FOSUN 复星

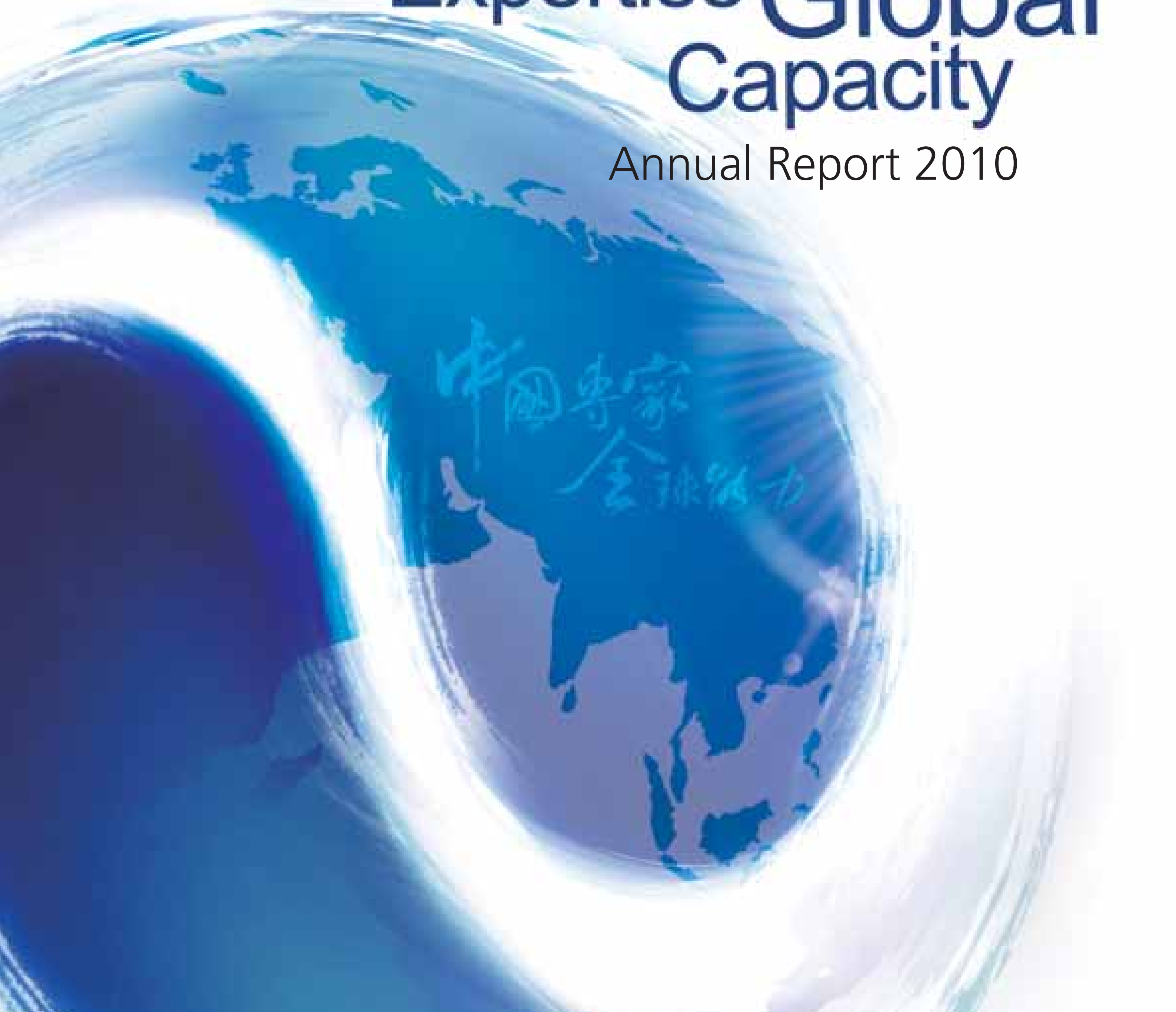
Fosun International Limited

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

Stock Code : 00656

China Expertise Global Capacity

Annual Report 2010



Profit attributable to owners of the parent

4,227.1

RMB million

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FINANCIAL SUMMARY

In RMB million	For the year ended 31 December 2010	2009
Revenue	44,643.7	34,855.8
Pharmaceuticals and healthcare	4,459.3	3,775.9
Property	8,846.7	5,184.8
Steel	29,652.2	24,611.4
Mining	3,180.2	1,968.0
Elimination	(1,494.7)	(684.3)
Profit attributable to owners of the parent	4,227.1	4,646.7
Pharmaceuticals and healthcare	302.5	1,185.6
Property	1,279.9	327.3
Steel	410.0	1,068.1
Mining	932.1	235.6
Retail, services and other investments	1,503.3	2,073.7
Unallocated expenses	(174.8)	(112.8)
Elimination	(25.9)	(130.8)
Earnings per share (in RMB)	0.66	0.72
Dividend per share (in HKD)	0.17	0.164

BUSINESS OVERVIEW

The Group is a large conglomerate with operations in pharmaceuticals and healthcare, property, steel and mining. By means of investing, the Group also shares the rapid growth of industries benefiting from China's growth momentum, such as retail, services and financial industries.

PHARMACEUTICALS AND HEALTHCARE

The Group's main subsidiary in the pharmaceuticals and healthcare sector is Fosun Pharma (a company listed on the Shanghai Stock Exchange, 600196.SH). Fosun Pharma mainly operates in different business segments of the pharmaceuticals and healthcare industry, including research, development and manufacturing, distribution (by its associate, Sinopharm, a listed company on the Stock Exchange, 01099.HK), retailing etc. Fosun Pharma also engages in the development of China's premium healthcare service industry by investing in Chindex International Inc. ("Chindex") (a listed company on Nasdaq, CHDX.Nasdaq).

PROPERTY

The Group's main subsidiaries in the property sector include Forte (a listed company on the Stock Exchange, 02337.HK) and Resource Property. Forte is a nationwide large property developer. It mainly engages in residential development in major cities including Shanghai, Beijing, Tianjin, Nanjing, Chongqin, Wuhan, Wuxi, Hangzhou, Xi'an, Changchun, Chengdu and Taiyuan. It also invests in Zendai (a listed company on the Stock Exchange, 00755.HK) to share its growth and strengthen mutual strategic collaborations. Resource Property is a Shanghai-centered integrated service provider of property circulation industry with nationwide presence. The core businesses of the company include sales agency and property consultation.

STEEL

The Group's main subsidiary in the steel industry sector is Nanjing Iron & Steel (a listed company on the Shanghai Stock Exchange, 600282.SH). Located in East China, Nanjing Iron & Steel is an integrated steel company with a complete process of coking, sintering, iron smelting, steel smelting, steel casting and steel rolling. Its main products include mid-to-high-end medium and heavy plates, specialty bars and wire rods, as well as strips. As at the end of the Report Period, crude steel capacity of Nanjing Iron & Steel amounts to 8 million tonnes. The Group's main investment in the steel sector is our associate Jianlong Group, a large privately owned steel group in China whose main production facilities locate in North China and Northeast China. Its main products consist of hot rolling medium wide strips, cold rolling medium wide strips, hot rolling narrow strips, hot rolling coil, bars and wire rods and sectional material.

MINING

The Group's main subsidiary in the mining sector is Hainan Mining. Hainan Mining owns China's largest open-pit iron-rich ore. Its core businesses include mining and sale of iron ore. By investing in new mining and processing projects in existing mines as well as investing in other mining companies, it aims to increase both its scale and industrial position faster. Via Nanjing Iron & Steel, the Group holds stake of Jin'an Mining and invests in coking coal enterprise Anhui Jinhuangzhuang Mining Co., Ltd. ("Jinhuangzhuang Mining"). In addition, the Group also has minority interests in both Huaxia Mining, a large mining group in Northern China, and Shanjiaowulin, a coking coal mine with over 800 million tonnes of coking coal reserve. Other significant investment of the Group includes its minority interests in Zhaojin Mining (a listed company on the Stock Exchange, 01818.HK), a China-based gold manufacturer.

RETAIL, SERVICES AND OTHER INVESTMENTS

The Group's important investment in the retail business is the Group's main associate, Yuyuan (a listed company on the Shanghai Stock Exchange, 600655.SH), a well-known Shanghai Company with main operations in tourism and the sales of gold and jewellery. Principal investments of the Group in the service industry include its investments in Focus Media (a listed company on Nasdaq, FMCN.Nasdaq), China's largest outdoor media advertisement company; Club Med (a listed company on the Euronext Paris, CU.EPA), a renowned global resort and Yong'an Insurance, a property and casualty insurance company headquartered in Xi'an with nationwide presence. Besides, through sets of independent platforms, the Group also engages in a series of activities in both the public and private markets and invests in companies benefiting from China's growth momentum. Business portfolio of such investees mainly includes industries such as consumer products, financial services, manufacture, etc.

GLOBAL CAPACITY BUILDING

Signing ceremony of memorandum of understanding on business cooperation and investment between the Group and Club Med in June 2010

Signing ceremony of memorandum of understanding on strategic relationship between the Group and The Carlyle Group in February 2010

Signing ceremony of memorandum of understanding on strategic cooperation between the Group and Prudential in January 2011

CHAIRMAN'S STATEMENT

Mr. Guo Guangchang
Chairman

Dear shareholders,

As at the end of the Reporting Period, net assets attributable to owners of the parent of the Group reached RMB29,873.1 million, representing an increase of 22.0% over the same period last year, 77.5% of which were shares of listed companies owned by the Group, worth RMB35,225.6 million by attributable market capitalisation. The Board proposed to declare and distribute a final dividend of HKD0.17 per ordinary share for the year ended 31 December 2010.

2010 REVIEW

Industrial operations performed well, bringing another prosperous year for investment returns

In 2010, the Group delivered sound performance in its overall operation, realising a profit of RMB4,227.1 million, attributable to owners of the parent. The slight decrease in net profit over the same period last year was mainly because net profit of 2009 included a profit contribution of RMB957.6 million from the gain on deemed disposal of equity interest in Sinopharm as a result of its initial public offering ("IPO") of shares on the Stock Exchange. During the Reporting Period, operating profit of the Group grew by 21.5% year on year. The mining and property segments had an outstanding performance and their operating profit contribution grew by 174.5% and 92.2%, respectively. On the investing front, following the profit contribution of RMB3,413.1 million from investment gain in 2009, the Group booked another profit contribution of RMB2,423.0 million for the Reporting Period. During the Reporting Period, the Group successfully helped list six investment projects both domestically and overseas, increasing the equity value of shareholder of the Company by RMB2,353.6 million.

The principal portfolio companies of the Group operate in industries including pharmaceuticals and healthcare, property, steel and mining. As an active shareholder, we engage professional teams to operate professional companies while providing them with adequate support and effective incentive schemes. In 2010, led by their respective management teams, overall value of these companies continued to increase.

Another important task of ours was to actively capture investment opportunities benefiting from China's growth momentum. During the Reporting Period, with the enhancement of the Group's investment capacity, the scale of investments also expanded rapidly, recording historic highs both in terms of investment amount and project number. In terms of sector selection, the Group invested in those with high positive correlation with the growth of China's domestic demand such as pharmaceuticals and healthcare, property and finance. The Group also invested in the resources companies benefiting from the industrialisation process of China. In terms of project selection, the Group focused on those that had strong synergies with our existing sectors. One such example would be the cooperation between Fosun Pharma and Chindex. The Group also actively captured value investment opportunities and increased investment in the real estate business during the Reporting Period. In addition, the Group tried to increase the proportion of asset portfolio allocated to service and finance gradually, and invested a total of RMB2,278.6 million in private equity ("PE") projects, and pushed forward the successful listing of six projects and two more projects were granted listing permission.

The Group may also exit from some investments in time, endeavouring to lock in higher returns while positioning itself to better capture more investments opportunities. During the Reporting Period, the Group exited, entirely or partially, from several investments, bringing in a cash inflow of RMB4,451.2 million equivalent.

Overseas investing and global capability building

I believe that it is an advantage of the Group to have a combined strength of our China-rooted profound industrial base and excellent investing skills. Since 2009, the Group has also started its global capability building, strived to match the highest standards set by the world's best investors and tried to invest in more international companies benefiting from China's growth. By now, our international investment platform setup has been in general completed. Most teams of talents have been in position, and we are honoured to have Mr. John Snow, former Treasury Secretary of the United States to be the advisor to the Board. All these have already delivered fruitful results during the Reporting Period and we have completed our investment in Club Med, a French company. Club Med is a world-class premium resort chain, offering services attractive to the fast growing high-end consumer population in China. On the other hand, the Group can also effectively help Club Med accelerate the execution of their China strategy in areas of project development and sharing of strategic resources, etc, leveraging our advantages of operation in diversified industries. We are of the view that dual cooperation of equity investment and business development would bring huge potential in value appreciation for this particular investment. Here we would like to extend our sincere gratitude to one of our excellent international partners, The Carlyle Group, for sharing with us valuable opinions regarding the valuation of global assets of Club Med.

I believe that in the future more and more top overseas brands would like to have their presence in China. We will continue to explore the investment model of combining the growth momentum of China with global resources and endeavour to capture more opportunities with the support of our global investment platform.

Strong financing capability provides firm support for the rapid development of the Group

Multi-channel financing

To translate China's growth momentum into shareholder value of the Company in a sustainable manner, it requires not only excellent investment capability but also powerful capital support. During the Reporting

Period, the Group's multi-channel financing system was further improved. We established good relationship with more mainstream banks and our financing team has also successfully raised fund via other financing instruments such as enterprise bonds and medium-term bills. Meanwhile, we endeavoured to reduce financing cost by means of increasing USD debts and issuing fixed-rate long term bonds, among others, fully leveraging our unique structural presence in both domestic and overseas markets. During the Reporting Period, the Group raised an aggregate of RMB2,100.0 million equivalent via medium and long term bonds and bills at an average interest rate of 4.9%-6.0%. These excellent work helped us grasp more investment opportunities while optimising our capital structure. As a result, the weighting of medium and long term debts continued to rise, and the Group has maintained its financial stability while enjoying rapid growth.

Asset management

Moreover, faced with the ample investment opportunities brought by the economic development of China and the rapid enhancement of investment capability of the Group, the Group has sought to scale up its asset management business since 2010 and had completed the preparation work of several funds including Fosun-Carlyle Shanghai Equity Investment Enterprise ("Carlyle-Fosun"), Prameria-Fosun China Opportunity Fund L.P., Shanghai Fosun Capital Equity Investment Fund L.P. and Shanghai Star Equity Investment L.P. ("Star Capital") etc. As of March 2011, these funds have already raised committed funds totalling RMB9,798.8 million equivalent from partners.

Not only would these capital generate additional gains to shareholders and fund contributors, they have also brought the Group more world-class partners. We believe the cooperation between the Group and The Carlyle Group and Prudential respectively, in asset management indeed symbolised the recognition of our investment capability by mainstream investment institutions. At the same time, their professional investment skills outside China would help speed up the Group's global capability building. I hope that in our future development we would be able to find more world-class partners sharing a similar vision and build up long term win-win partnerships.

Shaping a large conglomerate with sustainable growth

The success of any enterprise requires not only rapid development of business, but also a sophisticated organisational structure, a team of high calibre talents, good corporate governance, a culture which can unite hearts, an excellent and ever-growing team of partners and great support from the government and the society. During the Reporting Period, the Group made persistent efforts in areas including the recruitment of elites, optimisation of organisational structure, evaluation and improvement of risk management and information technology system, etc, by introducing external wisdom and implementing industrial benchmarks. We followed our belief of "value creation, development sharing", and made every effort to unite growth force, thus to fortify our current partnerships while developing new ones of future strategic significance, such as the cooperation with Club Med. We also cared for the needs of our staff and participated in various community charity work. The results of such works may never be able to be quantified by a simple internal rate of return or multiple of invested capital ("MOIC"), but I am convinced that all these works will help increase our shareholder value rapidly in the future.

FUTURE PROSPECTS

In this post financial crisis era, given the concerns over European debt crisis and the recent regional political unrest in the Middle East and North Africa, the prospect of the global economic recovery still seems relatively uncertain. However, considering the progress of urbanisation and industrialisation of China and the economic gap between the eastern and western regions, we believe that facing possible challenges such as excess production capacity and rising labour costs, China will be able to maintain its competitive edges in the manufacturing sector, particularly the high-end manufacturing industries for a relatively long period of time. Meanwhile, following the rapid growth of the domestic market and the development and maturity of the financial service sector, it is very likely that China would complete the transformation from a manufacturing giant into a consumer and capital giant within a relatively short period of time. Under these circumstances, we believe that not only a number of local companies would grow rapidly, but more and more international brands would start to pay more attention to China and increase their investments in China.

In this process, we spotted plenty of investment opportunities. In the future, the Group will continue to support our existing sectors to become stronger and larger while paying more attention to investment opportunities benefiting from the development of China's domestic consumption market. In particular, we would like to increase investment in industrial leaders with considerable scale and established brand, led by excellent management teams. At the same time, the Group will continue to explore the model of linking China's growth momentum with global resources. We hope that as our investment capability is being "exported" in a prudent manner, we can help global brands that we have invested in to be "imported" in a faster manner so that shareholders, partners and investees will share the results of the rapid growth of the Chinese economy together.

With the joint efforts of the management and all employees, the Group has made considerable progress in all aspects in 2010. However, there are still a significant gap towards our vision of becoming a world premium investment group with a focus on China's growth momentum. In order to realise our vision, in the future, we will continue to benchmark against the world's top companies and focus our execution in the following areas:

First is to be disciplined when it comes to investing, which can also be interpreted as "insisting on value-oriented investment philosophy". The Group has realised decent returns on many investments in the past. Looking back, I believe the primary reason for our success was our understanding of and adherence to value. Today, although our scale is much larger than that at the time of establishment, we should always adopt a prudent manner, insisting on value-oriented investment approach as we evaluate every new project. This is how we, the founder team, require ourselves to act, and this will be how we require all our investment managers to follow.

Second is to make continuous efforts to enhance the capability at the holding group level to support investees to optimise their operation. A significant portion of shareholder value increase comes from the growth of the value of investees. To accelerate growth from this source, first of all, we would choose to work with the best teams in respective industries; secondly, as an active shareholder, we will assist the management of the investees to optimise the operating efficiency via board members appointed by us. For subsidiaries, we mainly participate in: 1. setting company strategies; 2. recommending core management team; 3. designing performance-linked incentive remuneration scheme; 4. risk management; 5. making important investment decisions. For other investees, we will actively create additional value for them in areas such as supply chain management, human resources support, gaining access to the capital market, sharing strategic resources etc, according to different needs. This year, the holding group level will also actively explore the means to discover synergetic development opportunities between the holding group level and its investees in a more systematic fashion in order to increase shareholder value of the Company while creating additional value for investees.

Third is to continue to lower our financing costs and secure more sources for long-term capital. In the past few years both I myself and my management have been seriously thinking about the development direction and business model of the Group. We have also visited and studied many leading international investment institutions. We deeply felt that for any successful investment company, it is crucial to have long term, secured funding sources at a reasonable cost. Therefore, it will be an important task which requires our dedicated and unremitting efforts to develop a multi-channel financing system and seek sustainable sources for quality capital.

Last but not least is the cultivation and recruitment of talents and elites. Compared with those entrepreneurs who have built a successful enterprise single-handedly, I felt deeply that I myself was fortunate. It is because ever since the first day when I started this business, I had partners of the same vision who worked hard with me. Those include members of the founder team as well as key management of today. In the future, as we will continue to contribute all our efforts to this company, we will also continue to cultivate and attract four types of talents, namely industrialists, investors, bankers and experts in improving management efficiency. We hope that our teams not only possess state-of-the-art professional knowledge but also entrepreneurial spirits, who agree upon our culture and will always uphold the principle of maximising shareholder value in everyday work and all decision-making process. In order to attract and maintain such talents, the Group will also adopt market rules and actively formulate and improve effective incentive remuneration plans to truly reflect our idea of creating value and sharing development.

