB'000	Total RMB'000
2017			
Profit before tax excluding share of profits of associates and joint ventures	10,199,431	8,257,922	18,457,353
Tax at the applicable tax rate	2,041,484	2,064,481	4,105,965
Different tax rates for specific entities	18,815	(360,089)	(341,274)
Tax effect of:			
Income not subject to tax	(1,263,783)	(109,902)	(1,373,685)
Tax rate change effect	(18,112)	–	(18,112)
Expenses not deductible for tax	604,685	161,696	766,381
Tax losses and temporary differences not recognised	276,281	1,260,003	1,536,284
Tax losses utilised	(87,752)	(122,458)	(210,210)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries (note 30)	–	114,579	114,579
Under-provision in prior years	5,906	16,651	22,557
Tax incentives on eligible expenditures	(5,030)	(29,272)	(34,302)
Subtotal	1,572,494	2,995,689	4,568,183
Provision for LAT for the year	–	485,649	485,649
Deferred tax effect of provision for LAT (note 30)	–	(121,412)	(121,412)
Prepaid LAT for the year	–	1,680,098	1,680,098
Tax effect of prepaid LAT	–	(420,024)	(420,024)
Decrease in deferred LAT in deferred tax liabilities (note 30)	–	(17,532)	(17,532)
Tax expenses	1,572,494	4,602,468	6,174,962

10. TAX *(Continued)*

According to the tax notices issued by the relevant local tax authorities, the Group commenced to pay land appreciation tax ("LAT") at rates ranging from 0.5% to 5% on proceeds from the sale and pre-sale of properties from 2004. 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 RMB1,705,243,000 (2017: RMB1,680,098,000).

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 RMB803,924,000 (2017: RMB1,033,920,000) 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, an unpaid LAT provision in the amount of RMB30,000,000 (2017:RMB548,271,000) was reversed to the consolidated statement of profit or loss upon the completion of the liquidation and clearance with the local tax authorities by certain subsidiaries of the Group. The net accrual of LAT provision for the year was RMB773,924,000 (2017: RMB485,649,000).

11. DIVIDENDS

	2018 **RMB'000**	2017 RMB'000
Proposed final – HKD0.37 (2017: HKD0.35) per ordinary share	**2,770,863**	2,512,496

The proposed final dividend of HKD0.35 per ordinary share for the year ended 31 December 2017 was declared and approved by the shareholders at the annual general meeting of the Company on 6 June 2018.

On 26 March 2019, the board of directors of the Company resolved to propose a final dividend for the year ended 31 December 2018 of HKD0.37 per ordinary share, subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 8,560,362,611 (2017: 8,573,396,516) 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	
	2018	2017
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**13,406,403**	13,161,275
Less: Cash dividends distributed to the share award scheme	**(3,195)**	(1,877)
Adjusted profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**13,403,208**	13,159,398
Interest on convertible bonds (note 43)	**682**	20,647
Cash dividends distributed to the share award scheme	**3,195**	1,877
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**13,407,085**	13,181,922

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**8,560,362,611**	8,573,396,516
Effect of dilution – weighted average number of ordinary shares:		
– Share award scheme	**5,770,730**	7,306,609
– Share option scheme	**8,040,030**	22,224,298
– Convertible bonds	**2,089,041**	28,216,712
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**8,576,262,412**	8,631,144,135
Basic earnings per share (RMB)	**1.57**	1.53
Diluted earnings per share (RMB)	**1.56**	1.53

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 2017	13,973,898	5,107,618	1,380,399	290,950	75,915	811,474	3,854,680	25,494,934
Additions	654,821	414,858	585,109	44,173	27,785	73,154	4,130,911	5,930,811
Transfer from construction in progress	595,261	208,988	458,352	1,037	–	349,555	(1,613,193)	–
Transfer from investment properties (note 14)	27,442	–	–	–	–	–	–	27,442
Transfer to investment properties (note 14)	(4,712)	–	–	–	–	–	–	(4,712)
Acquisition of subsidiaries	474,232	690,835	59,674	4,603	7,320	–	182,677	1,419,341
Disposal of subsidiaries	(395,436)	–	(1,314)	(767)	–	–	–	(397,517)
Disposals	(789,987)	(277,662)	(185,841)	(20,317)	(950)	–	(269,122)	(1,543,879)
Exchange realignment	140,911	2,281	47,038	1,756	1,714	–	4,528	198,228
Included in assets of a disposal group held for sale	(278,003)	–	–	–	–	–	–	(278,003)
At 31 December 2017 and 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 (note 61(a))	**10,676,536**	**99,088**	**354,726**	**18,611**	**70,753**	**–**	**20,404**	**11,240,118**
Disposal of subsidiaries (note 61(b))	**(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**

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 2017	1,818,654	2,014,392	355,267	172,021	44,332	84,567	–	4,489,233
Charge for the year (note 8)	752,606	596,488	383,968	41,495	13,657	5,989	–	1,794,203
Transfer to investment properties (note 14)	(348)	–	–	–	–	–	–	(348)
Disposal of subsidiaries	(172,392)	–	(740)	(514)	–	–	–	(173,646)
Disposals	(482,554)	(251,886)	(164,246)	(14,518)	–	–	–	(913,204)
Exchange realignment	(100,238)	(30,018)	14,690	1,278	1,058	–	–	(113,230)
Included in assets of a disposal group held for sale	(19,246)	–	–	–	–	–	–	(19,246)
At 31 December 2017 and 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 (note 61(b))	**(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**
Impairment loss:								
At 1 January 2017	106,532	144,406	614	503	1,175	–	80,443	333,673
Charge for the year (note 8)	42,962	3,581	414	–	–	7,537	13,983	68,477
Transfer to investment properties (note 14)	(744)	–	–	–	–	–	–	(744)
Disposals	(14,074)	(2,840)	–	–	–	–	–	(16,914)
Exchange realignment	(3,219)	(863)	–	–	–	–	(10,680)	(14,762)
At 31 December 2017 and 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**
Net book value:								
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**
At 31 December 2017	**12,470,488**	**3,673,658**	**1,753,450**	**121,170**	**51,562**	**1,136,090**	**6,206,735**	**25,413,153**

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):

	2018	2017
	RMB'000	RMB'000
Buildings	**4,033,150**	271,442
Plant and machinery	**623,057**	–
Construction in progress	**416,583**	4,201,920
	5,072,790	4,473,362

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

	2018	2017
	RMB'000	RMB'000
Interest expenses capitalised	**56,091**	117,260

(3) As at 31 December 2018, the Group was in the process of applying for property certificates of plant and office buildings with a net book value of approximately RMB385,852,000 (2017: RMB530,500,000).

(4) The net carrying amount of the Group's property, plant and equipment held under finance leases included in the total amount of plant and machinery at 31 December 2018 was RMB37,320,000 (2017: RMB21,015,000).

14. INVESTMENT PROPERTIES

	2018	2017
	RMB'000	RMB'000
Carrying amount at 1 January	**32,438,435**	30,493,267
Additions	**3,211,264**	2,193,318
Acquisition of subsidiaries (note 61(a))	**9,186,523**	2,828,667
Transfer from properties under development	**–**	60,561
Transfer from property, plant and equipment (note 13)	**1,672,709**	3,620
Transfer from prepaid land lease payments (note 15)	**–**	6,247
Transfer to assets of a disposal group held for sale	**–**	(2,037,180)
Transfer to property, plant and equipment (note 13)	**(6,866)**	(27,442)
Revaluation gain upon transfer from owner-occupied property recognised in other comprehensive income	**(3,616)**	359
Gain on fair value adjustments (note 6)	**432,929**	914,646
Disposal of subsidiaries (note 61(b))	**(680,883)**	–
Disposal	**(361,620)**	(1,897,928)
Exchange realignment	**678,951**	(99,700)
Carrying amount at 31 December	**46,567,826**	32,438,435

14. INVESTMENT PROPERTIES *(Continued)*

The Group's investment properties consist of commercial properties, which are located in Chinese Mainland, the United States of America, Japan, Italy, Russia, the United Kingdom, Portugal, Brazil, Angola 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 64 to the financial statements.

At 31 December 2018, the Group's certain investment properties with a net carrying amount of approximately RMB26,449,576,000 (2017: RMB16,569,869,000) 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 2018 using			
Recurring fair value measurement for:	**Quoted prices in active markets (Level 1) RMB'000**	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Commercial properties	**–**	**–**	**46,567,826**	**46,567,826**

	Fair value measurement as at 31 December 2017 using			
Recurring fair value measurement for:	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Commercial properties	–	–	32,438,435	32,438,435

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 (2017: 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	2018 range/ weighted average	2017 range/ weighted average
28 Liberty	Direct comparison approach and discounted cash flow approach	Terminal capitalisation rate (Year 10)	**6.0%**	5.0%
		Discount rate	**7.3%**	7.25%
		Market rent:		
		– modified gross (Year 1) (Square foot/year)	**USD35 to USD250**	USD35 to USD175
Fosun International Centre 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	**RMB330 to RMB400**	RMB330 to RMB480
		– per slot of parking space/month	**RMB1,000 to RMB1,200**	RMB1,000 to RMB1,200
		Level adjustments	**30% to 60%**	30% to 60%
		Market yield	**6.0% to 7.0%**	6.0% to 7.0%
		Reversionary period	**From 1 January 2019 to 30 August 2054**	From 1 January 2018 to 30 August 2054
Chengdu Forte International	Direct comparison approach and direct capitalisation approach	Term yield	**4.5% to 5.5%**	5.5%
		Market rent:		
		– per sq.m. and per month	**RMB49 to RMB229**	RMB50 to RMB258
		Level adjustments	**35% to 60%**	40% to 65%
		Market yield	**5.0% to 6.0%**	6.0%
		Reversionary period	**From 1 January 2019 to 2 July 2048**	From 1 January 2018 to 2 July 2048
Thomas More Square	Term and reversionary approach	Term yield	**(0.12%) to 10.04%**	1.89% to 8.14%
		Market Yield	**5.58% to 8.49%**	5.25% to 8%
		Market rent:		
		– per sq.ft. and per annual	**GBP17.5 to GBP47.9**	GBP25.0 to GBP49.6
		Occupancy rate	**70% to 100%**	80% to 100%
Triton Y	Direct comparison approach and direct capitalisation approach	Terminal capitalisation rate	**4.25%**	4.25%
		Discount rate	**4.50%**	4.50%
		Market rent:		
		– per tsubo and per month	**JPY19,000**	JPY18,500
		Occupancy rate	**100%**	100%
Broggi Palace	Direct comparison approach and direct capitalisation approach	Terminal capitalization rate	**4.82%**	4.66%
		Discount rate	**5.57%**	5.19%
		Market rent:		
		– per sq.m. and per annum	**EUR435 to EUR1,000**	EUR650 to EUR1,275
		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	2018 range/ weighted average	2017 range/ weighted average
Shenyang Yuyuan Tourist Mart	Direct comparison approach and direct capitalisation approach	Term yield	**6.0%**	N/A
		Market rent:		
		– per sq.m. and per month	**RMB240**	N/A
		– per slot of parking space/month	**RMB1,800**	N/A
		Level adjustments	**40% to 75%**	N/A
		Market yield	**6.0%**	N/A
		Reversionary period	**From 1 January 2019 to 30 October 2051**	N/A
Other commercial properties	Direct comparison approach and direct capitalisation approach	Term yield	**2.5% to 7.0%**	2.5% to 8.0%
		Market rent:		
		– per sq.m. and per month	**RMB27 to RMB462**	RMB49 to RMB330
		– per slot of parking space/month	**RMB230 to RMB1,500**	RMB340 to RMB1,170
		Level adjustments	**20% to 75%**	20% to 80%
		Market yield	**3.0% to 7.5%**	3.0% to 8.5%
		Reversionary period	**From 1 January 2019 to 17 August 2073**	From 1 January 2018 to 17 August 2073

Direct comparison approach is a method of valuation based on comparing the property of the Group to be assessed directly with other comparable properties which have been recently changed hands or leased. These premises are generally located in the surrounding areas or in another market which is comparable to the property of the Group. However, because of the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative and quantitative difference that may affect the price/rent likely to be achieved by the property under consideration.

The direct capitalisation approach (term and reversion method, in particular) is a method by capitalising the rental from existing tenancies and the reversionary income potential at an appropriate market yield for the remaining term of the land use rights of the property of the Group. Capitalisation rate is derived from the relationship between the market rent and the market capital value of other similar properties in the locality.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase/(decrease) in the estimated market rent would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the term yield and market yield in isolation would result in a significant decrease/(increase) in the fair value of the investment properties.

15. PREPAID LAND LEASE PAYMENTS

	2018 RMB'000	2017 RMB'000
Cost:		
At 1 January	**2,646,224**	2,345,513
Additions	**898,906**	385,519
Acquisition of subsidiaries (note 61(a))	**307,801**	15,201
Disposals	**(149,762)**	(102,678)
Transfer to investment properties	**–**	(6,530)
Other changes	**6,469**	9,199
At 31 December	**3,709,638**	2,646,224
Accumulated amortisation:		
At 1 January	**286,452**	240,182
Amortisation for the year (note 8)	**55,774**	51,227
Disposals	**(60,580)**	(4,675)
Transfer to investment properties	**–**	(283)
Other changes	**–**	1
At 31 December	**281,646**	286,452
Impairment loss:		
At 1 January	**–**	–
Charge for the year	**97**	–
At 31 December	**97**	–
Net book value:		
At 31 December	**3,427,895**	2,359,772
At 1 January	**2,359,772**	2,105,331
Net book value pledged as security for bank loans (note 42)	**1,311,359**	884,963

As at 31 December 2018, the Group had no leasehold land for which the Group was in the process of applying the land use certificates (2017: Nil).

16. EXPLORATION AND EVALUATION ASSETS

	2018 RMB'000	2017 RMB'000
At 1 January	**174,935**	225,731
Additions	**335,849**	60,480
Transfer to oil and gas assets (note 18)	**–**	(33,809)
Exploration assets expensed and written off	**(128,312)**	(73,426)
Exchange realignment	**20,795**	(4,041)
At 31 December	**403,267**	174,935

17. MINING RIGHTS

	2018 RMB'000	2017 RMB'000
Cost:		
At 1 January	1,376,713	1,362,110
Additions	15,413	14,603
At 31 December	1,392,126	1,376,713
Accumulated amortisation:		
At 1 January	546,448	542,729
Amortisation for the year (note 8)	9,407	3,719
At 31 December	555,855	546,448
Impairment loss:		
At 1 January and 31 December	288,085	288,085
Net book value:		
At 31 December	548,186	542,180
At 1 January	542,180	531,296

18. OIL AND GAS ASSETS

	2018 RMB'000	2017 RMB'000
Cost:		
At 1 January	**1,809,495**	2,481,082
Additions	**731,113**	364,912
Transfer from exploration and evaluation assets (note 16)	**–**	33,809
Disposal of subsidiaries (note 61(b))	**–**	(960,528)
Exchange realignment	**109,440**	(109,780)
At 31 December	**2,650,048**	1,809,495
Accumulated amortisation:		
At 1 January	**328,632**	896,225
Amortisation for the year (note 8)	**241,084**	309,292
Disposal of subsidiaries (note 61(b))	**–**	(856,863)
Exchange realignment	**33,638**	(20,022)
At 31 December	**603,354**	328,632
Impairment loss:		
At 1 January	**523,251**	534,340
Exchange realignment	**25,220**	(11,089)
At 31 December	**548,471**	523,251
Net book value:		
At 31 December	**1,498,223**	957,612
At 1 January	**957,612**	1,050,517

19. INTANGIBLE ASSETS

	Medicine licences RMB'000	Trademarks RMB'000	Business network and customer relationship RMB'000	Patent, technical know-how and operating concession rights RMB'000	Deferred development costs RMB'000	Others RMB'000	Total RMB'000
Cost:							
At 1 January 2017	583,471	2,501,751	887,245	1,587,292	571,914	837,470	6,969,143
Additions	10	92,206	48,282	578,096	515,652	153,420	1,387,666
Acquisition of subsidiaries	–	25,132	1,101,114	2,840,786	21,330	1,659	3,990,021
Disposals	–	(2,169)	–	(14,533)	(80,776)	(94,884)	(192,362)
Exchange realignment	(188)	124,401	(32,102)	(10,659)	–	56,772	138,224
At 31 December 2017 and 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 (note 61(a))	**–**	**4,868,404**	**105,074**	**147,829**	**–**	**1,317,598**	**6,438,905**
Disposals of subsidiaries (note 61(b))	**–**	**–**	**–**	**(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**
Accumulated amortisation:							
At 1 January 2017	7,858	34,281	231,671	253,767	1,711	326,250	855,538
Provided during the year (note 8)	6,056	28,532	95,577	135,669	–	260,523	526,357
Disposals	–	(1,982)	–	–	–	(75,282)	(77,264)
Exchange realignment	–	(432)	(8,400)	(37)	–	17,177	8,308
At 31 December 2017 and 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**
Impairment loss:							
At 1 January 2017	64,000	–	–	20,142	–	4,495	88,637
Charge for the year (note 8)	–	–	–	–	–	10,814	10,814
At 31 December 2017 and 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**
Net book value:							
At 31 December 2018	**504,980**	**7,739,780**	**1,555,474**	**4,662,932**	**2,040,771**	**2,580,871**	**19,084,808**
At 31 December 2017	505,379	2,680,922	1,685,691	4,571,441	1,026,409	410,460	10,880,302

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 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 ten years approved by management. The royalty rates applied in the relief from royalty method range from 1.5% to 5%. The discount rates used in the relief from royalty calculations or applied to the cash flow 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 the management. The discount rates applied to the cash flow projections are in the range of 17% 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 the 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 relief from royalty calculations or the value-in-use calculations as at 31 December 2018. The following describes each key assumption on which management has based its relief from royalty calculation or the cash flow projections to undertake impairment testing of intangible assets with indefinite useful lives:

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

Discount rates – The discount rates used reflect specific risks of the individual intangible assets or the relevant cash-generating units.