Besides the building of four capabilities as articulated above, one other indispensable factor that contributes to the Group's growth from a then market survey company with capital of RMB38,000 in 1992 to a now large conglomerate with a net asset valuing at RMB29,873.1 million is our corporate culture of "win-win partnership, value creation, sharing of development", an equivalent to "unite growth force" that we always mention. In 2010, supported by 15 partners and led by the Group, the Chinese Private Enterprise Pavilion at the Expo 2010 Shanghai China ("World Expo") completed a series of seemingly impossible tasks in just 13 months, from undertaking the project, laying foundation, main structure closing to opening ceremony and received compliments from hundreds of visitors which consist of political and business leaders from international community, the central and local governments. Although this was not a commercial project, it is only because of the collaborations among these top Chinese privately-owned enterprises could we jointly build this stage which demonstrated the spirit of Chinese private sector to the world. I believe this indeed is the best interpretation of "win-win partnership and harmonious development". In the future, we will continue to uphold this idea. As we endeavour to shape an investment institution with Fosun characteristics and create value for our shareholders, we will also try to contribute our efforts to improve the commercial environment and natural environment of China so as to support the rejuvenation of Chinese economy and culture.

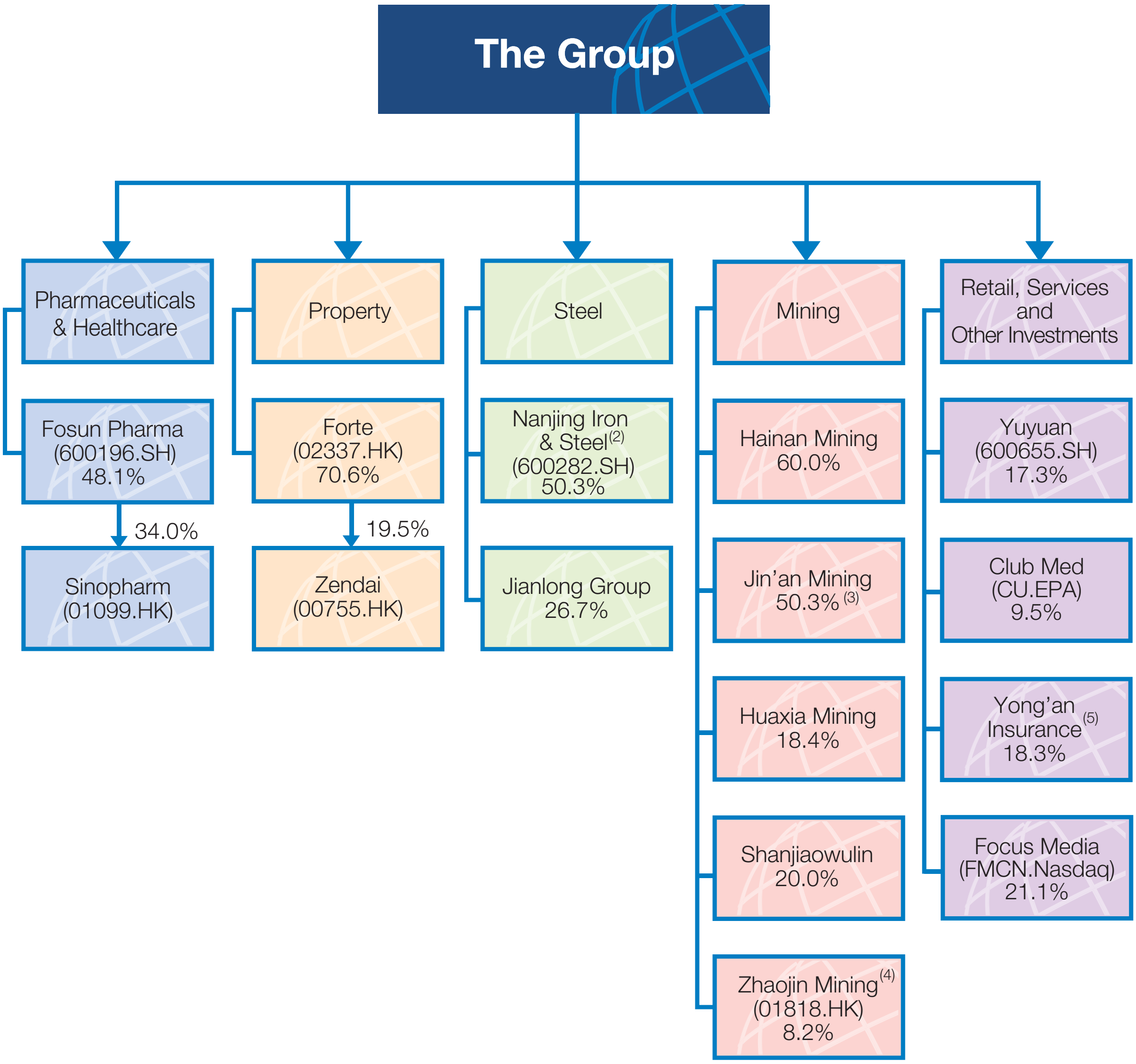
APPRECIATION

I would like to express my sincere gratitude to the members of the Board, all employees of the Group, the entrepreneurial team of the companies we invested in and business partners. Your efforts and dedication to work will be the most important foundation for us to develop into a world-class investment group.

Guo Guangchang
28 March 2011

CORPORATE STRUCTURE[1]

As at 31 December 2010



Notes:

(1) Shareholding percentages represent effective equity interests as at 31 December 2010.

(2) After the completion of the reorganisation of Nanjing Iron & Steel in October 2010, the Group holds 60% equity interest in Nanjing Nangang, which directly holds 56.5% equity interest in Nanjing Iron & Steel and indirectly holds another 27.3% equity interest in Nanjing Iron & Steel through its wholly owned subsidiary Nanjing Steel United.

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

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

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

BUSINESS REVIEW

As at the end of the Reporting Period, net assets attributable to owners of the parent of the Group reached RMB29,873.1 million, representing an increase of 22.0% over the same period last year. Among that 77.5% were shares of listed companies owned by the Group, which worth RMB35,225.6 million measured by attributable market capitalisation. In the consolidated statements, profit attributable to owners of the parent amounted to RMB4,227.1 million, representing a decrease of 9.0% over 2009.

Asset allocation of the Group: building a portfolio benefiting from China's growth momentum

During the Reporting Period, the Group invested in an aggregate of 58 projects with a total amount of RMB17,303.2 million. 70.4% of the fund was allocated for further development and expansion of the existing four sectors and the remaining RMB5,128.6 million worth of investments focused on industries such as financial, services and consumer products in order to increase the allocation of resources of the Group in sectors greatly benefited from the development of China's domestic consumption.

Industrial operations: to actively capture investment opportunities from the integration of industries and expansion of sector chains while optimising operations

PHARMACEUTICALS AND HEALTHCARE

The Group operated pharmaceuticals and healthcare business through Fosun Pharma. During the Reporting Period, the main businesses of Fosun Pharma grew steadily and several industrial advantages have been strengthened. In pharmaceutical research, development and manufacture, revenue from core drug manufacturers all achieved rapid growth, including Chongqing Yaoyou Pharmaceuticals Co., Ltd. ("Chongqing Yaoyou"), Jiangsu Wanbang Biopharmaceutical Company Limited and Shine Star (Hubei) Biological Engineering Co., Ltd. Our main products for medical treatment of liver disease, diabetes, cardiovascular diseases remained as leaders in their niche markets. During the Reporting Period, artesunate for injection of Guilin Nanyao Company Limited, a subsidiary of Fosun Pharma passed the PQ certification of the World Health Organisation, and solid formulations of Chongqing Yaoyou passed the GMP certification of Health Canada, both of which became one of the first group of domestic drug manufacturers that meet the international drug production quality standards. Fosun Pharma also invested in a series of niche market leaders such as Shenyang Hongqi Pharmaceutical Co., Ltd., the largest tuberculosis medicine producer in China and Biosino Bio-Technology and Science Incorporation ("Biosino"), a leader among domestic manufacturers of in vitro diagnosis products. Such investments help elevate Fosun Pharma's ability in the research, development and manufacture of drugs, diagnosis products and medical appliances rapidly. Fosun Pharma also invested in the equity interest of Chindex, a leading company in the premium healthcare sector in China, thus to enjoy the prospects of the development of that sector. Sinopharm, the main associate of Fosun Pharma further consolidated its leader position in pharmaceutical distribution sector and maintained No. 1 ranking in terms of market share for seven consecutive years while delivering continuous improvement of operating efficiency.

In order to strengthen the leading position in the pharmaceutical sector in China while shaping itself into a pharmaceutical company with international competitiveness on the basis of innovative strategy subsequent to the Reporting Period, Fosun Pharma has announced its plan of overseas listing to issue foreign shares (H shares). Through domestic and overseas mergers and acquisitions, it would accelerate the pace of development of the main businesses and the construction and expansion of an international research and development platform, and further improve its cashflow.

PROPERTY

During the Reporting Period, facing an industrial environment with complex and dynamic policies, the Group's property business conformed to the market trends and adopted both reasonable pricing policy and quick and flexible sales strategies and booked historic highs for both annual sales and net profit. Forte realised RMB13,809.6 million worth of attributable contractual sale, and moved up 7 spots as compared to 2009 to rank 17th in the relevant national industrial ranking list. In addition, the Group participated in the development of large scale urban complex projects through direct investment or joint development. Dalian Donggang, directly invested by the holding group was expected to be developed into a high-end urban complex with upscale hotels, commercial spaces and apartments. Meanwhile, Star Capital, a fund co-founded by the Group also planned to commence "Shinning Star" plan with a core concept of building "Private Enterprise Centre" in the future. During the Reporting Period, the Group added a total of 2,684,515 sq.m. of attributable project reserve. The Group also supported the development of service companies in the property circulation industry, such as Resource Property etc, thus to gradually complete the Group's industrial chain layout in the property sector.

Principal operating data of the major subsidiary:

In 2010, Forte achieved attributable contractual sales GFA of 1,070,389 sq.m., representing an increase of 19.98% as compared with the same period last year. The attributable contractual sales amount to RMB13,809.6 million, representing an increase of 62.15% as compared with the same period last year. During the Reporting Period, the attributable GFA under development was 3,675,477 sq.m., representing an increase of 39.75% as compared with the same period last year; the attributable GFA with work commencement was 1,629,328 sq.m., representing an increase of 91.10% as compared with the same period last year and the attributable GFA completed was 964,389 sq.m., representing an increase of 58.27% as compared with the same period last year.

As at the end of the Reporting Period, Forte possessed attributable GFA of 9,047,827 sq.m. of reserved projects in 12 first and second tier cities in Shanghai, Beijing, Tianjin, Nanjing, Chongqing, Wuhan, Wuxi, Hangzhou, Xi'an, Changchun, Chengdu and Taiyuan. These included additional reserved GFA of 2,158,452 sq.m. during the Reporting Period.

Project reserves of Forte by region (as at 31 December 2010)

Region	Total GFA (sq.m.)	Attributable GFA (sq.m.)
Shanghai	1,671,927	1,018,283
Beijing	5,148	5,148
Jiangsu and Zhejiang	3,102,495	1,764,963
Central and Western	7,200,150	4,393,124
Northern	2,160,121	1,866,309

STEEL

In 2010, facing great cost pressure as iron ore prices remained high and led by their respective management team, both Nanjing Iron & Steel, a subsidiary of the Company, and Jianlong Group, an associate of the Company, overcame the industrial-wide challenges, maintained steady growth of outputs and continued to optimise their product portfolio. Meanwhile, the Group's steel business completed a major asset restructuring, after which, Nanjing Iron & Steel successfully acquired quality steel and iron ore assets from its parent (a subsidiary of the Company, Nanjing Steel United) by issuing additional A shares. After the transaction, the Group's main steel assets became fully listed indirectly via Nanjing Iron & Steel, which helped improve the liquidity of these assets.

After the restructuring, Nanjing Iron & Steel adopted the operating principle of cost reduction and efficiency improvement from Nanjing Steel United, and remained leading industrial positions measured by various economic indicators. In terms of technical quality, a number of their products have been approved by various quality control systems and 145 Chinese patents were owned as at the end of the Reporting Period. In terms of optimisation of product mix, Nanjing Iron & Steel actively drove the research and development work on premium products with high gross margin and promoted their sales aggressively. As a result, Nanjing Iron & Steel remains as market leader for products such as steel used for oil tanks, while substantial sales growth was achieved for high valued-added products such as special purpose steel pipes during the Reporting Period, reporting a 93.61% year-on-year growth in gross profit per tonne steel. According to the statistics of China Iron & Steel Association, Nanjing Iron & Steel was the third largest manufacturer for medium and heavy plates, the largest manufacturer for steel plate for oil tank and the third largest ship building steel plate manufacturer in China in 2010, and was one of the only three manufacturers in China capable of producing 9Ni Steel.

Principal operating data of subsidiary and major associate:

	2010 output of crude steel ('000 tonnes)	2009 output of crude steel ('000 tonnes) (note)	Change over the same period last year
Nanjing Iron & Steel	6,771	6,502	Increased by 4.15%
Jianlong Group	8,856	8,382	Increased by 5.73%

Note: Nanjing Iron & Steel has not gone through significant restructuring in 2009. The figures are simulated data.

MINING

During the Reporting Period, iron ore companies invested by the Group, including Hainan Mining, Jin'an Mining and Huaxia Mining, all benefited from the rising iron ore prices and expansion of outputs. Net profits from the three all saw increase of various degrees over the same period last year. Among them, Hainan Mining, the Group's main subsidiary maintained leading positions among industrial peers according to various efficiency indicators and ranked second in the industry measured by the combined efficiency indicator. Hainan Mining aligned their price with the market change, actively developed new direct selling clients and expanded the scale of production and sales. As a result, during the Reporting Period, it sold an aggregate of 3.51 million tonnes of iron ore products, which was the highest level since the establishment of Hainan Mining. In August 2010, Hainan Mining was successfully restructured and became a joint stock limited company. This also provided the basis for Hainan Mining to gain access to capital market in order to speed up future development.

The Group's investments in resources such as coking coal was still in the construction period and had little impact on the Group's overall profit. However, we believe that as these companies complete their construction, outputs would gradually increase and the management would continue to be optimised, all of which would increase shareholder value of the Company in the future.

Principal operating data of subsidiaries and major associates:

	Main product	Output (2010)	Change over the same period last year	Reserve volume (As at 31 December 2010)
Hainan Mining	iron ore ('000 tonnes)	3,443	0.94%	290 million tonnes of iron ore
Jin'an Mining	iron concentrate ('000 tonnes)	876	6.41%	83.9 million tonnes of iron ore
Huaxia Mining	iron concentrate ('000 tonnes)	2,092	–19.03%	1,800 million tonnes of iron ore
Shanjiaowulin	coking coal ('000 tonnes)	618	–2.66%	810 million tonnes of prime coking coal, fat coal
Jinhuangzhuang Mining	coking coal ('000 tonnes)	–	–	95.52 million tonnes of 1/3 coking coal, fat coal
Zhaojin Mining	gold production (own mines) (tonne)	10.7	14.95%	252 tonnes of measured reserve under the JORC standard

Other investments: to seek high financial returns while grasping opportunities to launch new sector platform

RETAIL, SERVICES AND OTHER INVESTMENTS

Apart from the four sectors mentioned above, the Company also seeks value-oriented investment opportunities in debt and equities in both private and public markets. The Group tries to maximise the sharing of the development of companies in industries such as retail and services which benefited from China's growth momentum, by increasing, reducing or holding its relevant investments. The Group also actively seeks appropriate timing to launch our industrial platform among sectors highly benefited from the growth of China's domestic consumption market, including financial, consumer goods and retail sectors. The Group also invests in minority interests of companies with listing potential via a few PE investment platforms, in order to increase shareholder value of the Company by listing and exit at an appropriate time.

Yuyuan

Yuyuan, an important associate of the Group, is mainly engaged in tourism and gold and jewellery retail chain. It also holds equity investment in Zhaojin Mining. Thanks to the success of World Expo and the continuous rise of world gold price, gold sales and share of profit of Zhaojin Mining both increased substantially. As a result, Yuyuan's overall results increased significantly during the Reporting Period and contributed RMB105.8 million to the profit attributable to the shareholders of the parent of the Group, an increase of 17.3% over 2009.

To seek value-oriented investment opportunities in China's fast growing domestic consumption market

During the Reporting Period, the Group completed investments or recapitalisation in a series of excellent potent companies which benefited from the growing domestic demand in China. Moreover, by partial exit of the investment in Focus Media, the Group realised a 2.6 times MOIC within 22 months.

Club Med

During the Reporting Period, the Group invested in Club Med, a French company, via block trades with existing shareholders and direct investment in the open market. As at the end of the Reporting Period, the Group already holds over 9% stake of Club Med. Club Med operates 80 resort hotels in 40 countries in the world, and its first Chinese resort was opened in Heilongjiang Yabuli in December 2010. In the future, we will have more comprehensive cooperation and build a win-win partnership, by fully leveraging synergies of both parties in the areas of project development, customer resources development, procurement, brand promotion and sharing of strategic resources and etc.

Yong'an Insurance

During the Reporting Period, the Group completed capital increase for Yong'an Insurance. Since the Group invested in Yong'an Insurance at the end of 2007, its insurance premium and total asset value have continued to grow. As at the end of the Reporting Period, the total insurance premium of Yong'an Insurance amounted to RMB5,795.0 million, total asset value amounted to RMB8,432.2 million, representing increases of 8.52% and 25.64% respectively over 2009. Its profitability has also been improving. Yong'an Insurance recorded a profit of RMB290.2 million during the Reporting Period, representing a year-on-year increase of 198.42%. The investment in Yong'an Insurance was a very good attempt by the Group in the insurance industry, which provides a platform for the Group to attract professional talents and to accumulate industrial experience and resources. This investment laid a solid foundation for the Group to seize more investment opportunities in the financial services sector, especially in insurance and banking industries.

Focus Media

Another important investment of the Group in the services sector was our stake in China's largest outdoor advertising group, Focus Media. In 2010, the business of Focus Media prospered and share price continued to rise under the leadership of Mr. Jiang Nanchun, the founder of Focus Media. During the Reporting Period, the Group sold 9,523,810 units of ADS of Focus Media through Focus Media's share buyback scheme and realised an internal rate of return of 160%. As as the end of the Reporting Period, the Group still holds approximately 21.05% stake in Focus Media, and remains as its single largest shareholder. The Group is positive about the prospects of the cultural and media industry in China. As an active shareholder, the Group will continue to support Focus Media's team. We believe that sound performance of Focus Media will continue to create value for the shareholders of the Company.

Capitalise on investment premium brought by the rapid expansion and improvement of China capital market

Private equity investment

During the Reporting Period, the Group invested in leading companies from various industries which we deemed to have listing potential. Most of these investments were carried out through three PE platforms: namely Fosun Capital, Fosun Venture Capital Investment Management Co., Ltd. and Principle Capital Limited. In addition, during the Reporting Period, the Group also established a joint equity investment partnership fund with world renowned investment group, The Carlyle Group, under the dual brand of Carlyle-Fosun. The fund is now actively looking for projects after completion of team setup. At the same time, the Group and The Carlyle Group have signed a global strategic cooperation agreement in relation to investment, and have supported each other in the assessment of several international investment projects, including the successful investment in Club Med by the Group.

In 2010 the Group made investments in a total of 24 PE investment projects with an aggregate of RMB2,278.6 million through these platforms. Business scopes of the investees include finance, retail, consumer goods, construction machinery, new materials, internet etc; examples of investees included Red Star Macalline, a top brand in China's household product circulation industry and Henan Zhenglong Foods Co., Ltd., the second largest instant noodle manufacturer in China.

The Group believes that in the future, elite companies with high growth will continue to emerge for a long period of time, accompanying the rapid development of the Chinese economy. Meanwhile, the rapid growth of China's capital market and the improvement of the system also made it possible for these companies to raise capital by means of listing. This is evidenced by the launch of the ChiNext Market in 2010. The Group will strive to grasp investment opportunities of such companies, and actively push forward their listing process. During the Reporting Period, six projects invested by the Group have successfully completed their IPOs and are now traded on the stock exchanges of Shanghai, Shenzhen and Hong Kong, respectively. Two more were successfully listed on the ChiNext Market of Shenzhen Stock Exchange subsequent to the Reporting Period. As at the end of the Reporting Period, the Group's share of the attributable market capitalisation of these six companies reached RMB2,867.0 million, which was 4.7 times over the total initial invested capital, significantly increased the shareholder value of the Company.

Listed company	Stock code	Investment amount (RMB million)	Appreciation of investment funds	Internal rate of return
Befar Group Co., Ltd.	601678.SH	150.0	430.32%	64.38%
Xi'an Shaangu Power Co., Ltd.	601369.SH	176.0	635.23%	86.48%
Zhejiang Aishida Electric Co., Ltd.	002403.SZ	18.0	499.80%	70.97%
Hunan Hansen Pharmaceutical Co., Ltd.	002412.SZ	48.6	1,131.69%	124.51%
Yashili International Holdings Ltd.	01230.HK	149.7	175.47%	75.47%
Yotrio Group Co., Ltd.	002489.SZ	66.0	368.13%	268.13%

In the future, we are confident that we can help more of our excellent investees to be listed and create more value for the shareholders of the Company. At the same time, the Group will select appropriate timing to exit these investments either by disposal at secondary market or equity transfer, thus to realise returns, with a goal to maximise long-term shareholder value. During the Reporting Period, the Group realised proceeds totalling RMB183.3 million by exiting listed pre-IPO projects, delivering a MOIC of 8.9 times.

Developing asset management business and increasing the size of assets under management rapidly to create additional revenue

Asset management

At the beginning of 2011, the Group announced its plan to set up a PE fund with the world famous insurance company Prudential. According to the memorandum of understanding entered into by both parties, Prudential will contribute USD500 million as a limited partner, and the Group will contribute no less than USD100 million as a general partner. The Group will also be in charge of the operation and management of the whole fund, charge relevant fees and share some of the investment gains. This cooperation signifies the Group's entering into the international asset management field, as well as the recognition from global established institutional investors of the Group's investing capability.

The market is volatile, and investment business is also cyclical. The Group will insist on value-oriented investment principle, invest in good companies and support their development as an active shareholder. Bearing in mind the principle of maximising long term shareholder value of the Company, the Group will also, by means of increasing, holding or reducing its existing investments, share the development of the companies which benefit from China's growth momentum. The Group will also actively seek appropriate timing to build new industrial platforms in sectors such as retail, consumption, finance and services, all of which highly benefit from the growth of China's domestic demand.

Multi-channel financing: to provide strong financing support for the rapid enhancement of investment capability

In order to achieve a rapid yet sustainable development, the Group not only focuses on the capability of investment and management optimisation but also pays attention to develop abilities to obtain comparable, sustainable funds at reasonable costs. The Group strives to build diversified financing channels, explores different types of new financing methods so as to obtain long term sources of quality funds at lower costs thus to support and boost the development of the investment business of the Group. At present, the financing channels already built up by the Group include equity financing, bond financing, bank loan, trust and PE fund etc, in both the PRC and abroad.

During the Reporting Period, the Group continued to move forward in domestic and overseas financing activities. We raised a total of RMB8,432.4 million and RMB7,319.4 million converted from USD and other currencies. These mainly included RMB635.4 million from further equity financing such as the re-financing of Fosun Pharma and RMB15,116.4 million from debt financing.

In addition, taken into consideration of the large number of investment opportunities which meet the Group's investment criteria, together with the rapid enhancement of the Group's investment capability, the Group greatly promoted asset management business during the Reporting Period by means of cooperation funds, partnerships and trusts etc after its initial attempt in 2009, in order to make most use of our investment capability while maintaining steady financial conditions. The Group has established cooperation agreements of PE funds with world-renowned financial companies Prudential and The Carlyle Group, while Forte, Fosun Capital and Shanghai Star Capital Investment Management Co., Ltd. also successfully carried out fund raising activities. During the Reporting Period, the Group and our portfolio companies altogether obtained an aggregate of RMB1,010.7 million equivalent by means of asset management.

Future prospects: combining the Group's strength with China's growth to create huge opportunities

Looking forward, the Group believes that although we still face some uncertainties of the world's economic environment in the near future, China will be able to maintain steady and rapid growth in the medium and long run driven by urbanisation and industrialisation, as well as the development of the domestic consumption market. Thus, the Group will continue to improve three core capabilities so that we would capture more investment opportunities, continue to expand the Group's asset scale, and optimise the Group's asset allocation, while better assisting our major portfolio companies to optimise operations and to become stronger and larger. The Group will pay particular attention to investment opportunities both in China and abroad, benefiting from China's growing domestic demand, gradually increase the weighting of those assets in the total asset of the Group, and continue to improve the liquidity mix of our asset portfolio by encouraging our investees to be listed or making direct investment in listed companies. We will also continue to build a multi-channel financing system to provide more long term funds at reasonable costs for our investment and operating activities. With our efforts and the excellent entrepreneurial team, it is the Group's vision to become a world premium company with global competitiveness, and to create more value for shareholders in the long term.

FINANCIAL REVIEW

PREFACE

The 2010 Annual Report of the Company includes the Chairman's Statement, annual accounts and other information that is required by the accounting standards, applicable laws and the Stock Exchange. This Financial Review has been prepared to discuss the profit contribution of each business segment and the overall financial position of the Group so as to assist readers to have a better understanding of the statutory information contained herein.

The Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows are set out on pages 62 to 72 of this annual report. The accompanying notes to these financial statements for further explaining certain information contained in the statements are set out on pages 73 to 193 of this annual report.

On pages 60 to 61 is the report to shareholders from the Company's auditor, Ernst & Young of their independent audit on the Group's and the Company's annual accounts.

ACCOUNTING PRINCIPLES

The financial statements have been prepared in accordance with the generally adopted Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, which are in line with International Financial Reporting Standards.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

For the year ended 31 December 2010, the profit attributable to owners of the parent of the Group was RMB4,227.1 million, representing a decrease of 9.0% as compared with RMB4,646.7 million in 2009. The decrease in profit of the Group was primarily due to a decrease of non-recurring gains during the Reporting Period despite the large increase in profit contribution from both the property and the mining segments as compared with the same period last year.

PROFIT CONTRIBUTION OF EACH BUSINESS SEGMENT

A comparison between the profit contribution of each business segment for the year of 2010 and the corresponding figures in 2009 is analysed as follows:

Unit: RMB million

	2010	2009	Increase/ (decrease)%
Pharmaceuticals and healthcare	**302.5**	1,185.6	(74.5)
Property	**1,279.9**	327.3	291.0
Steel	**410.0**	1,068.1	(61.6)
Mining	**932.1**	235.6	295.6
Retail, services and other investments	**1,503.3**	2,073.7	(27.5)
Unallocated expenses	**(174.8)**	(112.8)	N/A
Elimination	**(25.9)**	(130.8)	N/A
Total	**4,227.1**	4,646.7	(9.0)

Pharmaceuticals and healthcare: Profit contribution from the pharmaceuticals and healthcare segment fell to RMB302.5 million in 2010 from RMB1,185.6 million in 2009. The reduction in profit was mainly due to the fact that a gain on deemed disposal of equity interest in Sinopharm as a result of its successful IPO of shares on the Stock Exchange was recognised by Fosun Pharma in 2009, and there was no such gain in 2010. However, as far as operation is concerned, the manufacturing, research and development business of Fosun Pharma was stable, and the profit of 2010 realised an increase of 44.52% over last year.

Property: Profit contribution from the property segment increased to RMB1,279.9 million in 2010 from RMB327.3 million in 2009. There are mainly two reasons for the increase in profit contribution: (i) the gross floor area and gross profit margin booked from property projects completed by Forte for the year of 2010 both increased as compared with that in 2009; and (ii) the gain on disposal of 75% equity interest in Tianjin Forte Puhe Development Co., Ltd..

Steel: Profit contribution from the steel segment decreased to RMB410.0 million in 2010 from RMB1,068.1 million in 2009. The decrease in profit contribution was mainly due to the fact that gain on disposal of equity interest in Ningbo Iron & Steel Co., Ltd. was recorded in 2009 while there was no such gain in this year. As the steel industry continued to be under the pressure of rising prices of raw materials in the upstream industries in 2010, which basically offsets the amount of increase in average price of steel products of the year, the operating profit contribution from steel segment remained almost the same as that of last year.

Mining: Profit contribution from the mining segment increased to RMB932.1 million in 2010 from RMB235.6 million in 2009. The increase in profit contribution was mainly due to: (i) rising prices of iron ore products; and (ii) Hainan Mining took the pulse of the market and increased supply promptly. Increases in both quantity and price drove the substantial increase in profit contribution.

Retail, services and other investments: Profit contribution from the retail, services and other investments segment fell to RMB1,503.3 million in 2010 from RMB2,073.7 million in 2009, which was principally attributable to the decrease in investment gain recognised in the holding group level this year as compared last year. For the retail business, Yuyuan, an associate of the Group, directly benefiting from the surging influx of visitors, recorded significant growth in its gold, catering and other retail businesses as it is located in the prime area in the city and near the World Expo zone, which led to the increase of its profit contribution by 17.3%.

REVENUE

For the year of 2010, total revenue of the Group was RMB44,643.7 million after elimination of internal sales in the amount of RMB1,494.7 million, an increase of 28.1% as compared with the total revenue of RMB34,855.8 million in 2009. The increase in revenue of the Group during the Reporting Period was mainly due to increases in the revenue of all business segments to different degrees as compared with the same period last year.

Pharmaceuticals and healthcare: Revenue of the pharmaceuticals and healthcare segment increased to RMB4,459.3 million in 2010 from RMB3,775.9 million in 2009. The increase in revenue was mainly due to the further strengthening in specialised team building of the manufacturing, research and development business of Fosun Pharma, resulting in an increase of 23.6% in revenue during the Reporting Period.

Property: Revenue of the property segment increased to RMB8,846.7 million in 2010 from RMB5,184.8 million in 2009. The increase in revenue was mainly due to the increases in both the booked average property sales price and the area booked by Forte in 2010, which increased the overall revenue of the property segment.

Steel: Revenue of the steel segment increased to RMB29,652.2 million in 2010 from RMB24,611.4 million in 2009. The increase in revenue was mainly due to the fact that the Group realised an increase of 4.5% and 18.0% in sales volume and average selling price of steel products respectively as compared with last year.

Mining: Revenue of the mining segment increased to RMB3,180.2 million in 2010 from RMB1,968.0 million in 2009. The increase in revenue was mainly due to the significant increase in price of the iron ore products during this year and thus the average selling price of the major iron ore products of Hainan Mining increased by 57.0% as compared with last year.

INTEREST EXPENSES

Interest expenses net of capitalised amounts of the Group increased to RMB1,504.7 million in 2010 from RMB1,081.1 million in 2009. The increase in interest expenses was mainly attributable to the growth in scale of the total borrowings. The interest rates of borrowings in 2010 were approximately between 0.22% and 12.18%, as compared with approximately between 0.27% and 12.18% in 2009.

TAX

Tax increased to RMB2,506.6 million in 2010 from RMB1,357.2 million in 2009. The increase in tax was mainly attributable to the increase in the taxable profit of most of the business segments as their operating results were improved, and the increase in land appreciation tax accrued by Forte as a result of higher gross margins of projects booked this year.

BASIC EARNINGS PER SHARE OF ORDINARY SHARES

Basic earnings per share attributable to owners of the parent was RMB0.66 in 2010, representing a decrease of 8.3% from RMB0.72 in 2009. The weighted average number of shares was 6,421.6 million shares for 2010, which was same as that for 2009.

EQUITY PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

As at 31 December 2010, equity per share attributable to owners of the parent was RMB4.65, representing an increase of RMB0.84 per share from RMB3.81 per share as at 31 December 2009. The increase in equity per share attributable to owners of the parent was primarily due to the difference between RMB5,797.6 million and RMB927.3 million, which were the total comprehensive income attributable to owners of the parent in 2009 and the dividend distributed on 16 July 2010 respectively.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a proposed final dividend of HKD0.17 per ordinary share for the year ended 31 December 2010. Subject to the approval of the Company's shareholders at the Company's annual general meeting to be held on 23 June 2010, the proposed final dividend will be paid to the Company's shareholders on or about 15 July 2011.

CAPITAL EXPENDITURES AND CAPITAL COMMITMENT

The capital expenditures of the Group mainly include the amounts spent on construction of plant, technology upgrade and purchase of machines and equipment, and development of properties for investment. We have been increasing investment in the research and development of pharmaceutical products in order to produce more proprietary products with higher gross profit margin. We continued our commitment in property development, but will adjust our strategy according to market conditions. In order to enhance the production capacity of the steel segment and the optimisation of product mix, we have increased the investment in the steel segment. Efforts will also be made in the mining segment with an aim to continuously strengthen our leading role in the industry. The amount of capital expenditure of the Group during the Reporting Period was RMB4,791.9 million. Details of capital expenditures of each business segment are set out in note 5 to financial statements.

As at 31 December 2010, the Group's capital commitment contracted but not provided for was RMB4,781.1 million, These were mainly committed for property development, investments and addition of plant and machinery. Details of capital commitment are set out in note 48 to financial statements.

INDEBTEDNESS AND LIQUIDITY OF THE GROUP

As at 31 December 2010, the total debt of the Group was RMB43,935.4 million, representing a relatively large increase over RMB28,812.0 million as at 31 December 2009 which was mainly due to the increase in borrowings as a result of business expansion of all segments of the Group, and the increase in percentage of mid-to-long-term debt as far as possible during the debt structure allocation. As at 31 December 2010, mid-to-long-term debt of the Group accounted for 49.8% of total debt, as opposed to 41.7% as at 31 December 2009, representing a more optimised debt structure. As at 31 December 2010, cash and bank balances also increased by 33.8% to RMB21,335.0 million as compared with RMB15,947.6 million as at 31 December 2009.

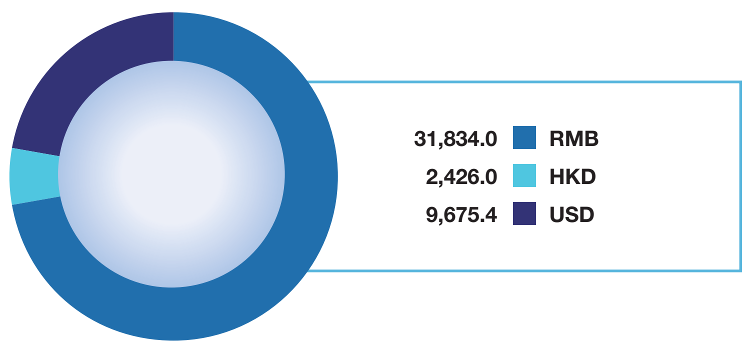
Unit: RMB million

	31 December 2010	31 December 2009
Total debt	43,935.4	28,812.0
Cash and bank balances	21,335.0	15,947.6

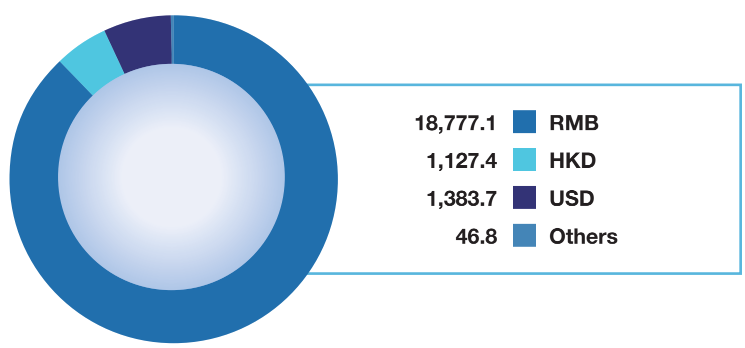
The original denomination of the Group's debt as well as cash and bank balances by currencies, equivalent in RMB, as at 31 December 2010 is summarised as follows:

Unit: RMB million equivalent

Debt



Cash and bank balances



TOTAL DEBT TO TOTAL CAPITALISATION RATIO

As at 31 December 2010, the ratio of total debt to total capitalisation was 49.4%, which was 44.2% as at 31 December 2009. Following the business expansion of the Group, the gearing ratio recorded reasonable increase while the financing channels were continually broadened.

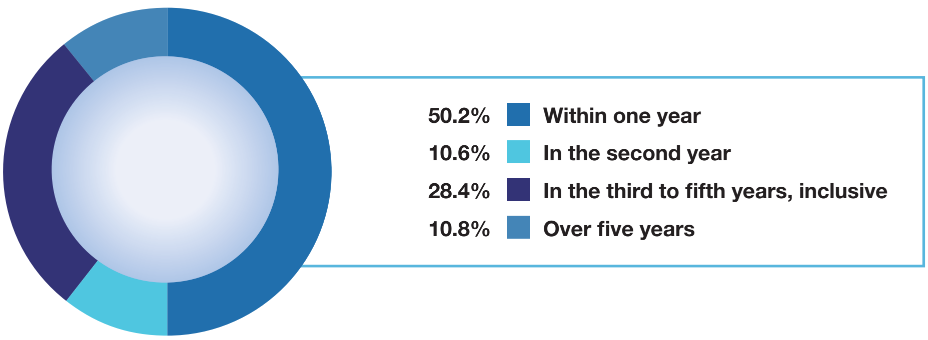
BASIS OF CALCULATING INTEREST RATE

To stabilise interest expenses, the Group endeavoured to maintain appropriate borrowings at fixed interest rates and floating interest rates. The Group made timely adjustment to the debt structure under the market circumstances. As at 31 December 2010, 71.7% of the Group's total borrowings bore interest at a floating interest rate.

THE MATURITY PROFILE OF OUTSTANDING BORROWINGS

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

Below is the outstanding borrowings classified by year of maturity as at 31 December 2010:



AVAILABLE FACILITIES

As at 31 December 2010, save for cash and bank balances of RMB21,335.0 million, the Group had unutilised banking facilities of RMB25,463.7 million. The Group has entered into cooperation agreement with various major banks in China. According to these agreements, the banks granted the Group general banking facilities to support its capital needs. Prior approval of individual projects from banks in accordance with bank regulations of China must be obtained before the use of these banking facilities. As at 31 December 2010, available banking facilities under these arrangements totalled RMB64,557.5 million, of which RMB39,093.8 million was allocated to various projects.

CASH FLOW

In 2010, net cash flow generated from operating activities was RMB6,124.5 million. Profit before tax for the year was RMB8,653.3 million. After making aggregate adjustment for the items such as investment gain and loss and financing costs included in profit before tax and offsetting the total amount of depreciation and amortisation which did not result in cash outflow, cash flow generated from operating activities decreased by RMB1,442.2 million. However, owing to the increase in properties under development of RMB2,341.5 million, increase in inventory of RMB1,084.4 million, increase in trade and notes receivables of RMB482.5 million, increase in prepayment, deposit and other receivables of RMB249.3 million, increase in amount due from related companies of RMB839.6 million and income tax payment of RMB1,574.5 million, cash flow generated from operating activities decreased. While the increase in accounts payables and notes payables of RMB1,359.3 million and the increase in accrued liabilities and other payables of RMB3,941.1 million contributed to an increase in the cash flow from operating activities. The increase in properties under development was mainly due to the increase in the investment of property development projects in the property segment; the increase in inventory was mainly due to the higher price of raw materials which drove a rise in procurement cost; the increase in amount due from related companies was mainly due to the financial support pro rata granted to co-developing and jointly developing projects in accordance with our shareholding in such projects in the property segment; the increase in accounts payables and notes payables was mainly due to the extended commercial credit facility obtained from upstream corporations in the steel segment; and the increase in accrued liabilities and other payables is mainly due to the increase in the customers' prepayment in property segment.

In 2010, net cash flow used in investing activities was RMB13,318.6 million, mainly used for the purchase of property, plant and equipment, new investments in property projects and new investments in services business and strategic investment projects, which was partly offset by the proceeds from the disposal of interests in subsidiaries, associates and services business.

In 2010, net cash flow generated from financing activities was RMB12,425.6 million, mainly generated from the new loans obtained from banks and other financial institutions as well as the capital contribution from non-controlling shareholders of subsidiaries, which was partly offset by the repayment of bank loans and other loans, interest payment of bank loans and payment of dividends.

PLEDGED ASSETS

As at 31 December 2010, the Group had pledged assets of RMB14,548.5 million (31 December 2009: RMB11,297.2 million) for bank borrowings. Details of the pledged assets were set out in note 36 to financial statements.

CONTINGENT LIABILITIES

As at 31 December 2010, contingent liabilities of the Group were RMB4,113.8 million (31 December 2009: RMB3,659.5 million) which were primarily applied to guarantee the mortgage loans of qualified buyers. Details of the contingent liabilities were set out in note 49 to financial statements.

INTEREST COVERAGE

In 2010, EBITDA divided by interest expense was 8.0 times as compared with 10.4 times in 2009. Owing to the substantial increase in total debt of the Group in 2010 compared with that in 2009, in addition to the increase in benchmark interest rate, interest expenses increased by 39.2%. Although EBITDA increased by 7.2% over last year, such increase was not enough to offset the impact brought by the increase in interest expenses.