Royalty rates – The royalty rates are determined based on comparable or similar transactions.

Long-term growth rates – The basis used to determine the value assigned to long-term growth rate is the forecast price indices during the budget year.

The values assigned to key assumptions are consistent with historical experience of the Group and external information sources.

20. GOODWILL

	2018 RMB'000	2017 RMB'000
Cost:		
At 1 January	**15,771,710**	10,307,508
Acquisition of subsidiaries (note 61(a))	**3,987,462**	5,310,504
Disposal of subsidiaries (note 61(b))	**(165,026)**	–
Others	**8,436**	153,698
At 31 December	**19,602,582**	15,771,710
Accumulated impairment:		
At 1 January	**568,267**	445,308
Charge for the year (note 8)	**87,425**	122,959
Disposal of subsidiaries (note 61(b))	**(145,389)**	–
At 31 December	**510,303**	568,267
Net book value:		
At 31 December	**19,092,279**	15,203,443
At 1 January	**15,203,443**	9,862,200

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 Ecosystem
– Happiness Ecosystem
– Insurance
– Finance
– Investment

The carrying amounts of goodwill are as follows:

	Health Ecosystem	Happiness Ecosystem	Wealth Ecosystem			
			Insurance	Finance	Investment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2018	**12,268,432**	**5,152,846**	**943,670**	**179,674**	**547,657**	**19,092,279**
2017 (restated)	11,657,654	2,167,713	921,227	177,332	279,517	15,203,443

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 the management covering a period ranging from five to ten years. The discount rates applied to the cash flow projections range from 5.1% to 17.3% (2017: 7.6% to 18%). Cash flows beyond the period of the financial budget are extrapolated using the estimated growth long-term rates of 1.6% 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 2018 are as follows:

	Discount rates	Estimated long-term growth rates
Happiness Ecosystem segment	6.5% to 13.0%	1.9% to 3.0%
Health Ecosystem segment	5.1% to 16.9%	2.1% to 3.0%
Insurance segment	6.0% to 17.3%	1.6% to 3.0%

Assumptions were used in the value-in-use calculation of the cash-generating units as at 31 December 2018. 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 margin 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

	2018 RMB'000	2017 RMB'000
Share of net assets	**24,833,395**	20,359,947
Loans to joint ventures	**58,500**	58,500
	24,891,895	20,418,447

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 2018, 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:

	2018 RMB'000	2017 RMB'000
Share of the joint ventures' profit for the year	**1,779,707**	1,492,552
Share of the joint ventures' other comprehensive (loss)/income	**(13,232)**	27,826
Share of the joint ventures' total comprehensive income	**1,766,475**	1,520,378
Aggregate carrying amount of the Group's investments in the joint ventures	**24,891,895**	20,418,447

22. INVESTMENTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Measured using equity method		
Share of net assets	**66,782,930**	53,435,772
Goodwill on acquisition	**11,980,308**	6,475,426
	78,763,238	59,911,198
Provision for impairment	**(755,423)**	(847,486)
	78,007,815	59,063,712
Measured at fair value through profit or loss	**6,076,315**	2,658,189
Total	**84,084,130**	61,721,901
Net book value pledged as security for bank loans (note 42)	**18,530,173**	6,588,124

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 Industrial Investment Co., Ltd. ("Sinopharm"), which 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:

	2018	2017
	RMB'000	RMB'000
Current assets	**204,374,173**	144,627,268
Non-current assets	**31,360,068**	24,872,748
Current liabilities	**(160,076,137)**	(110,924,141)
Non-current liabilities	**(7,101,005)**	(7,059,961)
Net assets	**68,557,099**	51,515,914
Net assets attributable to the Group	**23,043,294**	20,371,669

	2018	2017
	RMB'000	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	**11,291,214**	9,982,118
Carrying amount of the investment	**11,291,214**	9,982,118
Revenues	**344,525,821**	277,717,018
Total comprehensive income for the year	**9,404,055**	7,787,305
Profit for the year attributable to owners of the parent	**3,101,479**	2,963,151
Other comprehensive loss attributable to owners of the parent	**(15,081)**	(10,879)
Dividend received	**436,100**	387,100

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2018	2017
	RMB'000	RMB'000
Share of the associates' profit for the year	**2,658,509**	1,569,146
Share of the associates' other comprehensive loss	**(109,811)**	(88,463)
Share of the associates' total comprehensive income	**2,548,698**	1,480,683
Aggregate carrying amount of the Group's investments in the associates	**72,792,916**	51,739,783

23. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE INVESTMENTS

	2018 RMB'000	2017 RMB'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value	767,206	–
Unlisted equity investments, at fair value	877,912	–
	1,645,118	–
Portion classified as current assets	(65,203)	–
Non-current portion	1,579,915	–
Available-for-sale investments*		
Listed equity investments, at fair value	–	26,568,889
Listed debt investments, at fair value	–	89,963,589
Listed investments, at fair value	–	116,532,478
Unlisted equity investments, at cost	–	8,712,387
Unlisted equity investments, at fair value	–	5,442,096
Unlisted debt investments, at fair value	–	6,005,503
Unlisted investments	–	20,159,986
Total	–	136,692,464
Portion classified as current assets	–	(25,116,703)
Non-current portion	–	111,575,761

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

In the second half of 2018, the Group disposed of two equity investments at fair value through other comprehensive income at the fair value RMB8,136,326,000 resulting from adjustment in its investment strategy. The dividend income during 2018 of the equity instruments disposed of was RMB27,993,000.

The dividend income related to equity instruments at fair value through other comprehensive income recognised for the year was RMB49,189,000 as disclosed in note 6.

At 31 December 2018, the Group's equity investments designated at fair value through other comprehensive income with a carrying amount of RMB268,945,000 were pledged to secure bank loans, as set out in note 42 to the financial statements.

During the year 2017, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB10,156,055,000, of which RMB11,759,548,000 was recycled from other comprehensive income to the consolidated statement of profit or loss for the year 2017 on the date of disposal.

23. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

There was a significant decline in the market value of certain listed equity investments during the year 2017. The directors consider that such a decline indicates that the listed equity investments have been impaired and an impairment loss of RMB516,042,000, which included a reclassification from other comprehensive income of RMB425,178,000, has been recognised in the consolidated statement of profit or loss for the year 2017. The impairment loss on the listed debt investments as at 31 December 2017 amounted to RMB17,359,000, which included a reclassification from other comprehensive loss of RMB3,719,000, has been recognised in the consolidated statement of profit or loss for the year 2017. The impairment losses on the unlisted equity investments and unlisted debt investments as at 31 December 2017 amounted to RMB598,546,000 and RMB143,624,000 respectively, which have been recognised in the consolidated statement of profit or loss for the year 2017, which included a reclassification from other comprehensive loss of RMB56,307,000 and other comprehensive income of RMB4,370,000 respectively.

At 31 December 2017, the Group's available-for-sale investment with a carrying amount of RMB5,395,434,000 was pledged to secure bank loans, as set out in note 42 to the financial statements.

At 31 December 2017, certain unlisted equity and debt investments are stated at cost less any accumulated impairment losses because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 RMB'000	2017 RMB'000
Financial assets at fair value through profit or loss		
Listed investments, at fair value	**21,658,833**	–
Other unlisted investments, at fair value	**27,356,965**	–
	49,015,798	–
Analysed as:		
Equity investments	**34,206,247**	–
Debt investments	**14,809,551**	–
	49,015,798	–
Portion classified as current assets	**(33,844,295)**	–
Non-current portion	**15,171,503**	–
Investments at fair value through profit or loss*		
Listed investments, at fair value		
Equity investments	–	9,119,888
Debt investments	–	1,590,052
	–	10,709,940
Unlisted investments, at fair value	–	6,448,233
	–	17,158,173

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

At 31 December 2018, the Group's financial assets at fair value through profit or loss with a carrying amount of RMB6,870,114,000 were pledged to secure bank loans, as set out in note 42 to the financial statements.

At 31 December 2017, the Group's investments at fair value through profit or loss with a carrying amount of RMB992,560,000 were pledged to secure bank loans, as set out in note 42 to the financial statements.

Along with the initial application of HKFRS 9, the Group elected to apply the overlay approach for certain designated eligible financial assets according to amendments to HKFRS 4 since 1 January 2018. 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 2018 are analyzed below:

	2018 RMB'000	2017 RMB'000
Equity investments	9,036,356	–
Debt investments	2,085,055	–
	11,121,411	–

During the year ended 31 December 2018, the total amount reported in profit or loss applying the overlay approach reclassified from other comprehensive income was derived from:

	2018 RMB'000	2017 RMB'000
The amount of losses reported in profit or loss for the designated financial assets under HKFRS 9	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	764,463	–
Amount of gains reported in profit or loss applying the overlay approach	2,742,521	–

25. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 RMB'000	2017 RMB'000
Bonds		
Government bonds	**42,415,480**	–
Financial bonds	**41,377,433**	–
Corporate bonds	**356,252**	–
	84,149,165	–
Listed debt investments, at fair value	**80,422,355**	–
Unlisted debt investments, at fair value	**3,726,810**	–
	84,149,165	–
Portion classified as current assets	**(20,632,910)**	–
Non-current portion	**63,516,255**	–

Analysis of the movements of allowance for ECLs:

	2018 RMB'000	2017 RMB'000
As at the end of last year	**–**	–
Impact of adopting HKFRS 9	**1,557,018**	–
As at the beginning of the year	**1,557,018**	–
Charge for the year	**254,184**	–
Reversal	**(165,321)**	–
Amounts written off	**(676,366)**	–
Foreign exchange adjustments	**8,297**	–
At the end of the year	**977,812**	–

At 31 December 2018, the Group's debt investments at fair value through other comprehensive income with a carrying amount of 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/LOANS RECEIVABLE

	Notes	2018 RMB'000	2017 RMB'000
Debt investments at amortised cost			
Bonds			
Government bonds		**8,612,516**	–
Financial bonds		**8,540,998**	–
Loans receivable	*(i)*	**2,971,133**	–
		20,124,647	–
Impairment allowance		**(1,291)**	–
		20,123,356	–
Portion classified as current assets		**(4,357,878)**	–
Non-current portion		**15,765,478**	–
Loans receivable	*(i)*	–	3,376,243
Portion classified as current		–	(982,891)
Non-current portion		–	2,393,352

At 31 December 2018, the Group's debt investments at amortised cost with a carrying amount of RMB1,722,548,000 were pledged for refinancing operations and RMB3,924,545,000 were restricted as the result of the security lending business.

26. DEBT INVESTMENTS AT AMORTISED COST/LOANS RECEIVABLE *(Continued)*

(i) The details of the loans and receivables are set out as follows:

	Notes	2018 Effective interest rate (%)	2018 Maturity	2018 RMB'000	2017 Effective interest rate (%)	2017 Maturity	2017 RMB'000
Current							
Loans receivable from related parties – unsecured	*(1)*	**0 – 3.5**	**on demand or mature in 2019**	**304,847**	–	–	–
Loans receivable from third parties – secured		**10**	**on demand**	**32,600**	10	on demand	32,600
Loans receivable from third parties – unsecured		**5 – 12**	**on demand or mature in 2019**	**1,251,247**	5 – 9.5	on demand or mature in 2018	950,291
				1,588,694			982,891
Non-current							
Loans receivable from related parties – unsecured	*(2)*	**3.5 – 11**	**2020 to 2022**	**263,477**	0 – 3.5	on demand or mature in 2022	223,089
Loans receivable from third parties – secured		**1**	**2022**	**23,840**	3.29 – 9.95	2019 to 2031	982,454
Loans receivable from third parties – unsecured		**0 – 4.5**	**no fixed terms or from 2020 to 2038**	**1,095,122**	0 – 12	no fixed terms or from 2019 to 2025	1,187,809
				1,382,439			2,393,352
				2,971,133			3,376,243

(1) As at 31 December 2018, the current portion of loans receivable to related parties comprises:

– a shareholders' loan of RMB13,347,000 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 2019;

– a shareholders' loan of RMB291,500,000 provided to Chengdu Meijili Commercial Service Co., Ltd., a joint venture, which is unsecured, interest-free and is repayable on demand.

(2) As at 31 December 2018, the non-current portion of loans receivable from related parties comprises:

– a loan of RMB80,000,000 provided to Xi'an Jiahexing Jiaju Co., Ltd., an associate, which is unsecured, bears interest at a fixed interest rate of 11.00% per annum and is repayable in 2020;

– a shareholders' loan of RMB183,477,000 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.

27. PROPERTIES UNDER DEVELOPMENT

	2018 RMB'000	2017 RMB'000
Land cost	**33,916,565**	31,450,305
Construction costs	**3,330,551**	7,915,998
Capitalised finance costs	**2,273,735**	2,001,296
	39,520,851	41,367,599
Portion classified as current assets	**(27,860,035)**	(18,517,485)
	11,660,816	22,850,114

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

	2018 RMB'000	2017 RMB'000
Net book value pledged (note 42)	**18,002,227**	12,970,888
Additions to properties under development include:		
Interest expense capitalised in respect of bank and other borrowings (note 7)	**1,174,670**	846,443

The Group's properties under development are mainly situated in Chinese Mainland and Hong Kong.

28. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES

	Notes	2018 RMB'000	2017 RMB'000
Due from related companies:			
Associates	(i)/(ii)	**2,238,045**	1,983,459
Joint ventures	(iii)	**13,129,358**	10,312,873
Other related companies	(iv)	**–**	13,136
		15,367,403	12,309,468
Portion classified as current assets		**(14,557,412)**	(12,309,468)
Non-current portion	(i)	**809,991**	–

Notes:

(i) As at 31 December 2018, the balances due from associates included the amount of RMB838,477,000 (2017: RMB1,441,677,000), which were non-trade in nature, unsecured, interest-free and repayable on demand. The balances due from associates also included an amount of RMB809,991,000 (2017: Nil) 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 2018, the balances due from associates included an amount of RMB589,577,000 (2017: RMB541,782,000), which was trade in nature, interest-free and repayable on demand.