FINANCIAL POLICIES AND RISK MANAGEMENT

General policy

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

Foreign currency exposure

Since the Group conducts its business mainly in Mainland China, RMB is also the functional and presentation currency. Most of the Group's revenue is received in RMB, with part of it converted into foreign currencies for the purchase of imported raw materials. Since the exchange rate reform in July 2005, the exchange rate of RMB against USD has appreciated steadily. However, we are uncertain of the stability of RMB in the future. The cost of conversion of RMB into foreign currencies will be subject to the fluctuation of the exchange rate of RMB. As at 31 December 2010, approximately 93.1% (approximately RMB110,199.0 million) of the Group's total assets were located in Mainland China (31 December 2009: RMB81,301.2 million or 92.2%).

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

Interest rate exposure

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

Application of derivatives

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

FORWARD-LOOKING STATEMENTS

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

FIVE-YEAR STATISTICS

Unit: RMB million

Year	2006	2007	2008	2009	2010
	(restated)				
Total equity	11,140.9	29,970.6	30,043.1	36,372.3	**44,999.1**
Equity attributable to owners of the parent	3,982.7	19,834.1	19,870.3	24,484.3	**29,873.1**
Equity per share attributable to owners of the parent (in RMB)	0.80	3.08	3.09	3.81	**4.65**
Indebtedness					
Total debt	19,143.0	21,918.0	24,550.5	28,812.0	**43,935.4**
Total debt/Total capitalisation (%)	63.2%	42.3%	45.0%	44.2%	**49.4%**
Interest coverage (times)	4.2	7.8	5.1	10.4	**8.0**
Capital employed	23,125.7	41,752.1	44,420.8	53,296.3	**73,808.5**
Cash and bank balances	5,062.7	14,144.0	11,691.0	15,947.6	**21,335.0**
Property, plant and equipment	14,459.9	15,598.6	16,378.6	17,767.2	**20,553.3**
Investment property	446.0	456.0	429.0	2,057.4	**2,551.2**
Property under development	7,509.9	9,415.0	12,787.7	11,957.6	**16,787.6**
Prepaid land lease payments	542.7	908.4	893.4	1,162.7	**1,278.1**
Mining rights	160.9	546.5	1,110.7	733.6	**717.7**
Interest in associates	5,461.8	6,848.0	5,947.1	9,621.4	**15,238.6**
Available-for-sale investments	291.2	2,188.1	1,905.3	2,943.5	**7,327.0**
Equity investments at fair value through profit or loss	2.3	90.4	1,534.9	4,922.3	**6,478.6**
Profit attributable to owners of the parent	1,095.8	3,354.3	1,328.4	4,646.7	**4,227.1**
Basic and diluted earnings per share (in RMB)	0.22	0.59	0.21	0.72	**0.66**
Profit contribution by each business segment					
Pharmaceuticals and healthcare	(101.7)	164.5	261.4	1,185.6	**302.5**
Property	272.7	383.8	57.6	327.3	**1,279.9**
Steel	591.6	1,845.1	118.0	1,068.1	**410.0**
Mining	318.1	592.9	1,285.1	235.6	**932.1**
Retail, services and other investments	59.4	515.2	(125.5)	2,073.7	**1,503.3**
EBITDA	4,062.8	9,784.8	6,887.2	11,204.9	**12,014.5**
Proposed dividend per share (in HKD)	–	0.17	0.08	0.164	**0.17**

Note: For comparison purpose, figures of 2006 were restated to reflect changes of accounting policies.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Group for the year ended 31 December 2010.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

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

The Company regularly reviews its corporate governance practices to ensure compliance with the CG Code.

A. THE BOARD

a) Responsibilities

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

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

b) Delegation of Management Function

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

All Directors have full and timely access to all relevant information to ensure that Board procedures and all applicable rules and regulations are followed. Each Director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions and work tasks are periodically reviewed.

c) Board Composition

The Board for the year ended 31 December 2010 comprised the following Directors:

Executive Directors
Mr. Guo Guangchang *(Chairman)*
Mr. Liang Xinjun *(Vice Chairman and Chief Executive Officer)*
Mr. Wang Qunbin *(President)*
Mr. Fan Wei *(appointed as Co-President on 21 June 2010)*
Mr. Ding Guoqi
Mr. Qin Xuetang
Mr. Wu Ping

Non-executive Director
Mr. Liu Benren

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

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

None of the members of the Board is related to another.

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received a written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

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

d) Appointment and Re-election of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors. The above mentioned responsibilities were delegated to the Nomination Committee of the Company which was established in December 2010.

Each of the Directors (including executive and non-executive Directors) has entered into a service contract with the Company for a term of not more than 3 years from the date of the annual general meeting for the year 2010 of the Company to the date of the annual general meeting for the year 2011 of the Company.

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

e) Training for Directors

Each newly appointed Director receives comprehensive induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Continuing briefing and professional development for Directors will be arranged whenever necessary.

f) Board Meetings

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

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

g) Practice and Conduct of Board Meetings

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

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

The senior management where necessary, attend regular Board meetings and other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

B. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

C. BOARD COMMITTEES

The Board has established Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. In addition, the Board has established Nomination Committee in December 2010. All Board committees of the Company were established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website (www.fosun-international.com) and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Remuneration Committee

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

The primary objectives of the Remuneration Committee include making recommendations and approving the remuneration policy and structure and remuneration packages of the Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration, which will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

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

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

Audit Committee

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

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function or external auditors before submission to the Board.

- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors.

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system (including the adequacy of resources, qualification and experience of staff of the Company's accounting and financial reporting function, their training programmes and budget) and risk management system and associated procedures.

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

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

The Company's annual results for the year ended 31 December 2010 have been reviewed by the Audit Committee.

Nomination Committee

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

The primary objectives of the Nomination Committee include the following:

- To review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

- To identify individuals suitably qualified to become Board members and nominate and select or make recommendations to the Board on the selection of individuals nominated for directorships;

- To assess the independence of independent non-executive Directors; and

- To make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for Directors.

The Nomination Committee was established in December 2010. Thus, no meeting was held during the Reporting Period.

D. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code.

Specific enquiry has been made to all Directors and the Directors have confirmed that they have complied with the Model Code throughout the Reporting Period.

The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the above mentioned written guidelines by the employees of the Company was noted by the Company.

E. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Board is responsible for presenting a balanced and clear assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2010.

The senior management has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company put to the Board for approval.

F. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of Ernst and Young, the external auditors of the Company, about their reporting responsibilities for the financial statements is set out in the "Independent Auditors' Report" on pages 60 to 61.

During the Reporting Period, the remuneration paid to Ernst and Young, the external auditors of the Company, in respect of professional audit services, amounted to RMB4.25 million and no non-audit services were provided by Ernst and Young to the Company.

G. INTERNAL CONTROLS

The Board is responsible for overseeing the effectiveness of the internal control system of the Company to ensure the safety and integrity of the internal assets of the Company and the interests of shareholders. The Board identifies, evaluates, supervises and manages the significant risks faced by the Company through the established risk evaluation system, internal control system and internal auditing system. Such significant risks include decision-making risks of operation, resources allocation risks, and the risks arising from changes in business environment.

The designated team assists the Board in identifying all types of operation risks and formulating relevant risk control policies and is responsible for facilitating the design and implementation of applicable internal control measures for each segment of the Company. The internal audit department conducts independent evaluation on the effectiveness of the existing internal control system according to the general audit strategy and annual audit plan of the Company. It is also responsible for regulating the proper operation and improvement of the internal control system.

During the reporting period, the Board has reviewed the effectiveness of the internal control system of the Group. The Company has established and completed a standardised and systematic internal management system during the year, covering the functions of financial control, operational control, compliance control and risk management. The internal audit department of the Company has carried out independent internal control and auditing in respect of corporate governance, financial balance, equity investment, project management, information management and other major risk areas, and has reported to the Directors regularly in respect of the effectiveness of the internal control system and significant risk. The boards of the subsidiaries have submitted evaluation reports to the Company on the effectiveness of internal control systems.

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

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

H. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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

I. SHAREHOLDER RIGHTS

To safeguard shareholder interests and rights, separate resolutions are proposed at shareholder meetings on each substantial issue of the Company, including the election of individual Directors.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholder meetings are contained in the Articles of Association. Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll and poll results announcement will be posted on the websites of the Company and the Stock Exchange on the business day following the shareholder meeting in the manner prescribed by the Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Guo Guangchang

Guo Guangchang, aged 43, is an Executive Director and Chairman of the Company. Mr. Guo was a co-founder of the Group and is chairman of Fosun Group since its establishment in November 1994. Mr. Guo is a director of Fosun Pharma and Nanjing Nangang and is non-executive director of Forte. Mr. Guo resigned as non-executive director of Sinopharm in May 2010. Mr. Guo is a director of Club Med since March 2011. Mr. Guo is a deputy to the Tenth and Eleventh National People's Congress of the PRC and a member of the Ninth National Committee of Chinese People's Political Consultative Conference, and was appointed policy consultant to the Shanghai municipal government from 2001 to 2002. Since 2002, Mr. Guo has been vice chairman of the Shanghai Federation of Industry and Commerce and became vice president in November 2007. Since 2004, Mr. Guo has been chairman of the Zhejiang Chamber of Commerce in Shanghai. In 1995, Mr. Guo was named an "Outstanding Private Entrepreneur of China". Mr. Guo was also named "the Third Session Outstanding Young Entrepreneur of Shanghai" in 1997 and "the Fifth Session Top Ten Outstanding Youth of Shanghai" in 1998. In 2003, Mr. Guo was named one of the "Top Ten Leaders in Future Economy of China" and "Top Ten New Private Entrepreneurs in 2003". In 2004, Mr. Guo was named one of the "CCTV People of Financial Year 2004". In 2005, Mr. Guo obtained the nationwide "Outstanding Entrepreneur in Private Sector on Staff Caring" award. In 2006, Mr. Guo was "Industry & Commerce Category Winner" of "Ernst & Young Entrepreneur of the Year". In April 2009, Mr. Guo obtained "Award of Outstanding Contribution to Guangcai Program" issued by China Society for Promotion of the Guangcai Program. In November 2010, Mr. Guo was the Awardee for Directors of the Year Awards 2010 (Non Hang Seng Index Constituents) issued by The Hong Kong Institute of Directors. Mr. Guo received a bachelor's degree in philosophy in 1989 and a master's degree in business administration in 1999, both from Fudan University.

Liang Xinjun

Liang Xinjun, aged 42, is an Executive Director, Vice Chairman and Chief Executive Officer of the Company. Mr. Liang was a co-founder of the Group. Mr. Liang was vice chairman of Fosun Group since its establishment in November 1994. Mr. Liang was a director of Yuyuan from December 2007 to June 2010. Mr. Liang is also a non-executive director of Zhaojin Mining and an independent director of Shanghai Oriental Pearl (Group) Co., Ltd. (listed on the Shanghai Stock Exchange with stock code: 600832). Mr. Liang is a member of the Eleventh Shanghai Committee of Chinese People's Political Consultative Conference; vice chairman of the China Young Entrepreneurs Association; executive vice council chairman of China Science and Technology Private Entrepreneurs Association; executive vice president of the Chamber of the Metallurgy Industry of All-China Federation of Industry and Commerce; chairman of the Taizhou Chamber of Commerce in Shanghai and executive chairman of the Shanghai Fudan University Alumni Association. In October 2002, Mr. Liang was awarded "the First Session Innovation Award of Shanghai Science and Technology Entrepreneur". In 2002, 2003, 2004 and 2007, Mr. Liang was named an "Outstanding Entrepreneur of China's Science and Technology Private Enterprise". In April 2004, Mr. Liang was named "Shanghai Municipal Labour Model of year 2001 to 2003". In December 2005, Mr. Liang was awarded "the First Session Innovation Management Award for Young Entrepreneur in China". In June 2006, Mr. Liang was named an "Outstanding Party Member of Shanghai New Economic and Social Organisations". In April 2007, Mr. Liang was named "Shanghai Outstanding Builder of Socialism with Chinese Characteristics". In July 2008, Mr. Liang was named "Top Ten Outstanding Youth of Shanghai". Mr. Liang received a bachelor's degree in genetic engineering in 1991 from Fudan University and a master's degree in business administration in 2007 from Cheung Kong Graduate School of Business.

Wang Qunbin

Wang Qunbin, aged 41, is an Executive Director and President of the Company. Mr. Wang was a co-founder of the Group. Mr. Wang has been a director of Fosun Group since its establishment in November 1994. Mr. Wang has been director of Fosun Pharma since its establishment. Since June 2010, Mr. Wang resigned as chairman of Fosun Pharma but remained as a director. Mr. Wang has been non-executive director of Sinopharm since January 2003 and was appointed vice chairman of Sinopharm from June 2010. Mr. Wang was a director of Shanghai Friendship Group Incorporated Company (listed on the Shanghai Stock Exchange with stock code: 600827) from September 2000 to June 2010. Prior to joining Fosun Group, Mr. Wang was a lecturer at the Genetic Research Institute of Fudan University. Mr. Wang holds various positions including honorary chairman of the Shanghai Biopharmaceutics Industry Association, vice chairman of the China Pharmaceutical Industry Association, and chairman of the Huzhou Chamber of Commerce in Shanghai. Mr. Wang was named "Young Global Leader Honoree 2009" of World Economic Forum, Chinese Pharmaceutical "60 Years, 60 People", "Top Ten Professional Managers in China Pharmaceutical Industry in 2004" and was awarded "The Fourth Session Technology Innovation Prize of China Outstanding Youth". Mr. Wang was accredited "Outstanding Technical Experts Allowance by State Council" in 2007. Mr. Wang received a bachelor's degree in genetic engineering from Fudan University in 1991.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Fan Wei

Fan Wei, aged 41, is an Executive Director and Co-President of the Company. Mr. Fan was a co-founder of the Group. Mr. Fan has been a director of Fosun Group since its establishment in November 1994. Mr. Fan was appointed Co-President of the Company in June 2010. Mr. Fan has been director of Forte since 1998. In December 2010, Mr. Fan resigned as chairman of Forte but remained as an executive director of Forte. Mr. Fan is vice chairman of the Shanghai Real Estate Trade Association, vice council chairman of the Institute of Real Estate Shanghai Academy of Social Sciences and chairman of the Housing Industry Association of Shanghai Federation of Industry and Commerce. In 2005, Mr. Fan obtained the "Top 100 Property Entrepreneur in China in 2005" award and was named "the First Session of Outstanding Young Entrepreneur of Shanghai in Property Sector". Mr. Fan received a bachelor's degree in genetic engineering from Fudan University in 1991.

Ding Guoqi

Ding Guoqi, aged 41, is an Executive Director, Senior Vice President and Chief Financial Officer of the Company. Mr. Ding was appointed Senior Vice President of the Company in January 2010. Mr. Ding is also a director of Nanjing Nangang. Mr. Ding has been chief financial officer of Fosun Group since 1995 and a director of Fosun Group since 2003. Mr. Ding was a director of Forte from September 2001 to September 2008. Prior to joining the Group in 1995, Mr. Ding worked in the accounting department of Shanghai Jinshan Petrochemical Construction Company. Mr. Ding received a bachelor's degree in accounting from Shanghai University of Finance and Economics in 1991.

Qin Xuetang

Qin Xuetang, aged 47, is an Executive Director and Senior Vice President of the Company. Mr. Qin was appointed Senior Vice President of the Company in January 2010. Mr. Qin is also a director of Nanjing Nangang. Mr. Qin has been a director of Fosun Group since June 2004. Mr. Qin was the secretary of the board of directors of Fosun Pharma from August 1998 to May 2004. Mr. Qin was the legal affairs director of Fosun Group from August 1995 to July 1998. Mr. Qin was a lecturer at the law department of Fudan University from August 1985 to July 1995. Mr. Qin received a bachelor's degree in laws in 1985 from the Southwestern University of Political Science and Law and was admitted to practise law in the PRC in 1990.

Wu Ping

Wu Ping, aged 46, is an Executive Director and Senior Vice President of the Company. Mr. Wu was appointed Senior Vice President of the Company in January 2010. Mr. Wu has been overseeing administrative and personnel matters of Fosun Group since 1995. Mr. Wu has been chairman of Yuyuan since December 2001; director of Shanghai Tonghanchuntang Pharmaceutical Co., Ltd., chairman of Shanghai First Asia Jewelry, Co. Ltd., chairman of Shanghai Laomiao Gold Co., Ltd. since 2002; director of Shanghai Friendship Group Incorporated Company (listed on the Shanghai Stock Exchange with stock code: 600827) since May 2003; non-executive director of Zhaojin Mining from April 2004 to February 2010; director of Shanghai Friendship Fosun (Holding) Co., Ltd. since 2006. Mr. Wu has been vice chairman of Shanghai Shopping Centre Association since December 2004. Mr. Wu obtained his bachelor's degree in enterprise management from Shanghai Second Polytechnic University in July 1990.

NON-EXECUTIVE DIRECTOR

Liu Benren

Liu Benren, aged 68, has been a Non-Executive Director of the Company since March 2007. From 1965 to 1986, Mr. Liu worked in the hot rolling factory of Wuhan Iron and Steel Company. From 1986 to 1993, Mr. Liu was deputy chief engineer and vice president of Wuhan Iron and Steel Company. From 1993 to 2004, Mr. Liu was the general manager of Wuhan Iron and Steel (Group) Corporation. Since November 2005, Mr. Liu has been serving as an external director of Shenhua Group Corporation Limited. From August 2007 to March 2010, Mr. Liu was chairman of China Metallurgical Group Corporation and from November 2008 to March 2010, he was the chairman and non-executive director of Metallurgical Corporation of China Ltd. (listed on the Stock Exchange with stock code: 01618). In June 2010, Mr. Liu was appointed non-executive director of China Shenhua Energy Company Limited (listed on the Stock Exchange with stock code: 01088 and on the Shanghai Stock Exchange with stock code: 601088, respectively), and was appointed non-executive director and vice chairman of Prosperity International Holdings (H.K.) Limited (listed on the Stock Exchange with stock code: 00803) in August 2010. Mr. Liu was a deputy to the Eighth, Ninth and Tenth National People's Congresses and a member of the Tenth National Committee of the Chinese People's Political Consultative Conference. Mr. Liu was awarded "Middle-age and Youth Expert with Special Contribution to the Nation" by the State Council. Mr. Liu has been vice chairman of the China Iron and Steel Association, vice council chairman of the China Metals Association, vice chairman of the China Quality Association and independent director of Prosperity Minerals Holdings Limited (listed on the London Stock Exchange with stock code: PMHL.L). Mr. Liu is a professor-level senior engineer who graduated from Wuhan Institute of Iron and Steel in 1965 with a bachelor's degree in steel rolling, and obtained postgraduate qualification from the Central Communist Party School in 1986.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chen Kaixian

Chen Kaixian, aged 65, has been an Independent Non-Executive Director of the Company since August 2005. Dr. Chen received a bachelor's degree in radioactive chemistry in 1967 from Fudan University. Dr. Chen also received a master's degree in 1982 and a doctorate degree in 1985 from the Shanghai Institute of Materia Medica of the Chinese Academy of Sciences. From 1985 to 1988, Dr. Chen conducted post-doctorate studies in the Institut de Biologie Physic-chimique, Paris. In 1999, Dr. Chen was elected an academician of the Chinese Academy of Sciences. Dr. Chen is currently president of the Shanghai University of Traditional Chinese Medicine; a researcher, doctoral supervisor and director of the academic committee of the Shanghai Institute of Materia Medica of the Chinese Academy of Sciences; director of the academic committee of the State Key Laboratory of Drug Research; chief scientist of the project "Innovative Drug Research Based On Genetic Function" under the National Basic Research Program of China (Plan 973); and a member of the experts group of the National Key Sci-Tech Special Project under the Eleventh Five-Year Plan "The Key New Drug Creation and Manufacturing". Dr. Chen is also council chairman of the China Society of Doctors in New Pharmaceuticals, chairman of the Chinese Association of Integrative Medicine and vice council chairman of the China Pharmaceuticals Association. Dr. Chen serves as vice chairman of the Shanghai Association for Science and Technology, vice chairman of the Shanghai Overseas Returned Scholars Association, and chairman of the Shanghai Pudong Association for Science and Technology. He is also an adjunct professor at China Pharmaceutical University and Fudan University.

Zhang Shengman

Zhang Shengman, aged 53, has been an Independent Non-Executive Director of the Company since December 2006. Mr. Zhang is chairman of Asia Pacific of Citigroup (listed on the New York Stock Exchange with stock code: C), before that he was president of Asia Pacific of Citigroup. Mr. Zhang joined Citigroup in February 2006 as chairman of the Public Sector Group. He was an independent director of Cabot Corporation (listed on the New York Stock Exchange with stock code: CBT) from July 2006 to March 2010. Mr. Zhang worked in the PRC Ministry of Finance as deputy director and vice secretary from 1994 to 1995. From 1994 to 1995, Mr. Zhang was the executive director for China at the World Bank. From 1995 to 1997, Mr. Zhang was vice president and chief secretary of the World Bank. From 1997 to 2001, Mr. Zhang was senior vice director of the World Bank. Mr. Zhang was a managing director of the World Bank and chairman of World Bank's operations committee, the sanctions committee and the corporate committee on fraud and corruption policy from 2001 to 2005. Mr. Zhang received a bachelor's degree in English literature in 1978 from Fudan University and a master's degree in public administration in 1985 from University of the District of Columbia. Mr. Zhang completed the Harvard Advanced Management Program in 1997.

Andrew Y. Yan

Andrew Y. Yan, aged 53, has been an Independent Non-Executive Director of the Company since March 2007. He is currently the Managing Partner of SAIF Partners. Prior to joining SAIF Partners, he was the Managing Director and Head of Hong Kong office of Emerging Markets Partnership, responsible for investment in Northeast Asia and Greater China from 1994 to 2001. From 1993 to 1994, he worked at Sprint International Corporation as the Director of Strategic Planning and Business Development for the Asia Pacific Region. From 1990 to 1993, he worked in the World Bank and the Hudson Institute as an Economist and Research Fellow respectively in Washington, DC. From 1984 to 1986, he was a Research Fellow at the State Commission for Economic Restructuring of the State Council of China. From 1982 to 1984, he was the Chief Engineer at the Jianghuai Airplane Corp.. Mr. Yan received a bachelor's degree in engineering from Nanjing Aeronautic Institute in 1982. He studied in the Master Program in Department of Sociology of Peking University from 1984-1986 and received a Master of Arts' degree from Princeton University in International Political Economy in 1989. Mr. Yan also studied MBA courses at the Wharton School of Business from 1996 to 1997.

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

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

Fosun Group

Zhou Linlin, aged 49, is Vice President of the Company. Dr. Zhou joined Fosun Group in 2003. Since 2003, Dr. Zhou has been president of Principle Capital Limited. Dr. Zhou has been a director of Lier Chemical Co., Ltd. (listed on the Shenzhen Stock Exchange with stock code: 002258) since July 2007. Prior to joining Fosun Group, Dr. Zhou was president of Digital Video System, a NASDAQ company; president of Sinogen China; senior consultant of McKinsey & Company; marketing manager and business development manager of Rohm & Haas Co.; and assistant researcher of the National Research Council Canada. Dr. Zhou received a bachelor's degree in chemistry in 1982 from Fudan University, a doctorate degree in 1989 from the University of Maryland and an MBA degree in 1994 from Wharton Business School.

Chen Qiyu, aged 38, is Vice President of the Company and the chairman of Fosun Pharma. Mr. Chen was appointed chairman of Fosun Pharma in June 2010 and Vice President of the Company in August 2010, and resigned as general manager of Fosun Pharma in September of the same year. Mr. Chen was appointed non-executive director of Forte in October 2008. Mr. Chen has been chairman of the Supervisory Committee of Sinopharm since 2003, and resigned from the position on 30 May 2010 and was appointed as non-executive director on 31 May 2010. Mr. Chen has been vice chairman of Tianjin Pharmaceuticals Group Company Ltd. and director of Zhejiang D.A. Medical Treatment Holdings Ltd.. Mr. Chen joined Fosun Pharma in 1994, worked as manager in the industry development department of Fosun Group, and vice general manager, chief financial officer, secretary of the directors of the board, and executive vice general manager of Fosun Pharma. Prior to joining Fosun Group, Mr. Chen worked in the research and development department of Shanghai RAAS Blood Product Co., Ltd. Mr. Chen is Chairman of Shanghai Biopharmaceutical Industry Association, council member of the Shanghai Society of Genetics, and vice council chairman of the Fourth Council of China Medicinal Biotechnology Association. Mr. Chen received a bachelor's degree in genetics and genetic engineering in 1993 from Fudan University and an EMBA degree in 2005 from China Europe International Business School.

Fosun Pharma

Chen Qiyu, aged 38, is the chairman of Fosun Pharma. Details of Mr. Chen's biography are set out in the biographical details of senior management of Fosun Group.

Yao Fang, aged 41, is vice chairman and general manager of Fosun Pharma. Mr. Yao was executive vice general manager and chief financial officer of Fosun Pharma from April to June 2010 and has been appointed vice chairman and general manager since June 2010. In January 2011, Mr. Yao was appointed as supervisor of Sinopharm and non-executive director of Biosino. Mr. Yao served successively as assistant general manager of international business department of Shanghai International Securities Company, general manager of Shanghai S.I. Capital Co., Ltd., general manager of SIIC Management (Shanghai) Ltd., managing director of Shanghai Industrial Pharmaceutical Investment Co. Ltd., chairman of Shanghai Overseas Company, executive director of Shanghai Industrial Holdings Limited, etc. from 1993 to 2009.

Qiao Zhicheng, aged 38, is the vice general manager and chief financial officer of Fosun Pharma and was appointed secretary of board of directors of Fosun Pharma in February 2011. Mr. Qiao was appointed non-executive director of Biosino in January 2011. Mr. Qiao served successively as project manager of Beijing Yongjin Financial Adviser Co., Ltd., business director of Beijing Zhijin Technology Investment Co., Ltd., general manager of Beijing Yongjin Financial Adviser Co., Ltd. and vice general manager Yongjin Group, Inc. from 1998 to 2003. Mr. Qiao was investment director in 2004, general manager from December 2004 to August 2010, and vice chairman from July 2009 to August 2010 of ZhuZhou QianJin Pharmaceutical Co., Ltd. Since October 2010, Mr. Qiao has been appointed vice general manager and chief financial officer of Fosun Pharma.

Forte

Zhang Hua, aged 45, is the chairman, executive director and president of Forte. Mr. Zhang joined Forte in 1999. Mr. Zhang was appointed executive president of Forte in February 2009, and was appointed president of Forte in May 2009. Mr. Zhang was appointed executive director of Forte in October 2009 and chairman of Forte in December 2010. Mr. Zhang is State Certified Real Estate Appraiser and Engineer. Mr. Zhang has worked in the production and infrastructure department of Shanghai No.2 Commerce Bureau and Shanghai Shanglian Real Estate Co., Ltd.. Mr. Zhang has been vice general manager of Shanghai Puhua Real Estate Development Co., Ltd., general manager of Shanghai Forte Zhibao Real Estate Development Co., Ltd. and regional general manager of Shanghai Northern Region of Forte. Mr. Zhang received a bachelor's degree in management from Tongji University in 2003.

Wang Zhe, aged 40, is executive director, vice president and chief financial officer of Forte. Mr. Wang joined Forte in August 2002 and was appointed executive director of Forte in March 2008. Mr. Wang is also a non-executive director of Shanghai Zendai Property Limited. Prior to joining Forte, Mr. Wang worked in the Agricultural Bank of China and Shanghai Pudong Development Bank. Mr. Wang became a qualified economist in 1997. Mr. Wang graduated from the global economic department at Fudan University in 1992 with a bachelor's degree in economics. Mr. Wang graduated from the international finance department of Fudan University in 1999 and received a master's degree in international finance.

Nanjing Nangang

Yang Siming, aged 57, has been chairman and chief executive officer of Nanjing Nangang. Mr. Yang is chairman of Nanjing Iron & Steel Group Co., Ltd. and chairman of Nanjing Iron & Steel since September 2008. Since June 1991, Mr. Yang worked as party deputy secretary and disciplinary committee secretary of Nanjing Iron & Steel Factory, and vice general manager, director, general manager and party deputy secretary of Nanjing Iron & Steel Group Co., Ltd.. Mr. Yang has been director of Nanjing Steel United since April 2003 and general manager of Nanjing Steel United since August of the same year. Mr. Yang was named researcher level senior engineer by the government's Department of Personnel in September 2002. Mr. Yang received a doctorate in management from the University of Nanjing in June 2007.

Lü Peng, aged 48, is director and general manager of Nanjing Nangang and vice chairman of Nanjing Iron & Steel. Mr. Lü joined Fosun Group in June 2003 and worked as vice general manager of the iron and steel division of Fosun Group from June 2003 to November 2005, and was vice chairman of Nanjing Iron & Steel since September 2008. Prior to joining Fosun Group, Mr. Lü held various positions in the Shanghai Institute of Iron & Steel Technology from July 1985 to August 1995. Mr. Lü worked as vice general manager of Shanghai No. 3 Steel Factory from 1995 to 1996. Mr. Lü was vice general manager of Bao Steel Group Shanghai Pudong Steel Limited Company from 1996 to 2003. Mr. Lü received a bachelor's degree in steel and metallurgy in 1982 from the University of Science & Technology Beijing. Mr. Lü also received a master's degree in steel and metallurgy from the University of Science & Technology Beijing in 1985.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Sun Yimin, aged 40, is the chief financial officer of Nanjing Nangang and director of Nanjing Iron & Steel. Mr. Sun joined Fosun Group in July 2005. He was the financial manager of Shenyang Hejin Holding Investment Co., Ltd. from June 2001 to July 2005, and chief financial officer of the iron and steel division of Fosun Group as well as vice general manager and chief financial officer of Hainan Mining from July 2005 to May 2008. Since May 2008, Mr. Sun has served as chief accountant of Nanjing Steel United. Mr. Sun graduated from the Dongbei University of Finance and Economics with a bachelor's degree of economic investment management in 1992, and from Renmin University of China with a master's degree in accounting in 2001.

Hainan Mining

Chen Guoping, aged 53, is the chairman and party deputy secretary of Hainan Mining. Since November 2009, Mr. Chen has been a non-executive director of Zhaojin Mining. Mr. Chen joined Fosun Group in September 2003 and worked as chief technology officer and vice general manager of the iron and steel division of Fosun Group from September 2003 to August 2007. He has been the chairman and party deputy secretary of Hainan Mining since August 2007, general manager of the mineral resources division of Fosun Group since June 2009, and has been appointed senior assistant to the president of Fosun Group since January 2010. Prior to joining Fosun Group, Mr. Chen held various positions in Shanghai Pudong Iron and Steel Company from June 1983 to July 1998. He was the technology marketing manager of Shanghai Krupp Stainless Co., Ltd. from July 1998 to September 2003. Mr. Chen is a deputy to the fourth People's Congress of Hainan Province. Mr. Chen obtained a bachelor's degree in engineering from Shanghai University of Technology in 1988 and qualified as a senior engineer in 1997.

Liu Mingdong, aged 43, is the director, general manager and party deputy secretary of Hainan Mining. Mr. Liu held various positions such as head of planning department, head of financial planning department, assistant to general manager, vice general manager in Hainan Iron & Steel Company from August 1989 to July 2007. He was appointed the general manager and party deputy secretary of Hainan Mining in August 2007. Mr. Liu received a master's degree in engineering from University of Science & Technology Beijing in 1996 and qualified as a senior economist in February 2001.

Feng Yilin, aged 52, is the vice general manager and chief financial officer of Hainan Mining. Mr. Feng joined Fosun Group in May 2003. He was the chief investment officer of Fosun Group from May 2003 to August 2007, the supervisor of Hainan Mining from August 2007 to April 2008, and was appointed the vice general manager and chief financial officer of Hainan Mining in May 2008. Before joining the Fosun Group, Mr. Feng had worked in Shanggong Co., Ltd. for over 20 years. He was also the chief financial officer of the medical appliances department of Fosun Pharma, the vice general manager and chief financial officer of Shanghai Forever Co., Ltd. and the general manager of Shanghai Fortune ACT S&T Co., Ltd. from January 1999 to April 2003. Mr. Feng obtained a bachelor's degree in industrial accounting from the Shanghai University of Finance and Economics in July 1985 and qualified as an accountant in April 1997.

Company Secretary

Sze Mei Ming, aged 33, was appointed Company Secretary of the Company on 11 March 2009. Ms. Sze joined the Company in November 2007. Ms. Sze holds a bachelor's degree in Arts from the University of Hong Kong, a bachelor's degree in laws from the University of London and a master's degree in Chinese and Comparative Law from the City University of Hong Kong. Ms. Sze has experience in the company secretarial industry for years and is an associate member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

DIRECTORS' REPORT

The Board is pleased to present its report and the audited financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Group at that date are set out in the financial statements and the accompanying notes on pages 62 to 193.

The Board has recommended the payment of a final dividend of HKD0.17 per ordinary share for the year ended 31 December 2010 to the shareholders of the Company whose names appear on the register of members of the Company on 23 June 2011. Subject to approval by the shareholders of the Company at the annual general meeting of the Company to be held on 23 June 2011, the proposed final dividend is expected to be paid on or around 15 July 2011 to the shareholders of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 21 June 2011 to Thursday, 23 June 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and be eligible to attend and vote at the annual general meeting of the Company to be held on 23 June 2011, all transfer documents accompanied by the relevant share certificates and other relevant documents, if any, must be lodged with Computershare Hong Kong Investor Services Limited, the share registrar of the Company, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 20 June 2011.

SUMMARY FINANCIAL INFORMATION

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

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The net proceeds from the Company's issue of new shares at the time of its listing on Main Board of the Stock Exchange and the exercise of the over-allotment option in July 2007 amounted to HKD12,853.7 million. As at 31 December 2010, the proceeds of HKD12,853.7 million had been used in accordance with the proposed applications set out in the Company's prospectus in the following manner:

- approximately HKD5,086.7 million was used for repayment of bank loans;
- approximately HKD77.0 million was used for investment in pharmaceutical industry;

- approximately HKD465.3 million was used for acquiring a coking coal company and a nonferrous metal company;
- approximately HKD5,939.3 million was used for acquisitions in the services industry and other strategic investments;
- approximately HKD1,285.4 million was used as working capital of the Group.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the Reporting Period are set out in notes 13 and 14 to financial statements, respectively.

ISSUED CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in note 44 to financial statements.

SUBSIDIARIES

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

BORROWINGS

Particulars of borrowings of the Group are set out in note 36 to financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on pages 67 to 68 of this annual report and details of movements in the reserves of the Company during the Reporting Period and the Company's distributable reserves as at 31 December 2010 are set out in note 45 to financial statements.

CHARITABLE CONTRIBUTIONS

During the Reporting Period, the Group made charitable contributions totalling approximately RMB37.7 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, 30.8% of the Group's purchases were attributable to the Group's five largest suppliers with the largest supplier accounting for 7.3% of the Group's purchase. The Group's turnover attributable to the Group's five largest customers was less than 30%.

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

SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

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

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

DIRECTORS

The Directors during the Reporting Period were:

Executive Directors
Mr. Guo Guangchang *(Chairman)*
Mr. Liang Xinjun *(Vice Chairman and Chief Executive Officer)*
Mr. Wang Qunbin *(President)*
Mr. Fan Wei *(appointed as Co-President on 21 June 2010)*
Mr. Ding Guoqi
Mr. Qin Xuetang
Mr. Wu Ping

Non-Executive Director
Mr. Liu Benren

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

According to articles 106 and 107 of the Articles of Association, Mr. Guo Guangchang, Mr. Fan Wei, Mr. Ding Guoqi and Mr. Wu Ping shall retire by rotation at the forthcoming annual general meeting of the Company. All of the above four retiring Directors, being eligible, will offer themselves for re-election at the same meeting.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 38 to 46 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each Director has entered into a service contract with the Company for a term of not more than 3 years from the date of the annual general meeting for the year 2010 of the Company to the date of the annual general meeting for the year 2011 of the Company.

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

DIRECTORS' REMUNERATION

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

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2010, none of the Directors nor their respective Associates had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

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

As at 31 December 2010, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

Name of Director/ chief executive	Class of Shares	Number of Shares	Type of interests	Approximate percentage of Shares in issue
Guo Guangchang	Ordinary	5,024,555,500[1]	Corporate	78.24%
Ding Guoqi	Ordinary	12,940,000	Individual	0.20%
Qin Xuetang	Ordinary	3,880,000	Individual	0.06%
Wu Ping	Ordinary	7,760,000	Individual	0.12%

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

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

Note:

(1) Pursuant to Division 7 of Part XV of the SFO, 5,024,555,500 Shares held by Mr. Guo Guangchang are deemed corporate interests held through Fosun Holdings and Fosun International Holdings.

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

As at 31 December 2010, so far as was known to the Directors, the persons or entities, other than a Director or chief executive of the Company, who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of the substantial shareholder	Number of Shares directly or indirectly held	Approximate percentage of Shares in issue
Fosun Holdings	5,024,555,500	78.24%
Fosun International Holdings[1]	5,024,555,500[2]	78.24%

Notes:

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

(2) Fosun International Holdings is the beneficial owner of all the issued shares in Fosun Holdings and, therefore, Fosun International Holdings is deemed, or taken to be interested in the shares owned by Fosun Holdings for the purposes of the SFO.

(3) Mr. Guo Guangchang is the sole director of Fosun Holdings and Fosun International Holdings.

Save as disclosed above, so far as was known to the Directors, as at 31 December 2010, the Company has not been notified by any persons (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

SUFFICIENCY OF PUBLIC FLOAT

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

CONNECTED TRANSACTIONS

For the year ended 31 December 2010, the Company entered into the following connected transaction:

On 15 March 2010, Forte and Shanghai Shanhai Enterprise (Group) Company Limited ("Shanhai Company") entered into an equity transfer contract, whereby Forte has agreed to acquire from Shanhai Company a 40% equity interest in Shanghai Dingfen Property Development and Operation Company Limited ("Dingfen Property Company") for a consideration of RMB 153,883,685.66. The equity transfer contract came into effect on 26 March 2010 when approved by the Shanghai United Assets and Equity Exchange. Forte is a subsidiary of the Company. Shanhai Company is a substantial shareholder of Dingfen Property Company, a subsidiary of Forte, and is therefore a connected person of the Company. Further details are set out in the joint announcement of the Company and Forte dated 26 March 2010.

NON-COMPETITION UNDERTAKING

As disclosed in the prospectus of the Company, the independent non-executive Directors will review all the matters, if any, relating to the enforcement of the deed of non-competition undertaking dated 26 June 2007 ("Deed of Non-competition Undertaking"). During the Reporting Period, there were no matters relating to the enforcement of the Deed of Non-competition Undertaking that required the independent non-executive Directors to conduct a review. Fosun International Holdings, Fosun Holdings, Mr. Guo Guangchang, Mr. Liang Xinjun, Mr. Wang Qunbin and Mr. Fan Wei (the "Controlling Shareholders") have provided the Company with an annual declaration of compliance with the provisions of the Deed of Non-competition Undertaking.

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

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

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

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

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

RELATED PARTY TRANSACTIONS

Related party transactions entered by the Group during the Reporting Period are disclosed in note 50 to financial statements.

SUBSEQUENT EVENTS

Details of significant subsequent events of the Group are set out in note 54 to financial statements.

COMPLIANCE WITH THE MODEL CODE

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

COMPLIANCE WITH THE CG CODE

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

Further information on the corporate governance practices of the Company is set out in the Corporate Governance Report on pages 30 to 37 of this annual report.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive Directors, namely Mr. Zhang Shengman (Chairman), Dr. Chen Kaixian and Mr. Andrew Y. Yan. The main duties of the Audit Committee are to review and monitor the financial reporting procedures and internal control system of the Company, and to provide recommendations and advice to the Board. The Audit Committee has reviewed the 2010 annual results of the Group.

AUDITORS

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

On Behalf of the Board

Guo Guangchang
Chairman

Shanghai, the PRC
28 March 2011

CORPORATE SOCIAL RESPONSIBILITY

ACTIVELY LEADING THE BUILDING OF THE CHINESE PRIVATE ENTERPRISE PAVILION IN WORLD EXPO, SHOWING THE SPIRIT OF PRIVATELY-OWNED ENTERPRISES OF CHINA

The excellent performance of the Chinese Private Enterprise Pavilion in 2010 World Expo demonstrated the vitality of the economy created by privately-owned enterprises, and showed the ability of the Group as "Organiser of the First Alliance of Privately-owned Enterprises of China", which was well recognised by society. The Chinese Private Enterprise Pavilion received more than 2.13 million visitors and a large number of VIP guests. At the same time, it was awarded a lot of prizes, including The Highest Commercial Value World Expo Stadium Award, The Best Performance Award, Influential Zhejiang Entrepreneur Award, Excellent Stadium Award, World Expo Advanced Personnel Award, Chinese Brand Excellent Contribution Award, Future Star Award, Top Ten Stadiums of Companies Award.