(iii) As at 31 December 2018, the balances due from joint ventures included an amount of RMB13,128,178,000 (2017: RMB10,311,281,000), which was non-trade in nature, unsecured, interest-free and repayable on demand. The remaining balances due from joint ventures are trade in nature, interest-free and repayable on demand.

(iv) As at 31 December 2018, the balances due from other related companies were non-trade in nature, unsecured, interest-free and repayable on demand.

	Notes	2018 RMB'000	2017 RMB'000
Due to the holding company	(v)	**2,289,988**	769,062
Due to related companies:			
Associates	(vi)	**3,918,214**	2,223,975
Non-controlling shareholders of subsidiaries	(vii)	**140,813**	305,548
Joint ventures	(viii)	**1,449,062**	1,393,405
		5,508,089	3,922,928

(v) The balances due to the holding company were non-trade in nature, unsecured, interest-free and repayable on demand.

(vi) As at 31 December 2018, the balances due to associates included an amount of RMB3,847,236,000 (2017: RMB2,219,330,000), 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.

(vii) As at 31 December 2018, the balances due to the non-controlling shareholders of subsidiaries were comprised of:

– an amount of RMB83,300,000, being the payables for purchase of low grade ore products from Hainan Iron and Steel Co., Ltd., which is interest-free.

– the remaining balances of RMB57,513,000, being non-trade in nature, interest-free and repayable on demand.

(viii) As at 31 December 2018, the balances due to joint ventures included an amount of RMB1,447,883,000 (2017: RMB1,393,393,000), 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

	2018 RMB'000	2017 RMB'000
Prepayments consist of:		
Prepayments for purchase of pharmaceutical materials	**389,972**	273,400
Prepayments for purchase of construction materials	**110,343**	348,238
Prepayments for purchase of equipment and others	**1,753,171**	897,625
Prepaid tax	**2,326,391**	1,367,592
Prepaid expenses	**1,149,112**	1,031,406
Deposits	**2,717,163**	2,627,683
Other receivables consist of:		
Funding provided to third parties	**3,336,259**	4,146,866
Tax recoverable	**1,167,828**	1,333,600
Others	**5,967,321**	4,439,047
Prepayments for the proposed equity investments	**847,012**	909,026
Prepayments for the acquisition of the land	**1,547,383**	–
	21,311,955	17,374,483
Impairment allowance	**(247,718)**	(220,464)
	21,064,237	17,154,019
Portion classified as current assets	**(16,842,348)**	(14,081,682)
Non-current portion	**4,221,889**	3,072,337

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 available-for-sale investment RMB'000	Additional LAT provisions RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2017	1,331,980	2,009,119	–	–	439,863	609,079	1,360,811	5,750,852
Acquisition of subsidiaries	63,721	4,528	–	–	–	–	3,347	71,596
Deferred tax charged to reserve during the year	–	(3,232)	–	–	(450,688)	–	(9,855)	(463,775)
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 10)	(131,989)	(12,495)	–	–	–	121,412	(174,292)	(197,364)
Disposal of subsidiaries	(1,110)	(655)	–	–	–	–	(8,583)	(10,348)
Included in assets of a disposal group classified as held for sale	–	–	–	–	–	–	(236,130)	(236,130)
Exchange realignment	(22,347)	97,993	–	–	20,571	–	21,267	117,484
Gross deferred tax assets at 31 December 2017	**1,240,255**	**2,095,258**	**–**	**–**	**9,746**	**730,491**	**956,565**	**5,032,315**
Effect of adoption of HKFRS 9	**–**	**–**	**6,601**	**3,145**	**(9,746)**	**–**	**–**	**–**
At 1 January 2018 (restated)	**1,240,255**	**2,095,258**	**6,601**	**3,145**	**–**	**730,491**	**956,565**	**5,032,315**
Acquisition of subsidiaries (note 61(a))	**127,775**	**45,678**	**35,851**	**–**	**–**	**247,882**	**52,763**	**509,949**
Disposal of subsidiaries (note 61(b))	**(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 13 December 2018	**1,673,967**	**1,888,015**	**478,915**	**434,442**	**–**	**1,171,854**	**945,876**	**6,593,069**

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	Fair value adjustments arising from available-for-sale investments RMB'000	Revaluation of investment properties RMB'000	Deemed disposal of associates RMB'000	Deferred LAT RMB'000	Withholding taxes RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2017	2,261,391	356,920	–	–	2,034,053	1,668,395	1,162,161	137,647	700,183	1,470,506	9,791,256
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (note 10)	(260,518)	66,367	–	–	58,002	18,985	–	(17,532)	114,579	115,183	95,066
Deferred tax charged to reserve during the year	–	–	–	–	639,573	–	–	–	–	(196,202)	443,371
Acquisition of subsidiaries	1,268,310	–	–	–	–	–	–	–	–	108,930	1,377,240
Included in liabilities directly associated with the assets classified as held for sale	–	–	–	–	–	–	–	–	–	(204,047)	(204,047)
Exchange realignment	(41,402)	(10,681)	–	–	42,496	(16,906)	–	–	–	29,574	3,081
Gross deferred tax liabilities at 31 December 2017	**3,227,781**	**412,606**	**–**	**–**	**2,774,124**	**1,670,474**	**1,162,161**	**120,115**	**814,762**	**1,323,944**	**11,505,967**
Effect of adoption of HKFRS 9	**–**	**1,241,107**	**749,404**	**824,018**	**(2,774,124)**	**–**	**–**	**–**	**–**	**–**	**40,405**
At 1 January 2018 (restated)	**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 (note 61(a))	**5,508,157**	**1,282**	**–**	**–**	**–**	**–**	**–**	**–**	**101**	**10,251**	**5,519,791**
Disposal of subsidiaries (note 61(b))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(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	**8,536,385**	**744,786**	**–**	**580,246**	**–**	**1,808,075**	**1,308,825**	**82,952**	**1,049,999**	**1,238,229**	**15,349,497**

30. DEFERRED TAX *(Continued)*

Deferred tax liabilities *(Continued)*

For presentation purposes, certain deferred tax assets and liabilities amounting to RMB282,048,000 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:

	2018
	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**6,311,021**
Net deferred tax liabilities recognised in the consolidated statement of financial position	**15,067,449**

As at 31 December 2018, the deferred tax assets were recognised for certain entities within the Group which suffered accumulated losses as at the end of 2018. 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 2018.

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:

	2018	2017
	RMB'000	RMB'000
Tax losses	**16,805,956**	15,379,595
Deductible temporary differences	**1,615,604**	1,643,166
	18,421,560	17,022,761

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, joint ventures and associates established in Chinese Mainland in respect of earnings generated from 1 January 2008.

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

31. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	**1,774,536**	1,505,139
Work in progress	**799,658**	1,235,186
Finished goods	**4,338,829**	1,540,424
Spare parts and consumables	**123,339**	269,100
	7,036,362	4,549,849
Less: Provision for inventories	**(299,698)**	(178,132)
	6,736,664	4,371,717
Portion classified as non-current assets	**(86,070)**	(188,918)
Current portion	**6,650,594**	4,182,799

32 POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF UNIT-LINKED CONTRACTS

	2018 RMB'000	2017 RMB'000
Financial assets designated as at fair value through profit or loss:		
Debt instruments	**112,589**	827,272
Equity instruments	**24,471**	29,818
Investment funds	**93,966**	116,112
Term deposits	**2,355**	70,534
Sight deposits	**84,377**	331,136
Others	**(1,608)**	(4,853)
	316,150	1,370,019
Portion classified as current assets	**(176,822)**	(511,285)
Non-current portion	**139,328**	858,734

The above assets are held for policyholders of unit-linked products.

33. INSURANCE AND REINSURANCE DEBTORS

	2018 RMB'000	2017 RMB'000
Amounts due from insurance customers and suppliers	**13,358,913**	9,291,673
Less: Provision for impairment	**(194,086)**	(207,432)
	13,164,827	9,084,241
Portion classified as current assets	**(13,041,130)**	(8,932,147)
Non-current portion	**123,697**	152,094

The following is an ageing analysis of the amounts due from insurance customers:

	2018 RMB'000	2017 RMB'000
Neither past due nor impaired	**9,244,844**	5,718,721
Past due but not impaired	**3,927,382**	3,363,540
Past due and impaired	**186,687**	209,412
	13,358,913	9,291,673

The amount of impaired debts is RMB194,086,000 (31 December 2017: RMB207,432,000). Various actions have been taken to recover the debts, but these debts have not been recovered and hence impairment is provided.

Movements in the provision for impaired debts:

	2018 RMB'000	2017 RMB'000
At 1 January	**207,432**	279,318
Amount written off as uncollectible	**–**	2,679
Reversal of impairment losses (note 8)	**(15,747)**	(81,451)
Others	**–**	(1,594)
Exchange realignment	**2,401**	8,480
At 31 December	**194,086**	207,432

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.

	2018 RMB'000	2017 RMB'000
Life insurance contract liabilities	**102,656**	87,298
Unearned premium provisions	**1,041,670**	819,839
Provision for outstanding claims	**6,781,757**	5,893,855
Others	**166,539**	–
	8,092,622	6,800,992
Portion classified as current assets	**(3,298,322)**	(2,170,922)
Non-current portion	**4,794,300**	4,630,070

35. CASH AND BANK AND TERM DEPOSITS

	Notes	2018 RMB'000	2017 RMB'000
Cash on hand		**169,572**	188,358
Cash at banks, unrestricted		**91,163,598**	68,379,087
Cash and cash equivalents		**91,333,170**	68,567,445
Pledged bank balances	*(1)*	**2,431,704**	2,055,271
Time deposits with original maturity of more than three months		**8,866,969**	9,443,276
Restricted pre-sale proceeds	*(2)*	**3,145,746**	2,135,815
Required reserve deposits	*(3)*	**538,920**	414,260
		106,316,509	82,616,067
Portion classified as current assets		**(105,905,697)**	(81,651,571)
Non-current portion – term deposits		**410,812**	964,496

35. CASH AND BANK AND TERM DEPOSITS *(Continued)*

Notes:

It mainly comprises the following:

		2018 RMB'000	2017 RMB'000
(1)	Pledged bank balances to secure notes payable	–	640,343
	Pledged bank balances to secure bank loans (note 42)	**287,862**	307,344
	Bank balances as various deposits	**1,734,664**	752,036

(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 RMB538,920,000 (2017: RMB414,260,000) are placed by Shanghai Fosun High Technology Group Finance Co., Ltd. ("Finance Company"), an indirect subsidiary of the Company, with the People's Bank of China ("PBOC"). The reserve deposits with the PBOC are not available for use in the Group's daily operations.

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

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

36. LOANS AND ADVANCES TO CUSTOMERS

	2018 RMB'000	2017 RMB'000
Corporate loans and advances		
– Loans and advances	**4,613,561**	5,563,782
Personal loans		
– Mortgages	**99,478**	147,678
– Other	**922,873**	850,052
	1,022,351	997,730
Total loans and advances	**5,635,912**	6,561,512
Less: Allowance for impairment		
– corporate loans and advances	**(299,292)**	(144,552)
– personal loans	**(53,306)**	(70,530)
	(352,598)	(215,082)
Loans and advances to customers, net	**5,283,314**	6,346,430
Portion classified as current assets	**(4,629,621)**	(3,803,068)
Non-current portion	**653,693**	2,543,362

	2018 RMB'000	2017 RMB'000
Gross loans and advances to customers	**5,635,912**	6,561,512
Less: Allowance for impairment		
– individually assessed	**(225,399)**	(196,449)
– collectively assessed	**(127,199)**	(18,633)
	(352,598)	(215,082)
Loans and advances to customers, net	**5,283,314**	6,346,430

The movements in the allowance for impairment of loans and advances to customers are as follows:

	2018 RMB'000	2017 RMB'000
As at 31 December	**215,082**	181,344
Impact of adopting HKFRS 9	**43,097**	–
As at 1 January (restated)	**258,179**	181,344
Allowance for impairment losses (note 8)	**114,030**	41,886
Reversal (note 8)	**(24,229)**	(6,844)
Amount written off as uncollectible	**(1,000)**	–
Exchange differences	**5,618**	(1,304)
At 31 December	**352,598**	215,082

37. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2018

	Fair value Assets RMB'000	Fair value 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

37. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

As at 31 December 2017

	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	916,476	520,433
Currency options	15,255	15,255
Interest rate derivatives		
Interest rate swaps	270,017	317,357
Interest rate futures	–	663
Interest rate options	10,485	10,485
Commodity derivatives and others	–	7,599
	1,212,233	871,792
Qualifying for hedge accounting		
Currency derivatives		
Currency forwards, futures and swaps, and cross-currency interest rate swaps	269,121	451,473
Interest rate derivatives		
Interest rate swaps	4,994	397,571
Commodity derivatives and others	–	34,192
	274,115	883,236
	1,486,348	1,755,028
Portion classified as current assets/liabilities	(1,122,387)	(1,065,674)
Non-current portion	363,961	689,354

38. FINANCE LEASE RECEIVABLES

Total future minimum lease receivables under finance leases and their present values are as follows:

	2018 RMB'000	2017 RMB'000
Gross lease receivables:		
Within one year	**2,126,934**	1,937,017
In the second year	**468,623**	541,396
In the third to fifth years, inclusive	**142,992**	154,827
Total minimum finance lease receivables	**2,738,549**	2,633,240
Less:		
Unearned finance income	**(127,808)**	(90,670)
Future value-added tax	**(184,627)**	(168,080)
Provision for lease receivables	**(30,166)**	(26,363)
	2,395,948	2,348,127
Portion classified as current finance lease receivables	**(1,880,575)**	(1,749,081)
Non-current portion	**515,373**	599,046

At 31 December 2018, the Group's finance lease receivables with a carrying amount of RMB1,337,566,000 (2017: RMB984,386,000) 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:

	2018 RMB'000	2017 RMB'000
At 1 January	**26,363**	19,913
Additions	**3,803**	6,450
At 31 December	**30,166**	26,363

39. TRADE AND NOTES RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	**6,715,368**	5,324,958
Notes receivable	**1,039,659**	1,025,000
	7,755,027	6,349,958

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

	2018 RMB'000	2017 RMB'000
Outstanding balances with ages:		
Within 90 days	**4,224,990**	4,373,772
91 to 180 days	**1,333,338**	395,662
181 to 365 days	**858,939**	289,561
1 to 2 years	**337,721**	450,863
2 to 3 years	**128,952**	49,340
Over 3 years	**113,760**	67,354
	6,997,700	5,626,552
Less: Loss allowance for trade receivables	**282,332**	301,594
	6,715,368	5,324,958

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

	2018 RMB'000	2017 RMB'000
At last year end	**301,594**	196,466
Effect of adoption of HKFRS9	**16,157**	–
At the beginning of the year (restated)	**317,751**	196,466
Amount written off as uncollectible	**(75,976)**	(14,476)
Disposal of subsidiaries	**–**	(2,608)
Impairment losses, net	**39,047**	122,212
Exchange realignment	**1,510**	–
At the end of the year	**282,332**	301,594

39. TRADE AND NOTES RECEIVABLES *(Continued)*

Impairment under HKFRS 9 for the year ended 31 December 2018

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.

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 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**

Impairment under HKAS 39 for the year ended 31 December 2017

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

	2017 RMB'000
Neither past due nor impaired	4,238,749
Within 90 days past due	216,797
91 to 180 days past due	40,791
Over 180 days past due	45,401
	4,541,738

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

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

Trade and notes receivables of the Group mainly arose from the Health Ecosystem segment and Happiness Ecosystem segment. Credit terms granted to the Group's customers are as follows:

	Credit terms
Health Ecosystem segment	90 to 180 days
Happiness Ecosystem segment	30 to 360 days

At 31 December 2018, the Group's trade and notes receivables with a carrying amount of approximately RMB57,614,000 (2017: RMB39,339,000) were pledged to secure bank loans, as set out in note 42 to the financial statements.

40. CONTRACT ASSETS AND OTHER ASSETS

	Notes	2018 RMB'000
Contract assets:		
Sales of properties and construction services	*(1)*	**13,850**
Other assets:		
Costs for obtaining contracts	*(2)*	**85,180**
		99,030

(1) Contract assets related to property development and sales consist of unbilled amounts resulting from sales of properties when revenue recognised over time exceeds the amounts billed to the property purchasers and the allowance for construction services. The decrease in contract assets in 2018 was the result of the decrease in the ongoing sale of the property and the allowance for construction services during this year.

(2) Management expects 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 was RMB109,838,000 during 2018.

The expected timing of recovery or settlement for contract assets and other assets as at 31 December 2018 is as follows:

	2018 RMB'000
Within one year	**74,545**
More than one year	**24,485**
	99,030

41. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	Notes	2018 RMB'000	2017 RMB'000
Carrying amount of the assets of a disposal group	(i)/(ii)	**34,711**	2,532,067
Liabilities directly associated with the assets classified as held for sale	(i)/(ii)	**4,156**	204,047

Notes:

(i) In November 2017, Fidelidade – Companhia de Seguros, S.A. and Fidelidade Property Europe, subsidiaries of the Group, have decided to sell 277 real estate properties classified as investment properties and property, plant and equipment. Disposal most of those real estate properties was completed in 2018.

(ii) In 2018, certain real estate properties classified as investment properties from a subsidiary of the Group, were classified as held for sale and the sales are expected to be completed in 2019.

The assets and liabilities classified as held for sale as at 31 December 2018 are as follows:

	2018 RMB'000
Assets	
Investment properties	**33,510**
Deferred tax assets	**1,201**
Assets of a disposal group classified as held for sale	**34,711**
Liabilities	
Deferred tax liabilities	**4,156**
Liabilities directly associated with the assets classified as held for sale	**4,156**

42. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	2018 RMB'000	2017 RMB'000
Bank loans:	(1)		
Guaranteed		**2,800**	2,151,006
Secured		**35,743,088**	28,087,191
Unsecured		**61,795,986**	50,933,598
		97,541,874	81,171,795
Corporate bonds and enterprise bonds	(2)	**33,818,635**	19,587,388
Private placement notes	(3)	**1,997,803**	2,990,880
Private placement bonds	(4)	**4,523,752**	6,480,460
Senior notes	(5)	**23,681,485**	19,859,994
Medium-term notes	(6)	**9,260,017**	2,398,852
Short-term commercial papers	(7)	**1,000,000**	–
Super short-term commercial papers	(8)	**1,378,993**	5,267,152
Other borrowings, secured	(9)	**5,958,529**	5,817,407
Other borrowings, unsecured	(9)	**6,979,263**	6,801,136
Total		**186,140,351**	150,375,064
Repayable:			
Within one year		**67,740,818**	58,027,951
In the second year		**38,620,621**	21,253,842
In the third to fifth years, inclusive		**73,384,954**	58,829,138
Over five years		**6,393,958**	12,264,133
		186,140,351	150,375,064
Portion classified as current liabilities		**(67,740,818)**	(58,027,951)
Non-current portion		**118,399,533**	92,347,113

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:

	2018 RMB'000	2017 RMB'000
Pledge of assets:		
Buildings (note 13)	**4,033,150**	271,442
Plant and machinery (note 13)	**623,057**	–
Construction in progress (note 13)	**416,583**	4,201,920
Investment properties (note 14)	**26,449,576**	16,569,869
Prepaid land lease payments (note 15)	**1,311,359**	884,963
Properties under development (note 27)	**18,002,227**	12,970,888
Completed properties for sale	**1,232,684**	1,137,211
Trade and notes receivables (note 39)	**57,614**	39,339
Pledged bank balances (note 35)	**287,862**	307,344
Finance lease receivables (note 38)	**1,337,566**	984,386
Investment in an associate (note 22)	**18,530,173**	6,588,124
Available-for-sale investments (note 23)	**–**	5,395,434
Investment at fair value through profit or loss (note 24)	**–**	992,560
Financial assets at fair value through profit or loss (note 24)	**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)	**322,687**	–

Apart from the above, certain interest-bearing bank borrowings are secured by investments in subsidiaries as at 31 December 2018.

No interest-bearing bank and other borrowings (2017: RMB1,960,283,000) were guaranteed by Fosun Holdings Limited which is the holding company of the Group. No interest-bearing bank and other borrowings (2017: RMB190,723,000) were guaranteed by the management of Hainan Mining Co., Ltd. which is the subsidiary of the Group.

The bank loans bear interest at rates ranging from nil to 9.8% (2017: 0.45% to 6.65%) per annum.

(2) Corporate bonds and enterprise bonds

On 20 November 2015, Shanghai Forte Land Co., Ltd. ("Forte") issued five-year domestic corporate bonds with a par value of RMB4,000,000,000 and an effective interest rate of 5.39% 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 17 December 2015, Eynsford Tokutei Mokuteki Kaisha, an indirect subsidiary of Fosun Property Holdings Limited, issued five-year corporate bonds with a par value of JPY1,000,000,000 and an interest rate of 3-month Tokyo Interbank Offered Rate plus 5.30% per annum. Interest will be paid quarterly in arrears since April 2016. The principal amount of the corporate bonds has been repaid by instalments and the final maturity date is 17 December 2020.

On 21 January 2016, Shanghai Fosun High Technology (Group) Co., Ltd. ("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. 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. Interest is paid annually in arrears and the maturity date is 4 March 2021.

On 21 March 2016, Forte issued three-year domestic corporate bonds with a par value of RMB1,000,000,000 and an effective interest rate of 4.24% per annum. On 21 March 2018, Forte repaid in advance with a par value of RMB995,500,000. Interest is paid annually in arrears and the maturity date is 21 March 2019 for the remaining balances.

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. 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. Interest is paid annually in arrears and the maturity date is 26 May 2021.

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

Notes: *(Continued)*

(2) Corporate bonds and enterprise bonds *(Continued)*

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

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

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

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

(3) Private placement notes

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

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.

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

Notes: *(Continued)*

(4) Private placement bonds

On 22 August 2016, Forte issued three-year private placement bonds with a par value of RMB3,000,000,000 and the effective interest rate is 4.56% per annum. On 20 August 2018, Forte repaid in advance with a par value of RMB1,970,000,000. Interest is paid annually in arrears and the maturity date is 22 August 2019 for the remaining balances.

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. Interest is paid annually in arrears and the maturity date is 2 May 2020.

On 31 August 2017, Fosun High Technology issued three-year private placement bonds with a par value of RMB500,000,000 and an effective interest rate of 6.13% per annum. Interest is paid annually in arrears and the maturity date is 31 August 2020.

(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 EUR492,000,000 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 par values of USD180,000,000, USD120,000,000 and USD290,000,000 and effective interest rates of 5.603%, 5.599% and 5.41%, respectively. Among these, senior notes with a par value of USD555,000,000 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, Fortune Star, a subsidiary of Fosun Industrial Holdings Limited, issued two tranches of five-year senior notes with par values of USD800,000,000 and USD600,000,000 and effective interest rates of 5.33% and 5.04%, respectively. Among these, senior notes with a par value of USD1,390,000,000 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 a par value of USD300,000,000 and an effective interest rate of 5.59%. On 29 January 2018, Fortune Star issued three-year senior notes with a par value of USD250,000,000 and an effective interest rate of 5.23%. Among these, senior notes with a par value of USD504,520,000 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 USD440,000,000 were purchased by third party investors. Interest is paid semi-annually in arrears and the maturity date is 29 January 2023.

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

Notes: *(Continued)*

(6) Medium-term notes

On 23 March 2016, Yuyuan issued three-year medium-term notes with a par value of RMB420,000,000 and an effective interest rate of 3.50% per annum. Interest is paid annually in arrears and the maturity date is 25 March 2019.

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 6.36% 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 6.66% 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.

(7) Short-term commercial papers

On 12 March 2018, Yuyuan issued short-term commercial papers with a par value of RMB1,000,000,000 and an effective interest rate of 5.49% per annum. Interest is payable at the maturity date which is 14 March 2019.

(8) Super short-term commercial papers

On 22 June 2018, Fosun High Technology issued super short-term commercial papers with a par value of RMB1,000,000,000 and an effective interest rate of 6.57% per annum. Among these, super and short-term commercial papers with a par value of RMB850,000,000 were purchased by third party investors. Interest is payable at the maturity date which is 19 March 2019.

On 22 November 2018, Fosun High Technology issued super short-term commercial papers with a par value of RMB500,000,000 and an effective interest rate of 4.47% per annum. Interest is payable at the maturity date which is 21 May 2019.

(9) Other borrowings

The other borrowings represent borrowings from third parties, which bear interest at rates ranging from 0.98% to 9.39% (31 December 2017: 0.95% to 8.33%) per annum.

43. CONVERTIBLE BONDS

Logo Star Limited, an indirect wholly-owned subsidiary of the Company, issued convertible bonds in a principal amount of HKD3,875,000,000 (equivalent to RMB3,068,225,000) on 22 November 2013 guaranteed by the Company and certain of its subsidiaries (the "Convertible Bonds"). The Convertible Bonds are convertible into fully-paid ordinary shares of a par value of HKD0.10 each of the Company. The Convertible Bonds bear interest at the rate of 1.5% per annum payable semi-annually in arrears on 22 May and 22 November in each year. The Convertible Bonds was matured on 22 November 2018 ("Maturity Date").

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

As at 31 December 2018, there were no convertible bonds still outstanding and the movement of the liability component is as follows:

	2018 **RMB'000**	2017 RMB'000
Liability component at 1 January	**81,428**	307,730
Interest expense (note 12)	**682**	20,647
Interest paid	**(1,076)**	(3,393)
Conversion into equity	**(81,354)**	(227,609)
Exchange realignment	**320**	(15,947)
Liability component at 31 December	**–**	81,428

44. CONTRACT LIABILITIES

	2018 **RMB'000**
Contract liabilities	**22,365,477**
Portion classified as current liabilities	**(22,112,767)**
Non-current portion	**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 carried forward contract liabilities.

	2018 **RMB'000**
Revenue recognised during the year that was included in the contract liabilities balance at the beginning of the year	**17,217,775**

44. CONTRACT LIABILITIES *(Continued)*

The following table includes the transaction price allocated to the remaining unsatisfied performance obligations related to property sales and resorts operation as at the end of each reporting period.

	2018 RMB'000
Expected to be recognised within one year	**17,397,489**
Expected to be recognised after one year	**5,215,500**
Total	**22,612,989**

45. TRADE AND NOTES PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables	**13,808,784**	12,230,295
Notes payable	**297,158**	137,982
	14,105,942	12,368,277

An ageing analysis of the trade payables as at the end of the reporting period is as follows:

	2018 RMB'000	2017 RMB'000
Outstanding balances with ages:		
Within 90 days	**5,152,391**	6,020,166
91 to 180 days	**2,180,065**	764,742
181 to 365 days	**1,938,098**	1,402,636
1 to 2 years	**1,315,522**	1,898,174
2 to 3 years	**1,786,838**	760,955
Over 3 years	**1,435,870**	1,383,622
	13,808,784	12,230,295

Trade and notes payables of the Group mainly arose from the Health Ecosystem segment and Happiness Ecosystem 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 the properties.

46. ACCRUED LIABILITIES AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Advances from customers	**3,701,909**	20,629,552
Dividends payable to third parties	**187,770**	–
Payables related to:		
Purchases of property, plant and equipment	**178,469**	226,839
Deposits received	**1,254,286**	1,285,284
Payroll	**2,684,334**	1,944,847
Accrued interest expenses	**1,816,959**	1,353,994
Value-added tax	**758,962**	465,429
Accrued utilities	**113,131**	262,686
Acquisition of subsidiaries	**212,937**	611,455
Current portion of other long term payables	**134,489**	6,594
Funding from third parties for business development	**4,801,697**	5,755,757
Other accrued expenses	**3,302,562**	3,932,585
Others	**8,318,621**	5,436,557
	27,466,126	41,911,579

47. FINANCE LEASE PAYABLES

Total future minimum lease payments under finance leases and their present values are as follows:

	2018 RMB'000	2017 RMB'000
Repayable:		
Within one year	**111,268**	72,692
In the second year	**132,624**	88,937
In the third to fifth years, inclusive	**467,341**	194,000
Total minimum finance lease payments	**711,233**	355,629
Less: Future finance charges	**(144,828)**	(18,395)
	566,405	337,234
Portion classified as current finance lease payables	**(88,827)**	(68,323)
Non-current portion	**477,578**	268,911

48. DEPOSITS FROM CUSTOMERS

	2018 RMB'000	2017 RMB'000
Demand deposits		
– Corporate deposits	**36,462,232**	30,956,787
– Personal deposits	**3,401,922**	3,494,737
	39,864,154	34,451,524
Time deposits		
– Corporate deposits	**1,754,440**	460,190
– Personal deposits	**166,276**	165,853
	1,920,716	626,043
Total deposits from customers at amortised cost	**41,784,870**	35,077,567
Portion classified as current liabilities	**(41,714,245)**	(34,971,708)
Non-current portion	**70,625**	105,859

Deposits from customers which are related parties are disclosed in note 67 to the financial statements.

49. UNEARNED PREMIUM PROVISIONS

		31 December 2018			31 December 2017		
			Reinsurers'			Reinsurers'	
		Gross	**share**	**Net**	Gross	share	Net
	Notes	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Life insurance	*(i)*	**123,040**	**(6,421)**	**116,619**	32,620	(1,009)	31,611
Non-life insurance	*(ii)*	**6,561,279**	**(1,035,249)**	**5,526,030**	5,812,647	(818,830)	4,993,817
		6,684,319	**(1,041,670)**	**5,642,649**	5,845,267	(819,839)	5,025,428

Notes:

(i) Analysis of movements in the unearned premium provisions for the life insurance business:

	31 December 2018			31 December 2017		
		Reinsurers'			Reinsurers'	
	Gross	**share**	**Net**	Gross	share	Net
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
At 1 January	**32,620**	**(1,009)**	**31,611**	15,272	(998)	14,274
Premiums written during the year	**4,052,379**	**(121,732)**	**3,930,647**	4,071,163	(102,340)	3,968,823
Premiums earned during the year	**(3,965,664)**	**116,350**	**(3,849,314)**	(4,053,825)	102,396	(3,951,429)
Exchange realignment	**3,705**	**(30)**	**3,675**	10	(67)	(57)
At 31 December	**123,040**	**(6,421)**	**116,619**	32,620	(1,009)	31,611

(ii) Analysis of movements in the unearned premium provisions for the non-life insurance business:

	31 December 2018			31 December 2017		
		Reinsurers'			Reinsurers'	
	Gross	**share**	**Net**	Gross	share	Net
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
At 1 January	**5,812,647**	**(818,830)**	**4,993,817**	5,178,746	(599,838)	4,578,908
Premiums written during the year	**24,325,157**	**(3,920,186)**	**20,404,971**	27,017,569	(4,426,432)	22,591,137
Premiums earned during the year	**(23,704,422)**	**3,758,211**	**(19,946,211)**	(21,923,413)	2,733,667	(19,189,746)
Exchange realignment	**127,897**	**(54,444)**	**73,453**	(4,460,255)	1,473,773	(2,986,482)
At 31 December	**6,561,279**	**(1,035,249)**	**5,526,030**	5,812,647	(818,830)	4,993,817

50. PROVISION FOR OUTSTANDING CLAIMS

		31 December 2018			31 December 2017		
			Reinsurers'			Reinsurers'	
		Gross	share	Net	Gross	share	Net
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Life insurance	*(i)*	**2,449,022**	**(74,415)**	**2,374,607**	2,294,170	(83,668)	2,210,502
Non-life insurance	*(ii)*	**31,444,469**	**(6,707,342)**	**24,737,127**	29,323,182	(5,810,187)	23,512,995
		33,893,491	**(6,781,757)**	**27,111,734**	31,617,352	(5,893,855)	25,723,497
Portion classified as current liabilities		**(15,740,723)**			(13,325,966)		
Non-current portion		**18,152,768**			18,291,386		

Notes:

(i) Analysis of movements in the provision for outstanding claims for the life insurance business:

	31 December 2018			31 December 2017		
		Reinsurers'			Reinsurers'	
	Gross	share	Net	Gross	share	Net
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	**2,294,170**	**(83,668)**	**2,210,502**	1,612,183	(73,357)	1,538,826
Claims paid during the year	**(2,415,452)**	**66,287**	**(2,349,165)**	(2,251,259)	49,395	(2,201,864)
Claims incurred during the year	**2,494,090**	**(56,596)**	**2,437,494**	2,916,123	(54,633)	2,861,490
Exchange realignment	**76,214**	**(438)**	**75,776**	17,123	(5,073)	12,050
At 31 December	**2,449,022**	**(74,415)**	**2,374,607**	2,294,170	(83,668)	2,210,502

(ii) Analysis of movements in the provision for outstanding claims for the non-life insurance business:

	31 December 2018			31 December 2017		
		Reinsurers'			Reinsurers'	
	Gross	share	Net	Gross	share	Net
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	**29,323,182**	**(5,810,187)**	**23,512,995**	25,670,855	(5,089,593)	20,581,262
Claims paid during the year	**(15,233,804)**	**2,609,793**	**(12,624,011)**	(12,672,805)	1,333,149	(11,339,656)
Claims incurred during the year	**16,518,891**	**(3,233,897)**	**13,284,994**	16,390,594	(2,727,271)	13,663,323
Exchange realignment	**836,200**	**(273,051)**	**563,149**	(65,462)	673,528	608,066
At 31 December	**31,444,469**	**(6,707,342)**	**24,737,127**	29,323,182	(5,810,187)	23,512,995

51. FINANCIAL LIABILITIES FOR UNIT-LINKED CONTRACTS AND INVESTMENT CONTRACT LIABILITIES

	Notes	2018 RMB'000	2017 RMB'000
Financial liabilities for unit-linked contracts	*(i)*	**316,142**	1,370,019
Investment contract liabilities	*(ii)*	**72,479,089**	65,602,113
Commissions on the issue of financial products		**(89,064)**	(96,665)
		72,706,167	66,875,467
Portion classified as current liabilities		**(7,737,575)**	(6,207,326)
Non-current portion		**64,968,592**	60,668,141

Notes:

(i) Unit-linked contracts

	2018 RMB'000	2017 RMB'000
At 1 January	**1,370,019**	3,748,246
Issues	**15,315**	16,686
Redemptions	**(1,061,742)**	(2,630,290)
Profit or loss	**(10,167)**	30,406
Other	**(321)**	(462)
Exchange realignment	**3,038**	205,433
At 31 December	**316,142**	1,370,019

(ii) Other investment contract liabilities

	2018 RMB'000	2017 RMB'000
At 1 January	**65,602,113**	56,848,461
Issues	**22,201,258**	15,096,499
Redemptions	**(16,251,090)**	(10,850,098)
Profit or loss	**586,148**	726,098
Other	**(67,495)**	(164,647)
Exchange realignment	**408,155**	3,945,800
At 31 December	**72,479,089**	65,602,113

52. OTHER LIFE INSURANCE CONTRACT LIABILITIES

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**

31 December 2017

	Life RMB'000	Non-life RMB'000	Total RMB'000
Mathematical provision for life insurance	14,225,169	–	14,225,169
Provision for profit sharing	864,103	2	864,105
Provision for interest rate commitments	58,680	–	58,680
Provision for portfolio stabilisation	190,416	–	190,416
	15,338,366	2	15,338,370
Portion classified as current liabilities			(1,475,431)
Non-current portion			13,862,939

52. OTHER LIFE INSURANCE CONTRACT LIABILITIES *(Continued)*

31 December 2018

Analysis of movements of other life insurance contract liabilities business:

	Mathematical provision for life insurance RMB'000	**Provision for profit sharing RMB'000**	**Provision for interest rate commitments RMB'000**	**Provision for portfolio stabilisation RMB'000**	**Total RMB'000**
At 1 January	**14,225,168**	**864,104**	**58,680**	**190,416**	**15,338,368**
Liabilities originated in 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**

31 December 2017

Analysis of movements of other life insurance contract liabilities business:

	Mathematical provision for life insurance RMB'000	Provision for profit sharing RMB'000	Provision for interest rate commitments RMB'000	Provision for portfolio stabilisation RMB'000	Total RMB'000
At 1 January	12,138,017	502,061	51,332	158,929	12,850,339
Liabilities originated in period and interest attributed	1,009,777	(44,186)	3,795	20,325	989,711
Amount attributable to insured from shareholders' equity	–	453,588	–	–	453,588
Change in deferred acquisition costs	(569)	–	–	–	(569)
Other movements	165,084	–	–	–	165,084
Income distributed	66,338	(87,480)	–	–	(21,142)
Exchange realignment	846,521	40,121	3,553	11,162	901,357
At 31 December	14,225,168	864,104	58,680	190,416	15,338,368

53. INSURANCE AND REINSURANCE CREDITORS

	2018 RMB'000	2017 RMB'000
Amounts due to insurance customers and suppliers	**7,149,489**	3,556,290
Amounts due to insurance intermediaries	**707,587**	766,674
Deposits retained from reinsurers/retrocessionaires	**468,964**	529,623
Prepaid premiums received	**195,222**	183,930
Others	**–**	2,137
	8,521,262	5,038,654
Portion classified as current liabilities	**(8,380,093)**	(4,896,620)
Non-current portion	**141,169**	142,034

The following is an ageing analysis of the amounts due to insurance customers and suppliers:

	2018 RMB'000	2017 RMB'000
Amounts due to insurance customers and suppliers:		
Within 90 days	**5,045,959**	3,214,972
91 to 180 days	**2,435,077**	851,426
181 to 365 days	**619,456**	476,391
1 to 2 years	**53,131**	114,308
2 to 3 years	**31,529**	156,328
Over 3 years	**336,110**	225,229
	8,521,262	5,038,654

54. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 RMB'000	2017 RMB'000
Gold leases	**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 2018.

55. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2018 RMB'000	2017 RMB'000
Due to European Central Bank	**456,827**	455,075
Due to:		
Banks in Germany	**597,016**	318,228
Banks in other European countries	**960,213**	783,001
Banks in other countries and regions	**649**	324
	1,557,878	1,101,553
Total	**2,014,705**	1,556,628
Portion classified as current liabilities	**(1,557,878)**	(1,101,553)
Non-current portion	**456,827**	455,075

56. DEFERRED INCOME

Deferred income represents government grants received related to assets.

	2018 RMB'000	2017 RMB'000
Special purpose fund for technology improvement	**493,426**	443,670
Government grants for property development and fixed asset construction	**473,533**	450,780
	966,959	894,450

57. OTHER LONG TERM PAYABLES

	Notes	2018 RMB'000	2017 RMB'000
Payables for rehabilitation	*(i)*	**164,417**	194,513
Payables for employee benefits	*(ii)*	**1,148,112**	657,490
Payables for restructuring provisions		**–**	48,161
Payables for acquisition of additional interests in subsidiaries		**209,625**	173,729
Share redemption options granted to non-controlling shareholders of subsidiaries	*(iii)*	**3,066,565**	1,859,564
Loans from non-controlling shareholders of subsidiaries		**3,831,231**	1,143,177
Others		**2,166,018**	1,891,437
		10,585,968	5,968,071

Notes:

(i) The movements of payables for rehabilitation are set out below:

	2018 RMB'000	2017 RMB'000
At 1 January	**194,513**	245,015
Additions	**–**	138,000
Disposal of subsidiaries (note 61(b))	**–**	(125,124)
Payments made	**(14,096)**	(56,633)
Classified as current portion	**(16,420)**	–
Exchange realignment	**420**	(6,745)
At 31 December	**164,417**	194,513

Payables for rehabilitation are in relation to the costs of the Group's obligations for land reclamation.

(ii) The movements of payables for employee benefits are set out below:

	2018 RMB'000	2017 RMB'000
At 1 January	**657,490**	642,808
Additions	**441,136**	70,986
Acquisition of subsidiaries	**144,308**	–
Interest increment (note 7)	**9,203**	32,790
Payments made	**(35,497)**	(92,172)
Classified as current portion	**(71,216)**	(6,594)
Exchange realignment	**2,688**	9,672
At 31 December	**1,148,112**	657,490

Payables for employee benefits are based on estimates of future payments made by management and are discounted at rates in the range of 1.34% to 3.06% (2017: 0.3% to 3.75%).

(iii) The movements of the share redemption options granted to non-controlling shareholders of subsidiaries are set out below:

The share redemption options granted to non-controlling shareholders of certain subsidiaries acquired by the Group, with the amounts of RMB2,605,032,000 and RMB461,533,000 were reclassified into other long-term payables as at 31 December 2018.

58. SHARE CAPITAL

Shares

	2018 RMB'000	2017 RMB'000
Issued and fully paid: 8,546,928,994 (2017: 8,587,720,344) ordinary shares	**36,660,729**	36,485,351

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 2017	8,603,280,644	36,157,089
Share award scheme (Note)	4,605,200	50,033
Re-purchase of shares	(47,365,500)	–
Conversion of convertible bonds to ordinary shares	27,200,000	278,229
At 31 December 2017 and 1 January 2018	8,587,720,344	36,485,351
Share award scheme (Note)	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	8,546,928,994	36,660,729

Note:

According to the share award scheme announced by the Company, the Company issued and the employee benefit trust established by the Company allotted 5,367,150 (2017: 4,605,200) new shares which were awarded to selected participants and will be vested based on certain vesting conditions.

59. 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) Statutory surplus reserve (the "SSR")

In accordance with the Company Law of the PRC and the respective articles of association of the subsidiaries established in 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 SSR until this reserve reaches 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the SSR can be capitalised as paid-up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

In accordance with the Company Law of Portugal, a percentage of not less than 10% or 5% of each year's net profit, depending on whether a company is an insurance or other company, must be transferred to the legal reserve, until 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.

60. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2018	2017
Percentage of equity interest held by non-controlling interests:		
Fosun Pharma	**62.45%**	62.06%
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".

	2018 RMB'000	2017 RMB'000
Profit for the year allocated to non-controlling interests:		
Fosun Pharma	**1,691,098**	1,939,064
Portuguese Insurance Group	**338,882**	235,950
Dividends paid to non-controlling interests:		
Fosun Pharma	**613,241**	541,998
Accumulated balances of non-controlling interests at the reporting dates:		
Fosun Pharma	**17,477,644**	16,037,192
Portuguese Insurance Group	**2,430,947**	2,859,025

60. 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:

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**

2017	Portuguese Insurance Group RMB'000	Fosun Pharma RMB'000
Revenue	12,468,043	18,361,608
Total expenses	(10,629,314)	(14,776,349)
Profit for the year	1,838,729	3,585,259
Total comprehensive income for the year	6,435,589	3,119,290
Current assets	38,167,788	15,056,487
Non-current assets	97,637,499	46,857,634
Current liabilities	(23,788,824)	(16,600,472)
Non-current liabilities	(89,682,349)	(15,629,082)
Net cash flows from operating activities	6,303,239	2,580,226
Net cash flows used in investing activities	(8,876,122)	(10,504,102)
Net cash flows (used in)/from financing activities	(566,212)	9,908,627

61. 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 April 2018, Fosun Industrial Holdings Limited, a subsidiary of the Group, acquired 65.6% equity interests in Jeanne Lanvin SAS ("Lanvin") at a consideration of EUR110,200,000 (equivalent to RMB851,145,000). The acquisition was undertaken to further develop the Happiness Ecosystem business of the Group.

In July 2018, the Group, through its subsidiary, acquired a 69.18% equity interest in Baihe Jiayuan Network Group Co., Ltd. ("**Baihe**") at a consideration of RMB4 billion. The acquisition was undertaken to further develop the Happiness Ecosystem business of the Group.

As at 31 December 2017, the Group held a 26.45% equity interest in Yuyuan and Yuyuan was accounted for as an associate of the Group. In July 2018, Yuyuan completed its asset restructuring and acquired the Group's equity interests in 24 target companies and the 100% interests in Xinyuan Real Estate Development Co., Ltd. from Shanghai Huangpu Real Estate Development Co., Ltd through issuance of shares by Yuyuan. Upon completion of the restructuring, the Group held 68.49% equity interests in Yuyuan and Yuyuan has been consolidated into the Group since July 2018.

In August 2018, Yuyuan acquired a 100% equity interests in Suzhou Pine Crane Restaurant Culture Co., Ltd. and Suzhou Pine Crane Restaurant Management Co., Ltd. at a total consideration of RMB1,629,143,000. The acquisition was undertaken to further develop the happiness Happiness Ecosystem business of the Group.

In August 2018, Yuyuan acquired a 60% equity interest in Ningbo Xingxin Real Estate Development Co., Ltd. at a consideration of RMB756,139,000. The acquisition was undertaken to further develop the Happiness Ecosystem business of the Group.

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

61. 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:

	2018 Fair value recognised on acquisition RMB'000
Property, plant and equipment (note 13)	**11,238,566**
Intangible assets (note 19)	**6,438,753**
Prepaid land lease payments (note 15)	**307,801**
Cash and bank	**6,363,465**
Investments in associates	**4,717,289**
Investments in joint ventures	**24,075**
Investment properties (note 14)	**9,186,523**
Financial assets at fair value through profit or loss	**3,312,379**
Equity investments designated at fair value through other comprehensive income	**560,716**
Deferred tax assets (note 30)	**509,949**
Trade and notes receivables	**2,260,138**
Prepayments, other receivables and other assets	**2,433,569**
Inventories	**3,063,648**
Properties under development	**5,648,048**
Completed properties for sale	**499,972**
Derivative financial instruments	**22,285**
Interest-bearing bank and other borrowings	**(11,162,515)**
Trade and notes payables	**(4,392,663)**
Accrued liabilities and other payables	**(2,912,742)**
Due to related companies	**(47,179)**
Tax payable	**(429,985)**
Financial liabilities at fair value through profit or loss	**(1,524,794)**
Other long term payables	**(2,313,840)**
Due to banks and other financial institutions	**(65,224)**
Finance lease payables	**(148,782)**
Deferred tax liabilities (note 30)	**(5,519,780)**
Total identifiable net assets at fair value	**28,069,672**
Non-controlling interests	**(8,903,849)**
Total net assets acquired	**19,165,823**
Gain on bargain purchase of subsidiaries (note 6)	**(3,706,384)**
Goodwill on acquisition (note 20)	**3,987,462**
	19,446,901

61. 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	**8,221,709**
Investments in associates	**4,121,658**
Partial equity interests in subsidiaries	**6,351,390**
Prepayments, other receivables and other assets	**752,144**
	19,446,901

The fair values of the trade receivables and prepayments, other receivables and other assets as at the dates of acquisition amounted to RMB2,260,138,000 and RMB2,433,569,000, respectively. The gross contractual amounts of trade receivables and prepayments, other receivables and other assets were RMB2,281,150,000 and RMB2,506,048,000, respectively, among which RMB21,012,000 and RMB72,479,000, respectively, were expected to be uncollectible.

The Group incurred transaction costs of RMB14,571,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses or administrative expenses in the consolidated statement of profit or loss.

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

Since the acquisition, the acquired subsidiaries contributed RMB13,694,196,000 to the Group's turnover and net profit of RMB210,760,000 to the consolidated profit for the year ended 31 December 2018.

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 2018 would have been RMB120,814,384,000 and RMB17,131,535,000, respectively.

(II) ACQUISITION OF A SUBSIDIARY NOT ACCOUNTED FOR AS BUSINESS COMBINATION

The major acquisition of a subsidiary not accounted for as business combination is set out as follows:

In January 2018, a subsidiary of Forte acquired a 51% equity interest in Xi'an Qujiang Dahua Woke Culture and Commercial Management Co., Ltd. ("Qujiang Dahua") at a consideration of RMB263,041,000. The major asset of Qujiang Dahua is a piece of land, and the acquisition is for the redevelopment of the land.