The Chinese Private Enterprise Pavilion project fostered mutual cooperation and exchange among privately-owned enterprises. In 2010, thanks to the brand effect of the Chinese Private Enterprise Pavilion project platform, the "Shinning Star Project" was carried out smoothly. Funds to be raised therefrom will be used for developing a private enterprise centre jointly.

SHOWING CONCERN FOR THE ECOLOGY OF BUSINESS ENVIRONMENT BY SETTING UP A GLOBAL INVESTMENT PLATFORM

In 2010, the Group was dedicated to creating a global investment platform with attention to asset, industrial and talents management in order to create a commercial ecological circle crossing borders, cultures and sectors.

In 2010, through macro-economic seminars, the Group helped the entrepreneurs to have an in-depth understanding of the changes in the economy situation of the world, and to continue to have advanced concepts and insights.

IMPROVING MANAGEMENT CAPABILITY TO CULTIVATE DIFFERENT TYPES OF TALENTS

In December 2010, the long planned Fosun Management Institute was set up. Its establishment signified the enhancement of the human resources management capability at group level. This institute will become an important platform to nurture entrepreneurs, investment and financing experts, human resources experts and different types of professionals. The management institute also provides a better training system and more room for career development for the staff of the Group.

In 2010, the Institute of Strategy Studies of Fosun Group was in operation officially. The Institute of Strategy Studies is positioned to integrate the knowledge resources of the investment team, operating team of the sectors and functional management team aiming to improve the ability of the Group to discover opportunities and to cope with changes with foresight in a systematic way. During the same year, Fosun Steel Institute was in operation and continued to lead the Group's research of the iron and steel industry.

FOSTERING THE CHINESE TRADITIONAL CULTURE AND ADVOCATING PHYSICAL AND MENTAL HEALTH

In 2010, the Group continued to sponsor the Taiji Cultural Research Society to promote the Taiji in Chen Style; the Group also used Taiji culture as the basis to actively advocate entrepreneurs and employees to practise Taiji so as to help them maintain physical and mental health.

In 2010, the Group donated RMB500,000 to Shanghai Symphony Development Foundation to foster the development of culture.

DISASTER RELIEF AND CHARITY

In 2010, there were natural disasters in several regions in China. The Group reacted quickly and rendered relief to victims in time and expressed love and concern.

In 2010, the Group actively cooperated with several charity foundations to help the distressed in society, we donated funds to Shanghai Soong Ching Ling Foundation, Shanghai Social Enterpreneur Foundation (RMB1 million was fixed to help the victims of the draught in southwest China), CHINA Foundation for Guangcai Program (RMB10 million was used for poverty relief of All-China Federation of Industry and Commerce and the quake relief of Yushu, RMB5 million was used for the relief for victims in Zhouqu mudslide). In October 2010, the Group raised RMB2.178 million for the victims in Hainan flooding by holding the charity banquet of Miss World together with More Love Foundation and Hainan Charity Confederation.

In addition, the Group also continued to cooperate with Shanghai Charity Foundation, Aiyou Huaxia Charity Foundation, China Social Assistance Foundation, Society of Entrepreneurs & Ecology, Beijing Leping Welfare Foundation etc to support environmental protection, saving of children with heart disease and poverty relief of the rural population etc.

CONTINUING TO ADVOCATE ENTREPRENEURSHIP AND EMPLOYMENT OF YOUNGSTERS, FACILITATING EDUCATION WORK

In 2010, the Chairman of the Company, Mr. Guo Guangchang and the CEO of the Company, Mr. Liang Xinjun delivered speeches to the students of their alma mater, Fudan University. They encouraged young people to develop ability and choose career path wisely and to continue to contribute to society. In 2010, Fosun Education Fund of Fudan University received a donation of RMB1 million from the Group. The Group donated RMB1 million to Shanghai Foundation for Youth Entrepreneurship and Employment to support the projects of entrepreneurship and employment.

MAJOR AWARDS OF THE GROUP IN 2010:

Ranking one of Top 100 Fortune Companies of Chinese Private Enterprises (Mainland) issued by Southern Weekend;

Ranking one of the China's Most Promising Companies issued by the Asset Magazine;

Award for Corporate of Best Nurturing of Leadership in China; and

Mr. Guo Guangchang, the Chairman of the Company, was the Awardee for Directors of the year Awards 2010 (Non Hang Seng Index Constituents).

HUMAN RESOURCES

As at 31 December 2010, the Group had approximately 30,000 employees.

In 2010, the Human Resources Department of the Group focused on the globalisation development strategies of the Group and formulated the "Human Resources Development Planning for the Coming Five Years", which clearly specified that an excellent entrepreneur team will be built up in 3 to 5 years who adhere our corporate culture, undertake our future development, and provide strong guarantee and support to the execution of "China Expertise and Global Capacity" of the Group.

In the aspect of organisation structure, in 2010 the Group set up an office in New York, and attracted investment talents in Australia so as to strengthen the investment and fund raising capability abroad. In the attraction of talent area, we increased the recruitment of high-end talents, including the hiring of senior managerial staff with rich management experience in different sectors on the business sides for the business departments of different sectors, and in the functional management area, we attracted international talents with rich management experience and innovative ability. At the same time, the group formulated the relevant talent plans for the recruitment of fresh graduates, according to which we emphasised talent selection and training, and laid a solid base for the staff team.

In the aspect of system formulation, the Group formulated a relatively advance performance and remuneration management system and work flow by way of benchmarking with outstanding entreprises and asset management companies in the market. With the research and survey of the remuneration market, we designed a compensation and benefit proposal which both contained our characteristics and was competitive in the market, which included administrative measures for PE investment incentives and long term incentive proposals of the senior management. And through an appraisal system linked to the strategic goals, we continued to improve performance appraisal.

In the aspect of training, we set up Fosun Management Institute in 2010. We formed a more systematic, professional resource platform with multi-channels of continuous training for professional managers and excellent entrepreneurs. We further improved the training system and provided guarantee for the long term sustainable development of the Group.

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安永會計師事務所

18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

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

We have audited the consolidated financial statements of Fosun International Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 62 to 193, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst and Young
Certified Public Accountants

Hong Kong
28 March 2011

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
REVENUE	6	**44,643,702**	34,855,818
Cost of sales		**(35,277,157)**	(29,161,430)
Gross profit		**9,366,545**	5,694,388
Other income and gains	6	**4,304,874**	6,492,385
Selling and distribution costs		**(1,470,694)**	(1,175,543)
Administrative expenses		**(2,075,864)**	(1,751,807)
Other expenses		**(825,750)**	(951,951)
Finance costs	7	**(1,572,100)**	(1,108,335)
Share of profits and losses of:			
Jointly-controlled entities	21	**(23,156)**	13,825
Associates		**949,437**	962,563
PROFIT BEFORE TAX	8	**8,653,292**	8,175,525
Tax	10	**(2,506,590)**	(1,357,154)
PROFIT FOR THE YEAR		**6,146,702**	6,818,371
Attributable to:			
Owners of the parent	45	**4,227,092**	4,646,679
Non-controlling interests		**1,919,610**	2,171,692
		6,146,702	6,818,371
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted (RMB)	12	**0.66**	0.72

Details of the dividends payable and proposed for the year are disclosed in note 11 to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
PROFIT FOR THE YEAR		**6,146,702**	6,818,371
OTHER COMPREHENSIVE INCOME			
Available-for-sale investments:			
Changes in fair value		**2,474,233**	705,720
Reversal of changes in fair value arising from an available-for-sale investment becoming an associate (note 22)		**(152,931)**	–
Reclassification adjustments for gains included in the consolidated income statement – gain on disposal		**(7,505)**	(52,910)
Income tax effect	*28*	**(554,046)**	(120,851)
		1,759,751	531,959
Share of other comprehensive income of jointly-controlled entities		**3,740**	2,515
Share of other comprehensive income of associates		**297,700**	180,255
Reserves released upon disposal of associates		**–**	(528)
Exchange differences on translation of foreign operations		**(132,355)**	(149,702)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**1,928,836**	564,499
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**8,075,538**	7,382,870
Attributable to:			
Owners of the parent		**5,797,609**	5,065,043
Non-controlling interests		**2,277,929**	2,317,827
		8,075,538	7,382,870

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**20,553,341**	17,767,235
Investment properties	14	**2,551,167**	2,057,400
Prepaid land lease payments	15	**1,278,066**	1,162,655
Exploration and evaluation assets	16	**437,762**	420,689
Mining rights	17	**717,680**	733,586
Intangible assets	18	**240,978**	34,486
Goodwill	19	**376,875**	126,929
Investments in jointly-controlled entities	21	**1,070,429**	755,823
Investments in associates	22	**15,238,649**	9,621,368
Held-to-maturity investments	23	**14,312**	79,220
Available-for-sale investments	24	**7,327,045**	2,943,458
Properties under development	25	**6,931,439**	5,089,455
Due from related companies	35	**413,793**	191,905
Loans receivable	26	**1,493,432**	220,000
Prepayments	27	**756,748**	616,313
Deferred tax assets	28	**1,005,809**	793,985
		60,407,525	42,614,507
Non-current asset held for sale	29	**148,049**	–
Total non-current assets		**60,555,574**	42,614,507
CURRENT ASSETS			
Cash and bank balances	30	**21,334,977**	15,947,571
Equity investments at fair value through profit or loss	31	**6,478,648**	4,922,253
Trade and notes receivables	32	**5,496,535**	4,768,991
Prepayments, deposits and other receivables	33	**3,990,536**	3,293,096
Inventories	34	**6,901,609**	5,583,671
Completed properties for sale		**2,014,437**	1,698,292
Properties under development	25	**9,856,198**	6,868,166
Loans receivable	26	**220,000**	–
Due from related companies	35	**1,526,292**	908,592
		57,819,232	43,990,632
Assets of a disposal group classified as held for sale	29	**–**	1,548,894
Total current assets		**57,819,232**	45,539,526

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	36	**22,026,769**	16,792,363
Loans from a related company	37	**26,678**	–
Trade and notes payables	38	**8,617,385**	6,861,967
Accrued liabilities and other payables	39	**12,860,400**	10,531,066
Tax payable		**2,531,045**	1,468,607
Finance lease payables	40	**40,116**	–
Derivative financial instruments	41	**84,566**	–
Due to the holding company	35	**1,092,250**	878,749
Due to related companies	35	**954,385**	345,423
		48,233,594	36,878,175
Liabilities directly associated with the assets classified as held for sale	29	**–**	997,393
Total current liabilities		**48,233,594**	37,875,568
NET CURRENT ASSETS		**9,585,638**	7,663,958
TOTAL ASSETS LESS CURRENT LIABILITIES		**70,141,212**	50,278,465
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	36	**21,795,074**	11,913,006
Loans from related companies	37	**86,887**	106,618
Finance lease payables	40	**164,178**	–
Deferred income	42	**144,876**	82,669
Other long term payables	43	**474,466**	561,921
Deferred tax liabilities	28	**2,476,645**	1,241,973
Total non-current liabilities		**25,142,126**	13,906,187
Net assets		**44,999,086**	36,372,278
EQUITY			
Equity attributable to owners of the parent			
Issued capital	44	**621,497**	621,497
Reserves	45	**28,322,703**	22,935,553
Proposed final dividend	11	**928,936**	927,270
		29,873,136	24,484,320
Non-controlling interests		**15,125,950**	11,887,958
Total equity		**44,999,086**	36,372,278

Guo Guangchang
Director

Ding Guoqi
Director

STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Office equipment	*13*	**–**	22
Investments in subsidiaries	*20*	**1,914,476**	1,920,386
Investment in an associate	*22*	**82,421**	82,421
Held-to-maturity investments	*23*	**–**	35,320
Total non-current assets		**1,996,897**	2,038,149
CURRENT ASSETS			
Cash and bank balances	*30*	**1,786,810**	2,458,576
Equity investments at fair value through profit or loss	*31*	**5,483,461**	4,106,493
Prepayments, deposits and other receivables	*33*	**836**	1,567
Due from subsidiaries	*35*	**10,887,527**	8,334,529
Total current assets		**18,158,634**	14,901,165
CURRENT LIABILITIES			
Interest-bearing bank loans	*36*	**562,930**	411,848
Accrued liabilities and other payables	*39*	**17,683**	1,489
Tax payable		**27,201**	1,282
Due to the holding company	*35*	**1,092,250**	878,749
Total current liabilities		**1,700,064**	1,293,368
NET CURRENT ASSETS		**16,458,570**	13,607,797
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,455,467**	15,645,946
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	*36*	**2,611,320**	70,438
Net assets		**15,844,147**	15,575,508
EQUITY			
Issued capital	*44*	**621,497**	621,497
Reserves	*45*	**14,293,714**	14,026,741
Proposed final dividend	*11*	**928,936**	927,270
Total equity		**15,844,147**	15,575,508

Guo Guangchang
Director

Ding Guoqi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

Group

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 44)	Share premium RMB'000	Other deficits RMB'000 (note 45(a))	Statutory surplus reserve RMB'000 (note 45(b))	Available-for-sale investments revaluation reserve RMB'000	Capital redemption reserve RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000 (note 11)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2009	621,497	11,785,713	(443,540)	2,025,450	147,275	1,465	5,494,898	(215,531)	453,051	19,870,278	10,172,809	30,043,087
Total comprehensive income for the year	–	–	–	–	566,841	–	4,646,679	(148,477)	–	5,065,043	2,317,827	7,382,870
Acquisition of subsidiaries (note 46(a))	–	–	–	–	–	–	–	–	–	–	4,550	4,550
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	166,281	166,281
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(607,356)	(607,356)
Final 2008 dividend declared	–	–	–	–	–	–	–	–	(453,051)	(453,051)	–	(453,051)
Proposed final dividends	–	–	–	–	–	–	(927,270)	–	927,270	–	–	–
Transfer from retained profits	–	–	–	198,439	–	–	(198,439)	–	–	–	–	–
Liquidation of a subsidiary	–	–	–	–	–	–	–	–	–	–	(18,795)	(18,795)
Disposal of partial interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	23,511	23,511
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	(182,742)	(182,742)
Equity-settled share-based payment	–	2,050	–	–	–	–	–	–	–	2,050	1,832	3,882
Compensation arising from LAT provision	–	–	–	–	–	–	–	–	–	–	10,041	10,041
At 31 December 2009	621,497	11,787,763*	(443,540)*	2,223,889*	714,116*	1,465*	9,015,868*	(364,008)*	927,270	24,484,320	11,887,958	36,372,278

* These reserves accounts comprise the consolidated reserve of RMB22,935,553,000(2008: RMB18,795,730,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

Group *(continued)*

	Attributable to owners of the parent												
	Issued capital RMB'000 (note 44)	Share premium RMB'000	Other deficits RMB'000 (note 45(a))	Statutory surplus reserve RMB'000 (note 45(b))	Available-for-sale investments revaluation reserve RMB'000	Capital redemption reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000 (note 11)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	621,497	11,787,763	(443,540)	2,223,889	714,116	1,465	-	9,015,868	(364,008)	927,270	24,484,320	11,887,958	36,372,278
Reversal of impairment loss arising from an available-for-sale investment becoming an associate (note 22)	-	-	-	-	-	-	-	134,223	-	-	134,223	56,003	190,226
As restated	621,497	11,787,763	(443,540)	2,223,889	714,116	1,465	-	9,150,091	(364,008)	927,270	24,618,543	11,943,961	36,562,504
Total comprehensive income for the year	-	-	-	-	1,718,598	-	-	4,227,092	(148,081)	-	5,797,609	2,277,929	8,075,538
Acquisition of subsidiaries (note 46(a))	-	-	-	-	-	-	-	-	-	-	-	441,549	441,549
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	1,603,309	1,603,309
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(562,071)	(562,071)
Final 2009 dividend declared	-	-	-	-	-	-	-	-	-	(927,270)	(927,270)	-	(927,270)
Proposed final dividend	-	-	-	-	-	-	-	(928,936)	-	928,936	-	-	-
Transfer from retained profits	-	-	-	166,648	-	-	-	(166,648)	-	-	-	-	-
Disposal of subsidiaries (note 46(b))	-	-	-	-	-	-	-	-	-	-	-	(75,006)	(75,006)
Liquidation of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(31,451)	(31,451)
Deemed disposal of partial interests in subsidiaries without losing control	-	-	-	-	-	-	171,683	-	-	-	171,683	(171,683)	-
Disposal of partial interests in a subsidiary without losing control	-	-	-	-	-	-	19,648	-	-	-	19,648	21,243	40,891
Deemed acquisition of additional interests in subsidiaries	-	-	-	-	-	-	285,278	-	-	-	285,278	(285,278)	-
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	(92,355)	-	-	-	(92,355)	(69,190)	(161,545)
Compensation arising from LAT provision	-	-	-	-	-	-	-	-	-	-	-	32,638	32,638
At 31 December 2010	621,497	11,787,763*	(443,540)*	2,390,537*	2,432,714*	1,465*	384,254*	12,281,599*	(512,089)*	928,936	29,873,136	15,125,950	44,999,086

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**8,653,292**	8,175,525
Adjustments for:			
Depreciation of items of property, plant and equipment	8	**1,734,183**	1,806,875
Amortisation of prepaid land lease payments	15	**27,324**	20,947
Amortisation of intangible assets	18	**5,266**	9,826
Amortisation of mining rights	17	**89,743**	110,573
Provision for impairment of items of property, plant and equipment	13	**6,500**	1,043
Provision for impairment of available-for-sale investments	8	**723**	167,143
Provision for impairment of goodwill	8	**64,983**	3,179
Provision for impairment of intangible assets	18	**–**	1,094
Provision for impairment of mining rights	17	**–**	266,562
Net loss on disposal of items of property, plant and equipment	6,8	**32,228**	5,283
Gain on disposal of available-for-sale investments	8	**(95,890)**	(133,643)
Gain on disposal of equity investments at fair value through profit or loss	6	**(917,594)**	(42,379)
Net gain on disposal of subsidiaries	46(b)	**(964,164)**	(494)
Gain on disposal of associates	6	**(194,681)**	(640,145)
Net gain on disposal of non-current assets classified as held for sale	6,8	**–**	(16,985)
Gain on deemed acquisition of interests in a subsidiary	6	**–**	(26,446)
Gain on disposal of partial interest in associates	6	**–**	(27,096)
Loss on disposal of investment properties	8	**–**	790
Gain on deemed disposal of interests in associates	6	**(97,849)**	(2,605,609)
Equity-settled share-based payment expense	8	**–**	16,426
Provision/(reversal) for impairment of receivables	8	**12,655**	(539)
Provision for inventories	8	**39,720**	54,693
Reversal for impairment of properties under development	8	**–**	(19,168)
Interest expenses		**1,503,799**	1,081,131
Fair value adjustment on equity investments at fair value through profit or loss	6	**(912,920)**	(2,015,010)
Gain on acquisition of interests in subsidiaries	6	**–**	(4,057)
Gain on settlement of derivative financial instruments	6	**(30,475)**	–
Dividends from equity investments at fair value through profit or loss	6	**(5,951)**	(1,414)
Fair value gains on investment properties	14	**(264,578)**	(85,195)
Fair value loss on derivative financial instruments		**84,566**	–
Interest income	6	**(244,513)**	(159,312)
Dividends from available-for-sale investments	6	**(77,509)**	(109,835)
Provision for impairment of non-current assets held for sale	8	**81,298**	–
Share of profits and losses of associates		**(949,437)**	(962,563)
Subtotal carried forward		**7,580,719**	4,871,200

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)			
Subtotal brought forward		**7,580,719**	4,871,200
Share of profits and losses of jointly-controlled entities		**23,156**	(13,825)
Provision for indemnity of LAT	*8*	**32,638**	10,041
CASH INFLOW BEFORE WORKING CAPITAL CHANGES		**7,636,513**	4,867,416
(Increase)/decrease in properties under development		**(2,341,530)**	715,910
Increase in properties held for sale		**(271,358)**	(2,186,350)
Increase in investment property		**(67,490)**	–
Increase in trade and notes receivables		**(482,458)**	(2,331,358)
Increase in prepayments, deposits and other receivables		**(249,292)**	(1,288,374)
(Increase)/decrease in inventories		**(1,084,363)**	572,750
(Increase)/decrease in amounts due from related companies		**(839,588)**	144,361
Increase in trade and notes payables		**1,359,288**	1,960,632
Increase in accrued liabilities and other payables		**3,941,091**	3,532,274
Increase in deferred income		**62,207**	34,967
Decrease in other long term payables		**(87,455)**	(72,330)
Increase/(decrease) in amounts due to related companies		**548,962**	(117,552)
CASH INFLOW FROM OPERATIONS		**8,124,527**	5,832,346
Interest paid		**(425,452)**	(449,190)
Income tax paid		**(1,574,537)**	72,616
NET CASH FLOWS FROM OPERATING ACTIVITIES		**6,124,538**	5,455,772