The above acquisition has been accounted for an acquisition of assets in the Group's consolidated financial statements. The purchase cost of the Group is allocated to the assets and liabilities, respectively, on the basis of their relative fair values at the date of purchase.

61. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

(II) ACQUISITION OF SUBSIDIARIES NOT ACCOUNTED FOR AS BUSINESS COMBINATION *(Continued)*

The allocation of the purchase cost on the basis of the relative fair values of the assets and liabilities acquired as at the date of the purchase is as follows:

	Allocation of purchase cost RMB'000
Cash and bank	277,123
Property, plant and equipment (note 13)	1,552
Intangible assets (note 19)	152
Trade and notes receivable	921
Prepayments, other receivables and other assets	1,495
Inventories	368
Properties under development	807,405
Interest-bearing bank and other borrowings	(46,000)
Trade and notes payables	(79,228)
Deferred income	(1,177)
Other long term payables	(168,101)
Deferred tax liabilities (note 30)	(11)
Accrued liabilities and other payables	(278,734)
	515,765
Non-controlling interests	(252,724)
Total purchase costs	263,041
Satisfied by:	
Cash	263,041

(III) AN ANALYSIS OF THE CASH FLOWS IN RESPECT OF THE ACQUISITION OF SUBSIDIARIES AS SET OUT IN (I) AND (II) ABOVE IS AS FOLLOWS:

	RMB'000
Consideration settled by cash	(8,484,750)
Cash and cash equivalents acquired	6,640,588
Cash consideration already paid in the prior year	152,814
Cash consideration unpaid as at 31 December 2018	213,992
Payment of unpaid cash consideration as at 31 December 2017	(338,075)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,815,431)
Transaction costs of these acquisitions included in cash flows from operating activities	(14,571)
	(1,830,002)

61. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of subsidiaries

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

In April 2018, a subsidiary of Forte disposed of 50% equity interests in Wuhan Fuzhi Real Estate Development Co., Ltd. ("Wuhan Fuzhi") at a consideration of RMB2,700,000,000. Subsequent to the disposal, Forte's equity interest in Wuhan Fuzhi decreased to 50% and Forte lost the control over the board of directors as well as the operating and financial policy decision of Wuhan Fuzhi but can exercise joint control over Wuhan Fuzhi. The remaining 50% equity interest in Wuhan Fuzhi was accounted for as an investment in the joint venture.

In April 2018, a subsidiary of Forte disposed of 50% equity interests in Shandong Forte Real Estate Development Co., Ltd. ("Shandong Forte") at a consideration of RMB963,084,000. Subsequent to the disposal, Forte's equity interest in Shandong Forte decreased to 50% and Forte lost the control over the board of directors as well as the operating and financial policy decision of Shandong Forte but can exercise joint control over Shandong Forte. The remaining 50% equity interest in Shandong Forte was accounted for as an investment in the joint venture.

The total net assets disposed of in respect of the disposal of the subsidiaries during the year were as follows:

	2018 **RMB'000**	2017 RMB'000
Net assets disposed of:		
Property, plant and equipment (note 13)	**57,664**	582,740
Oil and gas assets (note 18)	**–**	103,665
Intangible assets (note 19)	**47,798**	3,218,952
Prepaid land lease payments	**2,933**	–
Completed properties for sale	**262,696**	59,636
Goodwill (note 20)	**19,637**	1,720,080
Investments in associates	**–**	13,304
Available-for-sale investments	**–**	34,195,225
Deferred tax assets (note 30)	**1,661**	566,717
Properties under development	**11,593,668**	445,954
Investment properties (note 14)	**680,883**	–
Cash and bank	**135,164**	3,242,479
Investments at fair value through profit or loss	**–**	1,016,512
Trade and notes receivables	**18,849**	49,640
Due from related parties	**244**	–
Prepayments, other receivables and other assets	**117,740**	1,290,372
Inventories	**9,091**	112,726
Insurance and reinsurance debtors	**–**	3,983,509
Reinsurers' share of insurance contract provisions	**–**	9,828,183
Insurance and reinsurance creditors	**–**	(1,709,144)
Unearned premium provisions	**–**	(8,178,953)
Provision for outstanding claims	**–**	(26,262,886)
Interest-bearing bank and other borrowings	**(374,271)**	(2,792,230)
Trade and notes payables	**(84,858)**	(159,719)
Due to related companies	**(3,410,993)**	–
Accrued liabilities and other payables	**(1,024,306)**	(2,596,732)
Tax payable	**–**	(1,966)
Other long term payables	**–**	(125,124)
Deferred tax liabilities (note 30)	**(3,432)**	(278,699)
Non-controlling interests	**(19,800)**	(6,411)
	8,030,368	18,317,830
Fair value of the retained interests in subsidiaries disposed of	**(3,891,659)**	–
Net gain on disposal of subsidiaries (note 6)	**45,059**	2,323,121
	4,183,768	20,640,951
Satisfied by:		
Cash	**4,183,768**	20,640,951

61. 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:

	2018 RMB'000	2017 RMB'000
Cash consideration	**4,183,768**	20,640,951
Cash and cash equivalents disposed of	**(135,164)**	(3,242,479)
Advance receipt of cash consideration in previous years	**(14,599)**	–
Cash consideration unreceived as at 31 December 2018	**(28,840)**	–
Receipt of unreceived cash consideration for disposal as at 31 December 2017	**–**	1,330,000
Net inflow of cash and cash equivalents included in cash flows from investing activities	**4,005,165**	18,728,472

62. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Borrowings directly associated with the assets classified as held for sale RMB'000	Bank and other loans RMB'000	Loans from non-controlling shareholders of a subsidiary included in other long term payables RMB'000	Finance lease payable RMB'000	Convertible bond RMB'000	Interest payable RMB'000	Capital notes 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	–
Interets 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**	**–**

62. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

Changes in liabilities arising from financing activities *(Continued)*

	Borrowings directly associated with the assets classified as held for sale RMB'000	Bank and other loans RMB'000	Loans from non-controlling shareholders of a subsidiary included in other long term payables RMB'000	Finance lease payable RMB'000	Convertible bond RMB'000	Interest payable RMB'000	Capital notes RMB'000
At 31 December 2016	2,610,372	125,969,041	1,643,616	245,910	307,730	1,147,700	330,418
Changes from financing cash flows	–	21,918,208	(576,183)	(54,923)	–	–	–
Conversion into equity	–	–	–	–	(227,609)	–	–
Interest paid	–	(430,982)	–	–	(3,393)	(5,150,242)	–
New finance lease	–	–	–	132,350	–	–	–
Foreign exchange movement	(34,376)	570,409	–	–	(15,947)	48,101	–
Interest expense	–	644,185	75,744	–	20,647	4,344,732	–
Interest capitalised under properties under development	–	–	–	–	–	846,443	–
Interest capitalised under property, plant and equipment	–	–	–	–	–	117,260	–
Transfer to accrued liabilities and other payables	–	–	–	–	–	–	(330,418)
Increase arising from acquisition of subsidiaries	–	1,920,437	–	13,897	–	–	–
Decrease arising from disposal of subsidiaries	(2,575,996)	(216,234)	–	–	–	–	–
At 31 December 2017	–	150,375,064	1,143,177	337,234	81,428	1,353,994	–

63. SHARE-BASED PAYMENTS

(a) Share award scheme of the Company

The Company adopts a share award scheme ("Share Award Scheme") for the purpose to align the interests of the eligible persons with those of the Group through ownership of shares, dividends and other distributions paid on shares and/or the increase in value of the shares; and to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group.

SHARE AWARD SCHEME I

On 26 March 2015, the Board of Directors of the Company has resolved to award an aggregate of 4,620,000 award shares ("Award Shares 2015") to 71 selected participants under the share award scheme ("Share Award Scheme I"), of which (i) 2,430,000 award shares are awarded to 52 selected participants by way of issue and allotment of new shares pursuant to the general mandate; and (ii) 2,190,000 award shares are awarded to 19 connected selected participants by way of issue and allotment of new shares pursuant to a specific mandate obtained in the annual general meeting held on 28 May 2015.

Award Shares 2015 shall be locked up immediately upon granting. The Award Shares 2015 granted to participants shall be subject to various lock-up periods ranging from one year to three years, respectively, immediately from the date of grant. Award Shares 2015 held by participants shall be unlocked in three tranches in the proportion of 33%, 33% and 34% of the total number of the Award Shares 2015 granted upon the expiry of each lock-up period.

The aggregate fair value of the Award Shares 2015 granted amounted to approximately HKD60,274,000. The Group has recognised an amount of HKD996,000 (equivalent to RMB843,000) as expenses for the year ended 31 December 2018 (2017: equivalent to RMB8,103,000).

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 HKD7,596,000 (equivalent to RMB6,430,000) as expenses for the year ended 31 December 2018 (2017: equivalent to RMB17,800,000).

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 HKD24,540,000 (equivalent to RMB20,771,000) as expenses for the year ended 31 December 2018 (2017: equivalent to RMB19,318,000).

63. 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 HKD34,444,000 (equivalent to RMB29,155,000) as expenses for the year ended 31 December 2018.

The following shares were outstanding under the Share Award Scheme during the year:

	2018	2017
At 1 January	**9,533,800**	7,923,500
Granted during the year	**5,902,000**	5,275,000
Forfeited during the year	**(386,750)**	(719,450)
Unblocked during the year	**(4,436,850)**	(2,945,250)
At 31 December	**10,612,200**	9,533,800

The number of outstanding shares as at 31 December 2018 for each tranche of share award is as follows:

	2018	2017
Share Award Scheme I	**–**	1,264,800
Share Award Scheme II	**1,550,400**	3,149,000
Share Award Scheme III	**3,309,800**	5,120,000
Share Award Scheme IV	**5,752,000**	–
At 31 December	**10,612,200**	9,533,800

63. 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 has 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 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 RMB43,491,000) as expenses for the year ended 31 December 2018 (2017: equivalent to RMB44,447,000).

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 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 RMB21,359,000) as expenses for the year ended 31 December 2018 (2017: equivalent to RMB14,413,000).

63. 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 of the share upon exercise of such option 2018 at an exercise price of HKD17.58 per share.

The Options 2018 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 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 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 not lapsed) since the first 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 aggregate fair value of the Share Option Scheme granted amounted to approximately HKD221,051,000. The Group has recognised an amount of HKD55,251,000 (equivalent to RMB46,766,000) as expenses for the year ended 31 December 2018.

63. SHARE-BASED PAYMENTS *(Continued)*

(b) Share option scheme of the Company *(Continued)*

SHARE OPTION SCHEME III *(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

The following options were outstanding under the Share Option Scheme during the year:

	2018	2017
At 1 January	**145,400,000**	107,000,000
Granted during the year	**51,701,000**	56,400,000
Forfeited during the year	**(2,789,000)**	(18,000,000)
At 31 December	**194,312,000**	145,400,000

The weighted average exercise prices of share options which were granted during 2018 were HKD17.58 (2017: HKD12.56), and the weighted average exercise prices of share options which were forfeited during 2018 were HKD17.58 (2017: HKD11.53).

The number of outstanding share options granted as at 31 December 2018 for each tranche of the share option scheme is as follows:

	2018	2017
Share Option Scheme I	**89,000,000**	89,000,000
Share Option Scheme II	**56,400,000**	56,400,000
Share Option Scheme III	**48,912,000**	–
At 31 December	**194,312,000**	145,400,000

63. SHARE-BASED PAYMENTS *(Continued)*

(c) Equity-settled share-based payment of Fosun Pharma

On 19 November 2015, pursuant to the restricted A-Share incentive scheme, 2,695,000 A shares of Fosun Pharma were granted to 45 eligible participants at a grant price of RMB10.54 per share.

The aggregate fair value of the restricted shares granted amounted to approximately RMB68,102,000, of which RMB39,697,000 will be charged to profit or loss and other reserve as costs of share-based compensation in aggregate from the date of grant to the date on which the unlocking conditions are being fulfilled. Fosun Pharma has recognised an amount of RMB642,000 as share-based payment expenses for the year ended 31 December 2018.

(d) Equity-settled share-based payment of Shanghai Henlius Biotech Co., Ltd. ("Henlius")

As at 14 April 2018, the second extraordinary general meeting of Henlius, 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 RMB92,547,000 as related expenses and research and development ("R&D") investment for the year ended 31 December 2018.

(e) Equity-settled share-based payment of Fosun Tourism Group ("FTG")

FTG, a subsidiary of the Group, granted share options to eligible participants. The fair value of the share options granted during the year pursuant to its share option scheme was RMB184,620,000 and based on different vesting periods, FTG has recognised a share option expense of RMB56,707,000 during the year ended 31 December 2018.

On 1 January 2018, pursuant to the share ownership plan, 9,098,501 restricted shares of FTG were granted to eligible participants at a grant price of HKD8.05 per share. The aggregate fair value of the restricted shares granted amounted to approximately RMB90,385,000. FTG has recognised a share-based payment expense of RMB27,070,000 for the year ended 31 December 2018.

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 amounted to approximately RMB55,162,000. FTG has recognised a share-based payment expense of RMB20,447,000 for the year ended 31 December 2018.

64. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties, as set out in note 14 to the financial statements, under operating lease arrangements, with negotiated terms ranging from one to twenty one years.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	750,358	599,933
In the second to fifth years, inclusive	2,470,619	1,422,548
Over five years	5,094,594	2,861,271
	8,315,571	4,883,752

As lessee

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.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	1,925,437	1,593,087
In the second to fifth years, inclusive	5,817,481	5,555,025
Over five years	8,073,474	4,813,034
	15,816,392	11,961,146

65. COMMITMENTS

In addition to the operating lease commitments detailed in note 64 above, the Group had the following capital commitments at the end of the reporting period:

	2018 RMB'000	2017 RMB'000
Contracted, but not provided for:		
Plant and machinery	**2,722,616**	3,695,665
Properties under development	**10,717,758**	17,910,441
Investments	**6,997,321**	10,389,522
	20,437,695	31,995,628

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	2018 RMB'000	2017 RMB'000
Contracted but not provided for:		
Properties under development	**866,864**	906,283

66. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the end of the reporting period:

	Note	2018 RMB'000	2017 RMB'000
Principal amount of the guaranteed bank loans and corporate bonds of:			
Related parties		**21,935**	2,783,749
Third parties		**27,403**	30,308
Qualified buyers' mortgage loans	*(1)*	**5,692,919**	2,929,897
		5,742,257	5,743,954

(1) As at 31 December 2018, the Group provided guarantees of approximately RMB5,692,919,000 (31 December 2017: RMB2,929,897,000) 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.

67. 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	2018 RMB'000	2017 RMB'000
Sales of goods			
Sinopharm Group Co., Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	**2,328,131**	1,756,747
Chongqing Pharmaceutical Group Co., Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	**366,319**	325,649
Shanghai Xingyao Medical Technology Development Co., Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	**23,484**	19,516
Chindex International., Inc. (Notes 2 & 7)	Sales of pharmaceutical products	**20,628**	2,320
Nanjing Iron & Steel Co., Ltd. (Notes 2 & 7)	Sales of powdered iron	**11,372**	91,894
Shanghai Lingjian Information Technology Co., Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	**4,396**	2,852
Shanghai Diai Medical Instrument Co., Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	**3,668**	2,052
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	**3,034**	3,376
Healthy Harmony Holdings L.P. (Notes 2 & 7)	Sales of pharmaceutical products	**1,657**	1,684
Fosun Kite Biological Technology Co., Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	**406**	1,812
Nanjing Iron & Steel Group International Trade Co., Ltd. (Notes 2 & 7)	Sales of powdered iron	**–**	60,286
Total sales of goods		**2,763,095**	2,268,188
Purchases of goods			
Sinopharm Group Co., Ltd. (Notes 2 & 7)	Purchases of pharmaceutical products	**194,478**	166,276
Saladax Biomedical, Inc. (Notes 2 & 7)	Purchases of pharmaceutical products	**2,722**	1,762
Shanghai Xingyao Medical Technology Development Co., Ltd. (Notes 2 & 7)	Purchases of pharmaceutical products	**2,681**	2,005
CMIC (Suzhou) Pharmaceutical Technology Co., Ltd. (Notes 2 & 7)	Purchases of pharmaceutical products	**2,476**	–
Anhui Sunhere Pharmaceuticals Excipients Co., Ltd. (Notes 2 & 7)	Purchases of pharmaceutical products	**1,894**	2,519
SINNOWA Medical Science & Technology Co., Ltd. (Notes 2 & 7)	Purchases of pharmaceutical	**1,098**	–
Yong'an Property Insurance Company Limited (Notes 2 & 7)	Purchases of insurance products	**718**	3,979
Total purchases of goods		**206,067**	176,541

67. 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	2018 RMB'000	2017 RMB'000
Service income			
National General Insurance Corporation N.V. (Notes 2 & 8)	Reinsurance services provided to the related company	**335,165**	479,189
Yong'an Property Insurance Company Limited (Notes 2 & 8)	Other services provided to the related company	**72,043**	–
Kuyi International Travel Agency (Shanghai) Co., Ltd (Notes 2 & 8)	Consulting services provided to the related company	**9,852**	–
Nanjing Nangang Iron & Steel United Co., Ltd. (Notes 2 & 8)	Consulting services provided to the related company	**3,386**	46,302
Fosun United Health Insurance Co., Ltd (Notes 2 & 8)	Consulting services provided to the related company	**2,697**	–
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 4 & 8)	Other services provided to the related company	**2,533**	452
Nanjing Iron & Steel Co., Ltd. (Notes 2 & 8)	Consulting services provided to the related company	**710**	1,374
Pramerica Fosun Life Insurance Co., Ltd (Notes 2 & 8)	Travel agency services provided to the related company	**523**	–
Pramerica Fosun Life Insurance Co., Ltd (Notes 2 & 8)	Consulting services provided to the related company	**274**	–
Yong'an Property Insurance Company Limited (Notes 2 & 8)	Reinsurance services provided to the related company	**–**	10,106
Shanghai Hongkou Guangxin Microcredit Co., Ltd. (Notes 2 & 8)	Other services provided to the related company	**–**	6,332
Shenyang Yuyuan Tourist Mart Property Co., Ltd. (Notes 4 & 8)	Consulting services provided to the related company	**–**	4,245
Total service income		**427,183**	548,000

67. 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	2018 RMB'000	2017 RMB'000
Interest income			
Zhejiang Dongyang China Woodcarving City Investment and Development Co., Ltd. (Notes 2 & 10)	Interest income	**70,939**	28,529
HCo Lux S.à r.l. (Notes 2 & 10)	Interest income	**55,843**	–
Shanghai Xingyao Real Estate Development Co., Ltd. (Notes 2 & 10)	Interest income	**55,488**	28,279
Tianjin Jianlong Iron & Steel Industrial Co., Ltd. (Notes 2 & 10)	Interest income	**15,937**	31,698
FPH Europe Holdings III (HK) Limited (Notes 2 & 10)	Interest income	**15,783**	7,310
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**	1,300
Fuyang Furun Property Co., Ltd. (Notes 2 & 10)	Interest income	**4,364**	10,398
Tianjin Jiewei Power Industry Co., Ltd. (Notes 2 & 10)	Interest income	**3,920**	–
Easyprint (Beijing) Information Technology Co., Ltd. (Notes 2 & 10)	Interest income	**2,279**	–
Shanghai Zhengda Bund International Finance Services Centre Real Estate Company Limited (Notes 2 & 10)	Interest income	**762**	1,696
Acacias Property S.à r.l (Notes 2 & 10)	Interest income	**–**	9,548
Yadong Supervision and BEWG Co., Ltd. (Notes 2 & 10)	Interest income	**–**	3,192
Others	Interest income	**–**	256
Total interest income		**239,406**	122,206

67. 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	2018 RMB'000	2017 RMB'000
Rental income			
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 4 & 8)	Operating lease in respect of office buildings leased to the related company	**9,624**	9,424
Rental expense			
Shanghai Zhengda Bund International Finance Services Centre Real Estate Company Limited (Notes 2 & 8)	Operating lease in respect of office buildings leased from the related company	**110,071**	79,060
Interest expense			
Shanghai Hongkou Guangxin Microcredit Co., Ltd. (Notes 2 & 10)	Interest expense	**–**	1,923
Total interest expense		**–**	1,923
Interest paid for deposits from related parties			
Shanghai Hongkou Guangxin Microcredit Co., Ltd. (Notes 2 & 5)	Interest paid for deposits	**2,107**	205
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 4 & 5)	Interest paid for deposits	**5,120**	9,194
Nanjing Iron & Steel Co., Ltd. (Notes 2 & 5)	Interest paid for deposits	**939**	–
Shanghai Xingyao Real Estate Interest income Development Co., Ltd. (Notes 2 & 5)	Interest paid for deposits	**873**	–
Nanjing Iron & Steel United Co., Ltd (Notes 2 & 5)	Interest paid for deposits	**788**	–
Others	Interest paid for deposits	**1,086**	1,216
Total interest paid for deposits from related parties		**10,913**	10,615
Other expenses			
Hainan Haigang Group Co., Ltd. (Notes 3 & 9)	Operating lease in respect of land leased from the related company	**13,048**	15,924
Fosun Eurasia Capital LLC (Notes 2 & 9)	Consulting fees	**–**	5,329
Fosun Sinopharm (Hong Kong) Logistics Properties Management Company Limited (Notes 2 & 9)	Consulting fees	**–**	2,746
Total other expenses		**13,048**	23,999

67. 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	2018 RMB'000	2017 RMB'000
Increase of deposits from related companies			
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 2 & 7)	Increase of deposits from the related company	**3,508,997**	1,842,381
Nanjing Iron & Steel Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**1,750,959**	–
Nanjing Iron & Steel United Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**1,344,327**	1,378,244
Nanjing Nangang Iron & Steel United Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**1,000,808**	150,041
Zhejiang Dongyang China Woodcarving City Investment and Development Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**790,779**	790,079
Tianjin Jiewei Power Industry Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**762,436**	–
Tianjin Jianlong Iron & Steel Industrial Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**757,845**	432,894
Fuyang Furun Property Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**457,509**	414,361
Shanghai Hongkou Guangxin Microcredit Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**448,151**	168,257
Shanghai Xingyao Real Estate Development Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**356,575**	1,519,209
Taizhou Xingyao Real Estate Development Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**207,783**	220,922
Wuhan Fosun Hanzheng Street Property Development Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**168,328**	–
Shanghai Zhengda Bund International Finance Services Centre Real Estate Company Limited (Notes 2 & 5)	Increase of deposits from the related company	**120,963**	781,723
Yadong Supervision and BEWG Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**15,904**	245,753
Tianjin Jianlong Iron & Steel Industrial Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**–**	200,004
Hangzhou Goujia Network Technology Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**–**	150,135
Others	Increase of deposits from the related company	**5**	8
Total increase of deposits from related companies		**11,691,369**	8,294,011

67. 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	2018 RMB'000	2017 RMB'000
Guarantees of bank loans and corporate bonds			
Fosun Holdings Limited (Notes 1, 6 & 11)	Bank loans guaranteed by the related company	–	1,960,283
Nanjing Iron & Steel Co., Ltd. (Notes 2 & 11)	Guarantees granted for corporate bonds of the related company	–	2,783,749
Total loans and corporate bonds guaranteed		–	4,744,032
Increase of loans to related companies			
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**	550,000
Tangshan Jianlong Special Steel Co., Ltd. (Notes 2 & 10)	Increase of loans provided to the related company	**260,000**	300,000
Tianjin Jiewei Power Industry. Co., Ltd. (Notes 2 & 10)	Increase of loans provided to the related company	**180,000**	–
Zhejiang Dongyang China Woodcarving City Co., Ltd. (Notes 2 & 10)	Increase of loans provided to the related company	**78,000**	–
Acacias Property S.àr.l (Notes 2 & 10)	Increase of shareholder loans provided to the related company	**13,538**	264,342
Fuyang Furun Property Co., Ltd. (Notes 2 & 10)	Increase of loans provided to the related company	**4,499**	394,539
FPH Europe Holdings III (HK) Limited (Notes 2 & 10)	Increase of shareholder loans provided to the related company	**181**	183,089
Shanghai Xingyao Real Estate Development Co., Ltd. (Notes 2 & 10)	Increase of loans provided to the related company	–	1,000,000
Shanghai Yuyuan Tourist Mart Property Co., Ltd. (Notes 4 & 10)	Increase of loans provided to the related company	–	500,000
Taizhou Xingyao Real Estate Development Co., Ltd. (Notes 2 & 10)	Increase of loans provided to the related company	–	200,000
Yadong Supervision and BEWG Co., Ltd. (Notes 2 & 10)	Increase of loans provided to the related company	–	70,000
Poten Environment Group Co., Ltd. (Notes 2 & 10)	Increase of entrusted loans provided to the related company	–	40,000
Total increase of loans to related companies		**1,577,079**	3,501,970

67. 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) As set out in note 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 the 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. The deposits will be repaid upon demand of the related parties.

(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 consulting services, financial services, labor services, reinsurance services and rental were determined based on prices available to third party customers.

(9) The directors consider that the fees for consulting services and leasing services paid to the related companies were determined based on prices available to third party customers of the 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) In July 2018, Fosun Venture Capital, an indirect wholly-owned subsidiary of the Company, and Mr. Guo Guangchang entered into the equity transfer agreement in respect of the transfer of Ningbo Meishan Bonded Area Yuanhong Investment Co., Ltd. ("Yuanhong Investment"), pursuant to which, Fosun Venture Capital agreed to acquire and Mr. Guo Guangchang agreed to sell 100% equity interest and the creditor's rights for a loan of approximately RMB3.99 billion to Yuanhong Investment, at a total consideration of approximately RMB4 billion. The consideration was determined through arm's length negotiation and mutually agreed by both parties. The major assets of Yuanhong Investment as at the date of the acquisition is its 69.18% equity interests in Baihe. This transaction also constitutes a connected transaction as defined in Chapter 14A of the listing rule.

(13) Compensation of key management personnel of the Group:

	2018 RMB'000	2017 RMB'000
Short-term employee benefits	**84,478**	65,177
Equity-settled share award/option scheme expenses	**57,365**	45,741
Pension scheme contributions	**455**	426
Total compensation paid to key management personnel	**142,298**	111,344

68. 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:

2018

FINANCIAL ASSETS

	Financial assets at fair value through profit or loss					Financial assets at other comprehensive fair value through 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	–	–	–	–	–	–	–	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.

68. 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 46)	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 57)	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
Insurance and reinsurance creditors	–	–	8,521,262	–	8,521,262
	4,097,827	3,038,796	359,524,423	118,234	366,779,280

* 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 equity transaction with non-controlling shareholders of the subsidiaries of the Group.

68. 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)*

2017

FINANCIAL ASSETS

	Financial assets at fair value through profit or loss					
	Designed as such upon initial recognition RMB'000	Held for trading RMB'000	Associates measured at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Available-for-sale financial investments RMB'000	Total RMB'000
Available-for-sale investments	–	–	–	–	136,692,464	136,692,464
Loans receivable	–	–	–	3,376,243	–	3,376,243
Cash and bank	–	–	–	81,651,571	–	81,651,571
Term deposits	–	–	–	964,496	–	964,496
Investments at fair value through profit or loss	7,315,783	9,842,390	–	–	–	17,158,173
Trade and notes receivables	–	–	–	6,349,958	–	6,349,958
Financial assets included in prepayments, other receivables and other assets (note 29)	–	–	–	10,993,132	–	10,993,132
Due from related companies	–	–	–	12,309,468	–	12,309,468
Derivative financial instruments	1,486,348	–	–	–	–	1,486,348
Policyholder account assets in respect of unit-linked contracts	973,202	–	–	396,817	–	1,370,019
Loans and advances to customers	–	–	–	6,346,430	–	6,346,430
Placements with and loans to banks and other financial institutions	–	–	–	117,380	–	117,380
Finance lease receivables	–	–	–	2,348,127	–	2,348,127
Associates measured at fair value through profit or loss	–	–	2,658,189	–	–	2,658,189
	9,775,333	9,842,390	2,658,189	124,853,622	136,692,464	283,821,998

68. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

2017 *(Continued)*

FINANCIAL LIABILITIES

	Financial liabilities at fair value through profit or loss – Designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	150,375,064	150,375,064
Convertible bonds	–	81,428	81,428
Trade and notes payables	–	12,368,277	12,368,277
Financial liabilities included in accrued liabilities and other payables (note 46)	–	18,865,569	18,865,569
Due to related companies and the holding company	–	4,691,990	4,691,990
Deposits from customers	–	35,077,567	35,077,567
Financial liabilities included in other long term payables (note 57)	2,022,919*	3,093,149	5,116,068
Finance lease payables	–	337,234	337,234
Derivative financial instruments	1,755,028	–	1,755,028
Investment contract liabilities	–	65,505,448	65,505,448
Financial liabilities for unit-linked contracts	973,202	396,817	1,370,019
Accounts payable to brokerage clients	–	40,967	40,967
Placements from banks and other financial institutions	–	268,165	268,165
Due to banks and other financial institutions	–	1,556,628	1,556,628
Insurance and reinsurance creditors	–	5,038,654	5,038,654
	4,751,149	297,696,957	302,448,106

* The amount includes the share redemption option granted to non-controlling shareholders of several subsidiaries of which fair value changes are recognised in reserves due to the nature of equity transaction with non-controlling shareholders of the subsidiaries of the Group.

69. TRANSFERS OF FINANCIAL ASSETS

At 31 December 2018, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Endorsed Bills") to certain of its suppliers in order to settle the trade payables due to these suppliers with an aggregate carrying amount of RMB780,279,000 (2017: RMB993,873,000). In addition, the Group discounted certain bills receivable accepted by banks in the PRC (the "Discounted Bills"), to certain banks to finance its operating cash flow with an aggregate carrying amount of RMB208,990,000 (2017: RMB192,294,000). The Endorsed Bills and the Discounted Bills had maturity from one to twelve months at the end of the reporting period. In accordance with the relevant laws and regulations in the PRC and relevant discounting arrangement with certain banks, the holders of the Endorsed Bills and the Discounted Bills have a right of recourse against the Group if the accepting banks default (the "Continuing Involvement").

In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Endorsed Bills and the Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Endorsed Bills and the Discounted Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills and the undiscounted cash flows to repurchase these Endorsed Bills and Discounted Bills is equal to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills are not significant.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Endorsed Bills and the Discounted Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement and the discount have been made evenly throughout the year.

70. 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	
	2018 **RMB'000**	2017 RMB'000	**2018** **RMB'000**	2017 RMB'000
Financial assets				
Available-for-sale investments	–	127,980,077	–	127,980,077
Loans receivable	–	2,393,352	–	2,393,352
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**	–	**20,097,201**	–
Financial assets at fair value through profit or loss	**49,015,798**	–	**49,015,798**	–
Investments at fair value through profit or loss	–	17,158,173	–	17,158,173
Loans and advances to customers	**653,693**	2,543,362	**665,854**	2,561,707
Policyholder account assets in respect of unit-linked contracts	**231,026**	973,202	**231,026**	973,202
Derivative financial instruments	**1,151,628**	1,486,348	**1,151,628**	1,486,348
Associates measured at fair value through profit or loss	**6,076,315**	2,658,189	**6,076,315**	2,658,189
	163,046,099	155,192,703	**163,032,105**	155,211,048
Financial liabilities				
Interest-bearing bank and other borrowings	**118,399,533**	92,347,113	**118,128,008**	89,091,025
Financial liabilities at fair value through profit or loss	**1,825,082**	–	**1,825,082**	–
Financial liabilities included in accrued liabilities and other payables	**397,858**	–	**397,858**	–
Financial liabilities included in other long term payables	**9,273,439**	5,116,068	**9,273,439**	5,116,068
Deposits from customers	**70,625**	105,859	**68,042**	103,121
Due to banks and other financial institutions	**456,827**	455,075	**456,827**	455,075
Financial liabilities for unit-linked contracts	**231,026**	973,202	**231,026**	973,202
Derivative financial instruments	**1,631,378**	1,755,028	**1,631,378**	1,755,028
	132,285,768	100,752,345	**132,011,660**	97,493,519

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

Management has assessed that the fair values of cash and bank, term deposits, finance lease receivables, finance lease payables, placements with and loans to banks and other financial institutions, accounts payable to brokerage clients, trade and notes receivables, trade and notes payables, insurance and reinsurance debtors and creditors, financial assets included in prepayments, 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, 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, finance lease payables and non-current portion of interest-bearing bank and other borrowings as at 31 December 2018 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 2018, 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 include the credit quality of counterparties and interest rate curves. The carrying amounts of the commodity derivative contracts, forward currency contracts, 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.