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(4,456,524)**	(2,879,913)
Increase of prepaid land lease payments		**(41,868)**	(292,044)
Purchase of intangible assets		**(29,110)**	(27,531)
Purchase of held-to-maturity investments		**–**	(13,656)
Purchase of exploration and evaluation assets		**(73,837)**	(34,044)
Purchase of mining rights		**(17,073)**	–
Purchase of available-for-sale investments		**(2,249,311)**	(705,256)
Purchase of equity investments at fair value through profit or loss		**(2,614,383)**	(1,826,841)
Acquisition of additional interests in subsidiaries		**(992,054)**	(191,756)
Proceeds from disposal of equity investments at fair value through profit or loss		**2,715,155**	495,820
Proceeds from disposal of available-for-sale investments		**209,385**	297,446
Proceeds from disposal of investment properties		**–**	428,210
Proceeds from disposal of items of property, plant and equipment		**323,195**	87,485
Proceeds from disposal of intangible assets		**4,374**	10,951
Proceeds from disposal of held-to-maturity investments		**80,429**	280
Proceeds from disposal of subsidiaries	*46(b)*	**681,428**	2,841
Proceeds from disposal of associates		**845,188**	1,040,045
Proceeds from disposal of non-current assets classified as held for sale		**–**	407,394
Acquisition of subsidiaries	*46(a)*	**(988,442)**	(628,873)
Acquisition of associates		**(5,219,263)**	(719,872)
Acquisition of jointly-controlled entities		**(269,020)**	(110,515)
Liquidation of a subsidiary		**–**	(18,795)
Dividends received from available-for-sale investments	*6*	**77,509**	109,835
Dividends received from equity investments at fair value through profit or loss	*6*	**5,951**	1,414
Dividends received from associates		**295,078**	498,425
Shareholder loans provided to a jointly-controlled entity and an associate		**(1,493,432)**	–
Increase in pledged bank balances and time deposits with original maturity of more than three months		**(111,054)**	(2,284,011)
Prepayment for proposed acquisitions		**(275,901)**	(143,500)
Interest received	*6*	**244,513**	159,312
Proceeds from settlement of derivative financial instruments		**30,475**	–
Return of prepayment in respect of a proposed acquisition		**–**	44,880
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(13,318,592)**	(6,292,269)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sales and lease-back of machinery		**175,000**	–
Capital contribution from non-controlling shareholders of subsidiaries		**1,603,309**	166,281
New bank and other borrowings		**36,613,831**	30,678,521
Repayment of bank and other borrowings		**(22,803,659)**	(25,960,614)
Dividends paid to non-controlling shareholders of subsidiaries		**(502,071)**	(811,356)
Dividends paid		**(1,176,023)**	(143,121)
Interest paid		**(1,484,799)**	(1,075,851)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**12,425,588**	2,853,860
NET INCREASE IN CASH AND CASH EQUIVALENTS		**5,231,534**	2,017,363
Cash and cash equivalents at beginning of year		**11,595,058**	9,577,695
CASH AND CASH EQUIVALENTS AT END OF YEAR		**16,826,592**	11,595,058
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:			
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	*30*	**16,826,592**	11,550,240
Cash and pledged deposits attributable to assets of a disposal group classified as held for sale		**–**	44,818
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS		**16,826,592**	11,595,058

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

1. CORPORATE INFORMATION

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

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

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the manufacture and sale of pharmaceutical products, property development, the manufacture and sale of iron and steel products, mining and ore processing of various metals, and the management of investments.

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

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

2.1 BASIS OF PRESENTATION

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

2.1 BASIS OF PRESENTATION *(Continued)*

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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

If 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.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests(formerly known as minority interests), prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 (Revised in December 2009), the adoption of the new and revised HKFRSs have had no significant financial effect on these financial statements.

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

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

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

(a) *(Continued)*

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

  Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

  The Group has reassessed its leases in Mainland China, previously classified as operating leases, upon the adoption of the amendments. The classification of leases in Mainland China remained as operating leases.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010

2 Effective for annual periods beginning on or after 1 July 2010

3 Effective for annual periods beginning on or after 1 January 2011

4 Effective for annual periods beginning on or after 1 July 2011

5 Effective for annual periods beginning on or after 1 January 2013

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

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

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

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

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

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting derecognition and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2013.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

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

Except as stated above, the Group expects that the adoption of the above new and revised HKFRSs is unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Jointly-controlled entities

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates

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

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

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

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

Business combinations and goodwill

Business combinations from 1 January 2010

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 acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Business combinations from 1 January 2010 *(Continued)*

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled 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 net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

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

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

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

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Business combinations prior to 1 January 2010

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Impairment of non-financial assets

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

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

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

Related parties

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

(a) the party, directly, or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

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

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

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	15 to 40 years
Plant and machinery	8 to 15 years
Office equipment	5 years
Motor vehicles	5 years
Mining infrastructure	18 years
Leasehold improvements	The shorter of the lease terms or their useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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

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

Investment properties

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

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

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

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. 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 income statement.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets and disposal groups held for sale

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

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

Intangible assets (other than goodwill)

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

Trademark

Trademark 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 trademark 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.

Patents, licences and technical know-how

Purchased patents, licences and technical know-how are stated at cost less any impairment losses and are amortised on the straight-line basis over the respective estimated useful lives of not exceeding 10 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Research and development costs

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

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

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

Exploration and evaluation assets

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

Mining rights

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

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

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 finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated income statement so as to provide a constant periodic rate of charge over the lease terms.

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. 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. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the other income and gains or other expenses in the consolidated income statement. These net fair value changes recognised do not include any dividends on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

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

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 taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the financial costs in the consolidated income statement. The loss arising from impairment is recognised in the consolidated income statement.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Held-to-maturity investments

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

Available-for-sale financial investments

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

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

When the fair value of unlisted equity securities 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 securities are stated at cost less any impairment losses.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

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

For a financial asset reclassified out of the available-for-sale category, 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 expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

Derecognition of financial assets

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Initial recognition and measurement *(Continued)*

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Loans and other borrowings

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement *(Continued)*

Financial guarantee contracts

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

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 in the respective carrying amounts is recognised in the consolidated income statement.

Offsetting of financial instruments

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

Fair value of financial instruments

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

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments

Initial recognition and subsequent measurement

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work-in-progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads.

Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Properties under development

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Completed properties for sale

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

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.

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

Provisions

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

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

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

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, 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, except:

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

Government grants

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and 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.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

(b) Sale of completed properties

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

(c) Service fees

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

(d) Rental income

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

(e) Interest income

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

(f) Dividend income

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits

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

(i) Defined contribution pension schemes

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

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

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

Qualified SOE Employees

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

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

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

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits *(Continued)*

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

Qualified SOE Employees (Continued)

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

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

Qualified Retirees

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Accommodation benefits

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

Mandatory Provident Fund retirement benefits scheme

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

Borrowing costs

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

Dividends

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation

The functional currency of the Company and its subsidiaries incorporated outside Mainland China is Hong Kong dollars ("HKD"). The functional currency of the PRC subsidiaries is RMB. The financial statements are presented in RMB, which is the Group's presentation currency.

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the consolidated income statement. Non-monetary items that are measured in items of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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 – the 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), 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 held for use in the production or supply of goods or services or for administrative purposes.

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

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

(iii) Deferred tax liabilities

Deferred tax liabilities are recognised for withholding corporate income taxes relating to the unremitted earnings of the Group's subsidiaries established in Mainland China that are subject to withholding taxes. Significant management judgement is required to determine the amount of deferred tax liabilities, based upon the likely distribution level of such earnings from these subsidiaries in the foreseeable future. The carrying value of deferred tax liabilities arising from the withholding tax associated with the investments in subsidiaries in Mainland China for the year ended 31 December 2010 was RMB60,891,000 (2009: RMB63,821,000). Further details are contained in note 28 to the financial statements.

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed 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 unit 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 2010 was RMB376,875,000 (2009: RMB126,929,000). Further details are given in note 19.

(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. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. For the year ended 31 December 2010, impairment losses in the amount of RMB87,798,000 (2009: RMB268,699,000) have been recognised as set out in note 8 to the financial statements.

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

The Group classifies certain investments as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the consolidated income statement. For the year ended 31 December 2010, impairment losses in the amount of RMB723,000 (2009: RMB167,143,000) have been recognised for available-for-sale financial assets. As at 31 December 2010, the carrying amount of available-for-sale assets was RMB7,327,045,000 (2009: RMB2,943,458,000).

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

Estimation uncertainty *(Continued)*

(iv) Estimation of fair value of investment properties

As described in note 14 to the financial statements, investment properties were revalued on 31 December 2010 on an open market value existing use basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of reporting period.

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

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

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

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

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31 December 2010 was RMB2,551,167,000 (2009: RMB2,057,400,000).

(v) Provision for bad debts of loans and receivables

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

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

Estimation uncertainty *(Continued)*

(vi) Estimation of rehabilitation cost provision

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

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

(vii) Useful lives of property, plant and equipment

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

(viii) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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

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

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

Particulars of the principal companies comprising the Group, associates and jointly-controlled entities at 31 December 2010 are set out below:

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

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

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

Particulars of the principal companies comprising the Group, associates and jointly-controlled entities at 31 December 2010 are set out below: *(Continued)*

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Steel segment (Continued)						
南京鋼鐵有限公司 (Nanjing Iron & Steel Limited)	PRC 28 June 2001	1,279,637	–	100.0%	50.3%	Manufacture and sale of iron and steel products
南京金騰鋼鐵有限公司 (Nanjing Jinteng Iron & Steel Co., Ltd.)	PRC 22 February 1993	67,484	–	100.0%	50.3%	Manufacture and sale of iron and steel products
香港金騰國際有限公司 (Hong Kong Jinteng International Company Limited)	HK 20 June 2005	HKD20,000,000	–	100.0%	50.3%	International trading
南京鋼鐵集團國際經濟貿易有限公司 (Nanjing Iron & Steel Group International Trading Co., Ltd.)	PRC 15 April 1998	100,000	–	100.0%	50.3%	International trading
Pharmaceuticals and healthcare segment						
上海復星醫藥(集團)股份有限公司 * (Shanghai Fosun Pharmaceutical (Group) Co., Ltd.)	PRC 13 July 1998	1,904,392	–	48.1%	48.1%	Manufacture and sale of pharmaceutical products
上海復星醫藥產業發展有限公司 (Shanghai Fosun Pharmaceuticals Industrial Development Co., Ltd.)	PRC 27 November 2001	92,250	–	100.0%	48.1%	Investment holding
上海復星醫藥投資有限公司 (Shanghai Fosun Pharmacy Investment Co., Ltd.)	PRC 1 September 2000	689,600	–	100.0%	48.1%	Investment holding
上海復星化工醫藥投資有限公司 (Shanghai Fosun Chemical Pharmacy Investment Co., Ltd.)	PRC 23 November 2003	75,000	–	96.0%	46.2%	Investment holding

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

Particulars of the principal companies comprising the Group, associates and jointly-controlled entities at 31 December 2010 are set out below: *(Continued)*

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company Direct	Indirect	Effective	Principal activities
Property segment						
復地(集團)股份有限公司 (Shanghai Forte Land Co., Ltd.)	PRC 13 August 1998	505,861	12.9%	57.7%	70.6%	Property development
上海復地投資管理有限公司 (Shanghai Forte Investment Co., Ltd.)	PRC 21 July 2006	80,000	–	100%	70.6%	Investment holding
上海柏斯置業有限公司 (Shanghai Perth Property Co., Ltd.)	PRC 14 November 2002	50,000	–	100%	70.6%	Property development
北京西單佳慧房地產開發有限公司 (Beijing Xidan Jiahui Property Development Co., Ltd.)	PRC 27 August 2002	41,379	–	100%	70.6%	Property development
浙江復地房地產開發有限公司 (Zhejiang Forte Property Development Co., Ltd.)	PRC 20 November 2006	440,000	–	75%	53.0%	Property development
Mining segment						
海南礦業股份有限公司 (Hainan Mining Co., Ltd.)	PRC 1 September 2007	1,500,000	–	60.0%	60.0%	Mining and ore processing
安徽金安礦業有限公司 (Anhui Jin'an Mining Co., Ltd.)	PRC 24 July 2006	100,000	–	100.0%	50.3%	Mining and ore processing
Associates						
國藥產業投資有限公司 (Sinopharm Industrial Investment Co., Ltd.)	PRC 6 May 2008	700,000	–	49.0%	23.6%	Sale of pharmaceutical products

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

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

Particulars of the principal companies comprising the Group, associates and jointly-controlled entities at 31 December 2010 are set out below: *(Continued)*

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Associates (Continued)						
上海豫園旅遊商城股份有限公司@ (Shanghai Yuyuan Tourist Mart Co., Ltd.)	PRC 13 May 1992	798,512	–	17.3%	17.3%	Retail
天津建龍鋼鐵實業有限公司 (Tianjin Jianlong Iron & Steel Industrial Co., Ltd.)	PRC 14 September 2010	1,000,000	–	26.7%	26.7%	Manufacture and sale of iron and steel products
上海海之門房地產投資管理有限公司 (Shanghai Haizhimen Property Investment and Management Co., Ltd.)	PRC 26 April 2010	1,000,000	–	50.0%	50.0%	Property investment and management
上海証大房地產有限公司@ (Shanghai Zendai Property Limited)	Bermuda 28 July 2004	HKD208,188,000	–	19.5%	13.8%	Property investment and management
北京華夏建龍礦業科技有限公司@ (Beijing Huaxia Jianlong Mining Technology Co., Ltd.)	PRC 19 September 2003	108,750	–	18.4%	18.4%	Mining and refining of steel ores
Jointly-controlled entities						
無錫復地房地產開發有限公司 (Wuxi Forte Real Estate Development Co., Ltd.)	PRC 28 September 2004	195,000	–	50.0%	35.3%	Property development
陝西省建秦房地產開發有限公司 (Shaanxi Jianqin Real Estate Development Co., Ltd.)	PRC 22 September 1992	130,000	–	50.0%	35.3%	Property development

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

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

The above table lists the subsidiaries, associates and jointly-controlled entities of the Group which, in the opinion of the Directors of the Company, principally affected the results of the Group for the year ended 31 December 2010 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries, associates and jointly-controlled entities would, in the opinion of the Directors of the Company, result in particulars of excessive length.

Notes:

* Shanghai Fosun Pharmaceutical (Group) Co., Ltd ("Fosun Pharma") continues to be accounted for as a subsidiary by virtue of the Group's control over the board of directors as well as the operating and financial policies of this company, despite the fact that the Group's equity interest in this company was diluted to 48.1% in the year ended 31 December 2010.

@ 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 equity interest in these associates were lower than 20% for the year ended 31 December 2010.

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

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

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

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

(v) the "others" segment comprises, principally, the management of investments in retail and services industries, and other investments.

Management monitors the results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss after tax. The adjusted profit or loss after tax is measured consistently with the Group's profit or loss after tax except that head office and corporate expenses are excluded from such measurement.

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

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2010

	Pharmaceuticals and healthcare RMB'000	Property RMB'000	Steel RMB'000	Mining RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	4,459,332	8,846,689	29,652,180	1,685,501	–	–	44,643,702
Inter-segment sales	–	–	–	1,494,670	–	(1,494,670)	–
Other income and gains	576,293	1,318,021	307,938	92,402	1,843,826	(157,678)	3,980,802
Total	5,035,625	10,164,710	29,960,118	3,272,573	1,843,826	(1,652,348)	48,624,504
Segment results	544,033	3,810,568	1,326,120	1,767,374	1,674,503	27,199	9,149,797
Interest and dividend income	31,553	51,402	150,799	36,788	125,900	(72,370)	324,072
Unallocated expenses							(174,758)
Finance costs	(162,684)	(302,581)	(775,457)	(32,839)	(298,539)	–	(1,572,100)
Share of profits and losses of							
– Jointly-controlled entities	1,406	(25,775)	1,213	–	–	–	(23,156)
– Associates	553,358	94,519	94,131	75,575	131,854	–	949,437
Profit before tax	967,666	3,628,133	796,806	1,846,898	1,633,718	(45,171)	8,653,292
Tax	(201,607)	(1,724,686)	(115,135)	(350,237)	(134,130)	19,205	(2,506,590)
Profit for the year	766,059	1,903,447	681,671	1,496,661	1,499,588	(25,966)	6,146,702
Segment and total assets	16,763,998	33,520,467	37,480,983	9,626,350	23,386,903	(2,403,895)	118,374,806
Segment and total liabilities	7,426,886	24,704,246	26,953,370	1,733,971	14,740,938	(2,183,691)	73,375,720
Other segment information:							
Depreciation and amortisation	154,423	26,369	1,437,022	230,555	8,147	–	1,856,516
Impairment loss for non-current assets	81,298	71,483	–	723	–	–	153,504
Provision for impairment of current assets	19,244	–	10,009	23,122	–	–	52,375
Research and development costs	119,861	–	79,026	314	–	–	199,201
Fair value gain on fair value adjustments of investment properties	–	(264,578)	–	–	–	–	(264,578)
Fair value gain on equity investments at fair value through profit or loss	(46,213)	–	–	–	(866,707)	–	(912,920)
Investments in jointly-controlled entities	2,143	1,009,073	59,213	–	–	–	1,070,429
Investments in associates	6,057,859	1,780,355	1,900,372	962,511	4,537,552	–	15,238,649
Capital expenditure*	430,946	124,706	3,873,577	322,674	40,043	–	4,791,946

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2009

	Pharmaceuticals and healthcare RMB'000	Property RMB'000	Steel RMB'000	Mining RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	3,775,859	5,184,804	24,611,399	1,283,756	–	–	34,855,818
Inter-segment sales	–	–	–	684,197	–	(684,197)	–
Other income and gains	2,852,484	149,440	833,382	150,102	2,257,496	(21,080)	6,221,824
Total	6,628,343	5,334,244	25,444,781	2,118,055	2,257,496	(705,277)	41,077,642
Segment results	2,879,262	1,119,066	1,690,984	477,131	2,004,773	(21,455)	8,149,761
Interest and dividend income	18,299	8,519	147,607	9,555	201,299	(114,718)	270,561
Unallocated expenses							(112,850)
Finance costs	(142,411)	(76,302)	(699,082)	(44,356)	(146,184)	–	(1,108,335)
Share of profits and losses of							
– Jointly-controlled entities	(1,034)	14,859	–	–	–	–	13,825
– Associates	442,221	(5,433)	432,647	(16,385)	109,513	–	962,563
Profit before tax	3,196,337	1,060,709	1,572,156	425,945	2,169,401	(136,173)	8,175,525
Tax	(700,396)	(451,854)	(46,635)	(66,375)	(97,258)	5,364	(1,357,154)
Profit for the year	2,495,941	608,855	1,525,521	359,570	2,072,143	(130,809)	6,818,371
Segment and total assets	10,955,208	27,456,713	31,911,222	5,679,933	16,945,982	(4,795,025)	88,154,033
Segment and total liabilities	4,573,118	20,950,998	22,146,578	1,636,269	6,944,735	(4,469,943)	51,781,755
Other segment information:							
Depreciation and amortisation	139,845	24,945	1,418,105	357,593	7,733	–	1,948,221
Impairment loss for non-current assets	53,257	3,179	–	266,562	116,023	–	439,021
Provision/(reversal) for impairment of current assets	95	(19,168)	41,845	12,214	–	–	34,986
Research and development costs	72,542	–	87,422	3,950	–	–	163,914
Fair value gain on fair value adjustments of investment properties	–	(85,195)	–	–	–	–	(85,195)
Fair value gain on equity investments at fair value through profit or loss	(6,029)	–	(3,997)	–	(2,004,984)	–	(2,015,010)
Investments in jointly-controlled entities	8,086	689,737	58,000	–	–	–	755,823
Investments in associates	5,690,233	598,892	1,693,961	587,285	1,050,997	–	9,621,368
Capital expenditure*	300,901	99,605	2,858,838	350,740	9,394	–	3,619,478

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

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

5. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2010 RMB'000	2009 RMB'000
Mainland China	44,015,731	34,182,605
Hong Kong	–	160
Other countries	627,971	673,053
	44,643,702	34,855,818

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

(b) Non-current assets

	2010 RMB'000	2009 RMB'000
Mainland China	49,186,718	38,304,622
Hong Kong	1,114,465	81,317
	50,301,183	38,385,939

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

Information about a major customer

No revenue amounting to 10% or more of the Group's revenue was derived from sales to a single customer for the years ended 31 December 2010 and 2009.