70. 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, price to book multiples, price to earnings ratio, 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 2018:

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, 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.

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

Unobservable inputs and sensitivity analysis for Level 3 liabilities

As part of the purchases agreement, contingent consideration included in other long-term liabilities is payable, which is dependent on the amount of the profit sharing of Gland's enoxaparin product and 50 percent of the milestone payment before 31 December 2019. The amount recognised as at 31 December 2018 was RMB102,948,000 (31 December 2017: RMB163,355,000) which was determined using the discounted cash flow model and is under Level 3 fair value measurement. The consideration is due for final measurement and payment to the shareholders in 2020 and beyond. At the date of approval of these financial statements, no further significant changes to the consideration are expected.

It is expected that the amount of the profit sharing of Gland's enoxaparin product and 50 percent of the milestone payment before 31 December 2019 will decrease by RMB60,407,000 comparing to the expectation when the Group signing the acquisition contract due to the delay of the date when Gland's enoxaparin product is approved by the U.S. Food and Drug Administration. Discount rate and discount for own non-performance risk are nil.

The significant decrease in the amount of the profit sharing of Gland's enoxaparin product and 50 percent of the milestone payment before 31 December 2019 would result in a significant decrease in the fair value of the contingent consideration liability.

Significant unobservable valuation input for the share redemption option granted to non-controlling shareholders of 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)

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

Fair value hierarchy *(Continued)*

ASSETS MEASURED AT FAIR VALUE:

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**

AS AT 31 DECEMBER 2017

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Available-for-sale investments	105,713,457	15,405,309	6,861,311	127,980,077
Investments at fair value through profit or loss	10,995,960	6,157,539	4,674	17,158,173
Policyholder account assets in respect of unit-linked contracts	970,743	1,684	775	973,202
Derivative financial instruments	562,271	924,077	–	1,486,348
Associates measured at fair value through profit or loss	–	2,173,217	484,972	2,658,189
	118,242,431	24,661,826	7,351,732	150,255,989

During the year, the financial assets with a fair value of RMB1,247,135,000 in Level 2 as at 31 December 2017 was transferred out to Level 1 due to the end of the lock-up period for these equity investments in 2018 (2017: RMB533,448,000).

70. 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	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 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

* During the year, the financial assets with a fair value of RMB136,835,000 in Level 3 as at 31 December 2017 were transferred out due to the change in valuation techniques.

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

Fair value hierarchy *(Continued)*

ASSETS MEASURED AT FAIR VALUE: *(Continued)*

	2017 RMB'000
At 1 January	5,316,370
Total losses recognised in the consolidated statement of profit or loss included in other expenses	(34,239)
Total gains recognised in other comprehensive income	94,746
Addition	3,791,332
Acquisition of subsidiaries	96
Disposals	(2,587,675)
Exchange realignment	771,102
	7,351,732

ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED:

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**

AS AT 31 DECEMBER 2017

	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	–	–	2,561,707	2,561,707
Loans receivable	–	2,393,352	–	2,393,352
	–	2,393,352	2,561,707	4,955,059

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

Fair value hierarchy *(Continued)*

LIABILITIES MEASURED AT FAIR VALUE:

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**

AS AT 31 DECEMBER 2017

	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	970,742	1,684	776	973,202
Financial liabilities included in other long term payables	–	–	2,022,919	2,022,919
Derivative financial instruments	6,020	1,749,008	–	1,755,028
	976,762	1,750,692	2,023,695	4,751,149

70. 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 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

AS AT 31 DECEMBER 2017

	Total RMB'000
At 1 January	70,692
Total gains recognised in the consolidated statement of profit or loss included in other expenses	17
Addition	2,023,274
Disposals	(150)
Exchange realignment	39
Transfers	(70,177)
At 31 December	2,023,695

70. 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 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**

AS AT 31 DECEMBER 2017

	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	25,219,704	63,871,321	–	89,091,025
Deposits from customers	–	–	103,121	103,121
Due to banks and other financial institutions	–	–	455,075	455,075
Financial liabilities included in other long term payables	–	3,093,149	–	3,093,149
	25,219,704	66,964,470	558,196	92,742,370

71. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and other borrowings, finance lease payables and 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, insurance and reinsurance debtors, 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 2018, approximately 57% (2017: 55%) 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
2018	**75**	**(440,583)**
	(75)	**440,583**
2017	75	(424,773)
	(75)	424,773

71. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in United States dollar, Hong Kong dollar and EUR exchange rates, with all other variables held constant, of the Group's profit before tax due to differences arising on settlement or translation of monetary assets and liabilities and the Group's equity excluding the impact of retained earnings due to the changes of exchange fluctuation reserve of certain overseas subsidiaries of which the functional currencies are currencies other than RMB.

	Increase/(decrease) in foreign currency rate %	Increase/(decrease) in profit before tax RMB'000
2018		
If RMB weakens against the United States dollar	**5**	**(372,215)**
If RMB strengthens against the United States dollar	**(5)**	**372,215**
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**
2017		
If RMB weakens against the United States dollar	5	(423,075)
If RMB strengthens against the United States dollar	(5)	423,075
If RMB weakens against the Hong Kong dollar	5	24,090
If RMB strengthens against the Hong Kong dollar	(5)	(24,090)
If RMB weakens against EUR	5	(534,196)
If RMB strengthens against EUR	(5)	534,196

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 AS AT 31 DECEMBER 2018

The table below shows 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.

71. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Credit risk *(Continued)*

MAXIMUM EXPOSURE AND YEAR-END STAGING AS AT 31 DECEMBER 2018 *(Continued)*

31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	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
Contract assets and other assets	–	–	–	99,030	99,030
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					
– 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	7,854,057	253,465,701

* For trade and notes receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 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".

MAXIMUM EXPOSURE AS AT 31 DECEMBER 2017

The credit risk of the Group's other financial assets, which comprise cash and bank and term deposits, loans receivable, amounts due from related companies and other receivables, arises from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 66 to the financial statements.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and notes receivables and insurance and reinsurance debtors are disclosed in notes 39 and 33 to the financial statements.

71. 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. 33% (2017: 35%) of the Group's debts would mature in less than one year as at 31 December 2018 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:

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

71. 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)*

2017

	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	–	58,027,951	96,686,540	10,621,318	165,335,809
Convertible bonds	–	82,170	–	–	82,170
Trade and notes payables	4,062,426	8,305,851	–	–	12,368,277
Due to related companies and the holding company	4,691,990	–	–	–	4,691,990
Financial liabilities included in accrued liabilities and other payables	11,898,852	6,966,717	–	–	18,865,569
Other long term payables	–	–	5,084,868	31,200	5,116,068
Finance lease payables	–	72,692	282,937	–	355,629
Derivative financial instruments	–	549,647	493,930	711,451	1,755,028
Financial liabilities for unit-linked contracts	40,594	310,544	836,391	182,490	1,370,019
Investment contract liabilities	1,405,505	4,450,683	39,844,225	19,805,035	65,505,448
Deposits from customers	34,101,731	1,000,836	108,426	–	35,210,993
Accounts payable to brokerage clients	40,967	–	–	–	40,967
Placements from banks and other financial institutions	268,165	–	–	–	268,165
Due to banks and other financial institutions	1,101,553	–	455,075	–	1,556,628
Insurance and reinsurance creditors	4,596,026	300,594	142,034	–	5,038,654
	62,207,809	80,067,685	143,934,426	31,351,494	317,561,474

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 66.

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 2018. 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 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).

71. 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)**	**–**

71. 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

71. 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*
2017				
Investments listed in:				
Hong Kong				
– Available-for-sale	10,295,319	5	–	514,766
		(5)	–	(514,766)
– Held-for-trading	2,128,501	5	106,425	–
		(5)	(106,425)	–
Shenzhen				
– Available-for-sale	9,071,753	5	–	453,588
		(5)	–	(453,588)
Shanghai				
– Available-for-sale	2,982,353	5	–	149,118
		(5)	–	(149,118)
– Held-for-trading	1,587,306	5	79,365	–
		(5)	(79,365)	–
United States				
– Available-for-sale	21,245,620	5	–	1,062,281
		(5)	–	(1,062,281)
– Held-for-trading	2,512,692	5	125,635	–
		(5)	(125,635)	–
Europe				
– Available-for-sale	70,371,981	5	–	3,518,599
		(5)	–	(3,518,599)
– Held-for-trading	4,407,119	5	220,356	–
		(5)	(220,356)	–
Singapore				
– Available-for-sale	1,942,920	5	–	97,146
		(5)	–	(97,146)

71. 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*
2017 *(Continued)*				
Investments listed in: *(Continued)*				
Africa				
– Available-for-sale	92,686	5	–	4,634
		(5)	–	(4,634)
Oceania				
– Available-for-sale	105,190	5	–	5,260
		(5)	–	(5,260)
– Held-for-trading	771	5	39	–
		(5)	(39)	–
North America				
– Available-for-sale	274,782	5	–	13,739
		(5)	–	(13,739)
– Held-for-trading	5,705	5	285	–
		(5)	(285)	–
Asia				
– Available-for-sale	149,874	5	–	7,494
		(5)	–	(7,494)
– Held-for-trading	28,652	5	1,433	–
		(5)	(1,433)	–

* Excluding retained profits

71. 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 2018 and 31 December 2017.

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 and the liability component of convertible bonds. 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:

	2018 **RMB'000**	2017 RMB'000
Interest-bearing bank and other borrowings	**186,140,351**	150,375,064
Convertible bonds, the liability component	**–**	81,428
Total debt	**186,140,351**	150,456,492
Total equity	**160,441,023**	136,412,281
Total equity and total debt	**346,581,374**	286,868,773
Total debt to total capital ratio	**54%**	52%

72. EVENTS AFTER THE REPORTING PERIOD

There was no significant event that took place after the reporting period and up to the date of approval of the financial statements.

73. COMPARATIVE AMOUNTS

As stated in note 5 to the consolidated financial statements, the comparative segment information has been restated to reflect the change of the reporting segments of the Group. Certain comparative amounts have been reclassified to conform to current year's presentation.

74. 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:

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**38,010,972**	32,907,708
Investment in associates	**395,732**	304,310
Deferred tax assets	**89,955**	–
Available-for-sale investments	**–**	922,932
Total non-current assets	**38,496,659**	34,134,950
CURRENT ASSETS		
Cash and bank	**4,168,026**	6,159,907
Investments at fair value through profit or loss	**–**	4,359,922
Financial assets at fair value through profit or loss	**4,531,822**	–
Derivative financial instruments	**36,070**	133,675
Prepayments, other receivables and other assets	**9,584**	7,535
Due from subsidiaries	**53,909,716**	39,681,937
Due from related companies	**–**	12,487
Total current assets	**62,655,218**	50,355,463
CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**7,617,633**	9,803,668
Derivative financial instruments	**205,714**	408,204
Accrued liabilities and other payables	**205,958**	197,371
Due to the holding company	**2,289,988**	769,062
Due to subsidiaries	**30,551,032**	21,895,274
Total current liabilities	**40,870,325**	33,073,579
NET CURRENT ASSETS	**21,784,893**	17,281,884
TOTAL ASSETS LESS CURRENT LIABILITIES	**60,281,552**	51,416,834
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**18,196,715**	10,688,014
Deferred tax liabilities	**–**	81,286
Total non-current liabilities	**18,196,715**	10,769,300
Net assets	**42,084,837**	40,647,534
EQUITY		
Share capital	**36,660,729**	36,485,351
Equity component of convertible bonds (note)	**–**	18,054
Other reserves (note)	**5,424,108**	4,144,129
Total equity	**42,084,837**	40,647,534

Guo Guangchang
Director

Wang Can
Director

74. 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	Available-for-sale investment revaluation reserve/ Fair value reserve RMB'000	Convertible bonds RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2017	(5,700)	1,578,217	52,747	68,674	2,647,815	4,341,753
Final dividend declared	–	–	–	–	(1,613,959)	(1,613,959)
Conversion of convertible bonds to ordinary shares	–	–	–	(50,620)	–	(50,620)
Repurchase of shares	–	–	–	–	(360,035)	(360,035)
Equity-settled share-based payments	54,048	–	–	–	–	54,048
Total comprehensive income for the year	–	(2,694,913)	176,894	–	4,309,015	1,790,996
At 31 December 2017	48,348	(1,116,696)	229,641	18,054	4,982,836	4,162,183
Impact of adopting HKFRS 9	–	–	9,319	–	(9,319)	–
At 1 January 2018 (restated)	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	141,193	796,571	114,369	–	4,371,975	5,424,108

75. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2019.

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 116 to 292, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of investment properties	
As at 31 December 2017, the carrying amount of investment properties, which are stated at fair value, amounted to approximately RMB32,438 million. Management uses external valuers to support its determination of the fair values of all investment properties and the Group's policy is that property valuations are performed by external valuers on a regular basis. The valuation of the investment properties is highly dependent on estimates and assumptions, such as estimated rental, capitalisation rates, occupancy rates and market knowledge. The use of different estimates and assumptions could result in significantly different fair values. The Group's disclosures about fair value measurement of investment properties are included in notes 2.4 and 3, estimation uncertainties (iv), which specify the policies regarding to the fair value measurement of investment properties and note 14 which specifically explains the fair value hierarchy 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 on the fair value measurement of investment properties.
Impairment of available-for-sale investments	
As at 31 December 2017, available-for-sale investments (including current and non-current portions) of the Group amounted to RMB136,692 million. The management carries out impairment tests on available-for-sale investments at the end of each reporting period and impairment losses are recognised when objective evidence of impairment exists. The management determines whether impairment occurs on debt investments after evaluating objective impairment evidence such as significant financial difficulty of the issuer or debtor and a breach of contract. In the case of equity investments, objective impairment evidence includes a significant or prolonged decline in the fair value of an investment below its cost. Significant estimations are involved when evaluating the existence of the objective evidence of impairment and the determination of the impairment losses to be recognised in profit and loss for available-for-sale investments. The Group's disclosures about impairment of available-for-sale investments are included in notes 2.4 and 3, estimation uncertainties (iii), which specify the impairment test policies for the available-for-sale investments, and note 23 in which the impairment loss recognised in the current year is disclosed.	In our audit, we obtained an understanding of and evaluated the internal controls over impairment tests process. We assessed the significant estimations and rationale used by the management in evaluating the objective evidence of impairment for available-for-sale investments 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 the management in determining the amount of impairment losses when there was objective evidence of impairment. We also assessed the adequacy of the disclosures on the impairment of available-for-sale investments.

Key audit matter	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 RMB53,185 million as at 31 December 2017. The valuation of insurance contract liabilities relies on significant judgement over uncertain future outcomes, mainly including the timing and ultimate settlement of long-term policyholder liabilities. Actuarial models are used to support the calculation of insurance contract liabilities. The complexity of the models may give rise to errors as a result of inadequate/incomplete data or the design or application of the models. Assumptions used in the valuation, such as investment return, discount rate, mortality, morbidity, expense, lapse are set up by applying significant judgements. The Group's disclosures about valuation for insurance contract liabilities are included in notes 2.4 and 3 estimation uncertainty (xiii) which specifically explain the methodologies and assumptions used in the valuation and notes 46, 47 and 49 which disclose the details of the insurance contract liabilities recognised as at 31 December 2017.	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 in 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 for insurance contract liabilities.

Other information included in the Annual Report

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

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

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

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