6. REVENUE, OTHER INCOME AND GAINS

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

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

	2010 **RMB'000**	2009 RMB'000
Revenue		
Sale of goods:		
Pharmaceutical products	**4,455,640**	3,760,378
Properties	**8,912,367**	5,286,497
Iron and steel products	**29,712,287**	24,707,403
Iron concentrates	**1,809,771**	1,383,494
	44,890,065	35,137,772
Rendering of services:		
Property agency	**234,826**	86,209
Property management	**53,162**	38,645
Rental	**153,762**	26,529
Construction supervisory	**4,071**	12,884
Property sales planning and advertising	**1,140**	6,998
Others	**39,877**	45,535
	486,838	216,800
Subtotal	**45,376,903**	35,354,572
Less: Government surcharges	**(733,201)**	(498,754)
	44,643,702	34,855,818

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

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

	2010 RMB'000	2009 RMB'000
Other income		
Interest income	**244,513**	159,312
Dividends from available-for-sale investments	**77,509**	109,835
Dividends from equity investments at fair value through profit or loss	**5,951**	1,414
Gross rental income	**46,755**	43,960
Sale of scrap materials	**16,545**	69,994
Government grants	**111,414**	128,189
Consultancy and other service income	**117,444**	138,248
Exchange gains, net	**116,529**	144,437
Others	**83,435**	88,908
	820,095	884,297
Gains		
Gain on disposal of subsidiaries (note 46(b))	**964,164**	494
Gain on disposal of associates	**194,681**	640,145
Gain on disposal of partial interests in associates	**–**	27,096
Gain on deemed disposal of interests in associates	**97,849**	2,605,609
Gain on disposal of items of property, plant and equipment	**6,628**	7,390
Gain on disposal of available-for-sale investments	**95,890**	135,863
Gain on disposal of equity investments at fair value through profit or loss	**917,594**	42,379
Gain on disposal of non-current assets classified as held for sale	**–**	18,404
Gain on deemed acquisition of interest in a subsidiary	**–**	26,446
Gain on acquisition of interests in subsidiaries	**–**	4,057
Gain on fair value adjustment of investment properties (note 14)	**264,578**	85,195
Gain on fair value adjustment of equity investments at fair value through profit or loss	**912,920**	2,015,010
Gain on settlement of derivative financial instruments (note 41)	**30,475**	–
	3,484,779	5,608,088
Other income and gains	**4,304,874**	6,492,385
Total revenue, other income and gains	**48,948,576**	41,348,203

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2010 RMB'000	2009 RMB'000
Interest on bank and other borrowings wholly repayable within five years	**1,821,138**	1,462,897
Interest on bank and other borrowings not wholly repayable within five years	**67,739**	11,132
Incremental interest on other long term payables (note 43)	**22,891**	26,949
	1,911,768	1,500,978
Less: Interest capitalised, in respect of bank and other borrowings (notes 13 and 25)	**(445,859)**	(452,140)
Interest expenses, net	**1,465,909**	1,048,838
Interest on discounted bills	**37,890**	32,293
Interest on finance leases	**894**	–
Bank charges and other financial costs	**67,407**	27,204
Total finance costs	**1,572,100**	1,108,335

8. PROFIT BEFORE TAX

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

	2010 RMB'000	2009 RMB'000
Cost of sales	**35,277,157**	29,161,430
Staff costs (including Directors' emoluments as set out in note 9):		
Wages and salaries	**1,864,740**	1,526,406
Accommodation benefits:		
Defined contribution fund	**111,505**	81,022
Retirement costs:		
Defined contribution fund	**342,937**	276,866
Total staff costs	**2,319,182**	1,884,294

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

8. PROFIT BEFORE TAX *(Continued)*

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

	2010 RMB'000	2009 RMB'000
Research and development costs	**199,201**	163,914
Auditors' remuneration	**14,500**	14,480
Depreciation of items of property, plant and equipment (note 13)	**1,734,183**	1,806,875
Amortisation of prepaid land lease payments (note 15)	**27,324**	20,947
Amortisation of mining rights (note 17)	**89,743**	110,573
Amortisation of intangible assets (note 18)	**5,266**	9,826
Provision/(reversal) for impairment of receivables	**12,655**	(539)
Provision for inventories	**39,720**	54,693
Reversal for impairment of properties under development	**–**	(19,168)
Provision for impairment of items of property, plant and equipment (note 13)	**6,500**	1,043
Provision for impairment of mining rights (note 17)	**–**	266,562
Provision for impairment of intangible assets (note 18)	**–**	1,094
Provision for impairment of available-for-sale investments	**723**	167,143
Provision for impairment of goodwill	**64,983**	3,179
Provision for impairment of non-current assets held for sale (note 29)	**81,298**	–
Operating lease rentals	**63,590**	58,928
Loss on disposal of an investment property	**–**	790
Loss on disposal of available-for-sale investments	**–**	2,220
Loss on disposal of non-current assets classified as held for sale	**–**	1,419
Loss on disposal of items of property, plant and equipment	**38,856**	12,673
Loss of fair value change on derivative financial instruments	**84,566**	–
Provision for indemnity of LAT (note 10)	**32,638**	10,041
Share-based payment expense	**–**	16,426

9. DIRECTORS' EMOLUMENTS

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

	2010 RMB'000	2009 RMB'000
Fees	3,416	2,658
Salaries, allowances and benefits in kind	16,054	9,871
Pension scheme contributions	448	252
	19,918	12,781

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

(a) Independent non-executive Directors

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

	2010 RMB'000	2009 RMB'000
Andrew Y. Yan	348	353
Chen Kaixian	400	400
Zhang Shengman	348	353
	1,096	1,106

There were no other emoluments payable to the independent non-executive Directors during the year (2009: Nil).

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

9. DIRECTORS' EMOLUMENTS *(Continued)*

(b) Executive Directors and a non-executive Director

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2010				
Executive Directors:				
Guo Guangchang	300	2,482	64	2,846
Liang Xinjun	300	2,482	64	2,846
Wang Qunbin	300	2,482	64	2,846
Fan Wei	300	2,482	64	2,846
Ding Guoqi	240	2,042	64	2,346
Qin Xuetang	240	2,042	64	2,346
Wu Ping	240	2,042	64	2,346
	1,920	16,054	448	18,422
Non-executive Director:				
Liu Benren	400	–	–	400
	2,320	16,054	448	18,822

9. DIRECTORS' EMOLUMENTS *(Continued)*

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2009				
Executive Directors:				
Guo Guangchang	180	1,549	36	1,765
Liang Xinjun	180	1,549	36	1,765
Wang Qunbin	180	1,549	36	1,765
Fan Wei	180	1,549	36	1,765
Ding Guoqi	144	1,225	36	1,405
Qin Xuetang	144	1,225	36	1,405
Wu Ping	144	1,225	36	1,405
	1,152	9,871	252	11,275
Non-executive Director:				
Liu Benren	400	–	–	400
	1,552	9,871	252	11,675

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

(c) Five highest paid employees

The five highest paid employees of the Group include five Directors for the years ended 31 December 2009 and 2010. Information relating to their emoluments is disclosed above.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

10. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The provision for Mainland China current income tax is based on a statutory rate of 25% (2009: 25%) of the assessable profit of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, which are exempted or taxed at preferential rates of 15% to 22%.

The major components of tax expenses for the years ended 31 December 2010 and 2009 are as follows:

	2010	2009
	RMB'000	RMB'000
Group:		
Current – Hong Kong	**47,808**	14,829
Current – Mainland China		
– Income tax in Mainland China for the year	**1,570,876**	719,098
– LAT in Mainland China for the year	**708,366**	205,422
Deferred tax (note 28)	**179,540**	417,805
Tax expenses for the year	**2,506,590**	1,357,154

10. TAX *(Continued)*

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

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
2010 Group			
Profit before tax excluding share of profits and losses of jointly-controlled entities and associates	1,982,909	5,744,102	7,727,011
Tax at applicable tax rate	327,180	1,436,025	1,763,205
Lower tax rate for specific entities	–	(180,606)	(180,606)
Tax effect of:			
Income not subject to tax	(274,413)	(11,849)	(286,262)
Expenses not deductible for tax	2,543	162,661	165,204
Tax losses not recognised	–	232,588	232,588
Tax losses utilised	(6,234)	(55,051)	(61,285)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries (note 28)	–	60,891	60,891
(Over)/under provision in prior years	(1,268)	35,567	34,299
Tax incentives on eligible expenditures	–	(4,136)	(4,136)
Subtotal	47,808	1,676,090	1,723,898
Additional LAT provision for the year	–	443,540	443,540
Prepaid LAT for the year	–	264,826	264,826
Deferred tax effect of additional LAT provision (note 28)	–	(110,885)	(110,885)
Tax effect of prepaid LAT	–	(66,207)	(66,207)
Tax effect of LAT indemnity (note 28)	–	36,954	36,954
Deferred LAT (note 28)	–	214,464	214,464
Tax expenses	47,808	2,458,782	2,506,590

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

10. TAX *(Continued)*

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
2009 Group			
Profit before tax excluding share of profits and losses of jointly-controlled entities and associates	2,125,430	5,073,707	7,199,137
Tax at applicable tax rate	350,696	1,268,427	1,619,123
Lower tax rate for specific entities	–	(78,415)	(78,415)
Tax effect of:			
Income not subject to tax	(335,479)	(194,819)	(530,298)
Expenses not deductible for tax	5,337	44,594	49,931
Tax losses not recognised	–	101,850	101,850
Tax losses utilised	(6,304)	(42,109)	(48,413)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries (note 28)	–	63,821	63,821
Under provision in prior years	579	20,325	20,904
Tax incentives on eligible expenditures	–	(5,171)	(5,171)
Subtotal	14,829	1,178,503	1,193,332
Additional LAT provision for the year	–	112,768	112,768
Prepaid LAT for the year	–	92,654	92,654
Deferred tax effect of additional LAT provision (note 28)	–	(28,192)	(28,192)
Tax effect of prepaid LAT	–	(23,163)	(23,163)
Tax effect of LAT indemnity (note 28)	–	9,755	9,755
Tax expenses	14,829	1,342,325	1,357,154

10. TAX *(Continued)*

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

For the year ended 31 December 2010, based on the latest understanding of the LAT regulations from the tax authorities, the Group made an additional LAT provision in the amount of RMB443,540,000 (2009: RMB112,768,000) in respect of the properties sold in 2010 in accordance with the requirements set forth in the relevant PRC tax laws and regulations.

In 2004, Shanghai Fosun High Technology (Group) Co., Ltd. ("Fosun Group") and Shanghai Forte Land Co., Ltd. ("Forte") entered into a deed of tax indemnity whereby Fosun Group has undertaken to indemnify Forte in respect of the LAT payable attributable to Forte and its subsidiaries ("Forte Group") in excess of the prepaid LAT based on 0.5% to 5% of sales proceeds, after netting off potential income tax savings, in consequence of the disposal of the properties owned by Forte Group as at 30 November 2003. As at 31 December 2010, the LAT indemnity to Forte Group, after netting off potential income tax savings, amounted to RMB246,279,000 (2009: RMB98,462,000) and the deferred tax liability amounted to RMB109,270,000 (2009: RMB72,316,000) as set out in note 28 to the financial statements. The Group's share of losses arising from the LAT indemnity amounted to RMB32,638,000 (2009: RMB10,041,000) as set out in note 8 to the financial statements.

11. DIVIDENDS

	2010	2009
	RMB'000	RMB'000
Proposed final – HKD0.17 (2009: HKD0.164) per ordinary share	**928,936**	927,270

The proposed final dividend of HKD0.164 per ordinary share for the year ended 31 December 2009 was declared payable and approved by the shareholders at the annual general meeting of the Company on 22 June 2010.

On 28 March 2011, the board of directors of the Company resolved to propose a final dividend for the year ended 31 December 2010 of HKD0.17 per ordinary share, subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

12. EARNINGS PER SHARE

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

	Year ended 31 December	
	2010	2009
Profit attributable to owners of the parent (RMB thousands)	**4,227,092**	4,646,679
Weighted average number of ordinary shares in issue (thousands)	**6,421,595**	6,421,595
Earnings per share basic and diluted (RMB)	**0.66**	0.72

The calculation of basic earnings per share amounts is based on the profit for the year attributable to owners of the parent, and the weighted average number of shares of 6,421,595,000 (2009: 6,421,595,000) in issue during the year.

Diluted earnings per share amount is equal to basic earnings per share amount for the years ended 31 December 2010 and 2009, as no diluting events existed during these years.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:								
At 1 January 2009	7,456,611	11,968,413	251,013	318,756	5,669	293,340	1,716,881	22,010,683
Additions	71,909	242,246	43,639	19,224	1,338	–	2,887,503	3,265,859
Transferred from construction in progress	1,070,177	886,829	28,735	175	–	132,572	(2,118,488)	–
Acquisition of subsidiaries (note 46(a))	–	620	280	–	(74)	–	27,379	28,205
Disposal of subsidiaries (note 46(b))	(467)	(259)	(42)	(157)	–	–	–	(925)
Disposals	(61,592)	(133,002)	(10,030)	(13,456)	(4,868)	–	(18,391)	(241,339)
Assets included in assets of a disposal group classified as held for sale	–	–	(4,610)	(946)	–	–	–	(5,556)
At 31 December 2009 and 1 January 2010	8,536,638	12,964,847	308,985	323,596	2,065	425,912	2,494,884	25,056,927
Additions	63,808	412,152	18,605	43,627	4,224	59	4,088,160	4,630,635
Transferred from construction in progress	1,649,962	2,729,218	19,841	354	–	–	(4,399,375)	–
Acquisition of subsidiaries (note 46(a))	181,115	35,770	21,643	3,726	969	–	10,499	253,722
Disposal of subsidiaries (note 46(b))	(2,280)	(3,326)	–	(5,231)	–	–	–	(10,837)
Disposals	(120,756)	(438,941)	(16,313)	(7,794)	–	(34)	(486)	(584,324)
At 31 December 2010	10,308,487	15,699,720	352,761	358,278	7,258	425,937	2,193,682	29,346,123
Accumulated depreciation:								
At 1 January 2009	1,249,171	4,015,283	99,641	109,658	3,011	15,233	–	5,491,997
Charge for the year	429,488	1,166,452	62,870	41,984	165	105,916	–	1,806,875
Disposal of subsidiaries (note 46(b))	(467)	(211)	(42)	(23)	–	–	–	(743)
Disposals	(27,088)	(95,643)	(7,208)	(10,673)	(2,375)	–	–	(142,987)
Assets included in assets of a disposal group classified as held for sale	–	–	(467)	(551)	–	–	–	(1,018)
At 31 December 2009 and 1 January 2010	1,651,104	5,085,881	154,794	140,395	801	121,149	–	7,154,124

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

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

Group *(Continued)*

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation: *(Continued)*								
At 31 December 2009 and 1 January 2010	1,651,104	5,085,881	154,794	140,395	801	121,149	–	7,154,124
Charge for the year	462,244	1,171,163	52,957	34,154	267	13,398	–	1,734,183
Disposal of subsidiaries (note 46(b))	(2,280)	(3,132)	–	(3,280)	–	–	–	(8,692)
Disposals	(29,372)	(181,820)	(12,194)	(5,462)	–	(16)	–	(228,864)
At 31 December 2010	2,081,696	6,072,092	195,557	165,807	1,068	134,531	–	8,650,751
Impairment loss:								
At 1 January 2009	61,711	37,453	262	345	–	–	40,338	140,109
Charge for the year	823	205	15	–	–	–	–	1,043
Transferred from construction in progress	–	40,263	–	–	–	–	(40,263)	–
Disposals	(1,526)	(3,909)	(139)	(10)	–	–	–	(5,584)
At 31 December 2009 and 1 January 2010	61,008	74,012	138	335	–	–	75	135,568
Charge for the year	–	–	–	–	–	–	6,500	6,500
Disposals	(18)	(19)	–	–	–	–	–	(37)
At 31 December 2010	60,990	73,993	138	335	–	–	6,575	142,031
Net book value:								
At 31 December 2010	8,165,801	9,553,635	157,066	192,136	6,190	291,406	2,187,107	20,553,341
At 31 December 2009	6,824,526	7,804,954	154,053	182,866	1,264	304,763	2,494,809	17,767,235

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

Group *(Continued)*

(1) The net book value of property, plant and equipment pledged as security for interest-bearing bank loans granted to the Group is as follows (note 36):

	2010	2009
	RMB'000	RMB'000
Buildings	**888,973**	255,597
Plant and machinery	**844,578**	589,936
	1,733,551	845,533

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

	2010	2009
	RMB'000	RMB'000
Interest expenses capitalised	**20,407**	2,950

(3) As at 31 December 2010, the Group was in the process of applying for property certificates for plant and office buildings with a net book value of approximately RMB5,689,000 (2009: RMB7,288,000).

(4) The net carrying amounts of the Group's property, plant equipment held under finance leases included in the total amounts of plant and machinery at 31 December 2010 amounted to RMB217,172,000 (2009:Nil).

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

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

Company

	Office equipment RMB'000
Cost:	
At 1 January 2009 and 1 January 2010	779
Exchange realignment	(28)
At 31 December 2010	751
Accumulated depreciation:	
At 1 January 2009	725
Charge for the year	32
At 31 December 2009 and 1 January 2010	757
Charge for the year	23
Exchange realignment	(29)
At 31 December 2010	751
Net book value:	
At 31 December 2010	–
At 31 December 2009	22

14. INVESTMENT PROPERTIES

	2010 RMB'000	2009 RMB'000
Carrying amount at 1 January	2,057,400	429,000
Acquisition of a subsidiary (note 46(a))	2,400,000	–
Transfer from properties under development	–	1,972,205
Additional development cost	239,189	–
Transfer to properties under development	(2,410,000)	–
Gain from fair value adjustments (note 6)	264,578	85,195
Disposals	–	(429,000)
Carrying amount at 31 December	2,551,167	2,057,400

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

The Group's investment properties were revalued on 31 December 2010 by DTZ International Property Advisers (Shanghai) Co., Ltd., an independent professionally qualified valuer at RMB2,551,167,000, on an open market basis. The investment properties are leased to third parties under operating lease arrangements, with leases negotiated for terms ranging from one to ten years.

At 31 December 2010, the Group's investment properties with a net carrying amount of approximately RMB2,551,167,000 (2009: RMB2,057,400,000) were pledged to secure bank loans, as set out in note 36 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

15. PREPAID LAND LEASE PAYMENTS

	2010 **RMB'000**	2009 RMB'000
Cost:		
At 1 January	**1,244,340**	954,796
Additions	**41,868**	292,044
Acquisition of subsidiaries (note 46(a))	**100,867**	–
Disposal of subsidiaries (note 46(b))	**–**	(2,500)
At 31 December	**1,387,075**	1,244,340
Accumulated amortisation:		
At 1 January	**81,685**	61,392
Amortisation for the year	**27,324**	20,947
Disposal of subsidiaries (note 46(b))	**–**	(654)
At 31 December	**109,009**	81,685
Net book value:		
At 31 December	**1,278,066**	1,162,655
At 1 January	**1,162,655**	893,404
Net book value pledged as security for bank loans (note 36)	**171,886**	31,389

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

As at 31 December 2010, the Group was in the process of applying for the land use certificates for leasehold land with a net book value of approximately RMB205,888,000 (2009: RMB193,484,000).

16. EXPLORATION AND EVALUATION ASSETS

	2010 RMB'000	2009 RMB'000
Cost:		
At 1 January	**420,689**	386,645
Additions	**17,073**	34,044
At 31 December	**437,762**	420,689

17. MINING RIGHTS

	2010 RMB'000	2009 RMB'000
Cost:		
At 1 January	**1,203,534**	1,203,534
Additions	**73,837**	–
At 31 December	**1,277,371**	1,203,534
Accumulated amortisation:		
At 1 January	**203,386**	92,813
Amortisation for the year	**89,743**	110,573
At 31 December	**293,129**	203,386
Impairment loss:		
At 1 January	**266,562**	–
Charge for the year	**–**	266,562
At 31 December	**266,562**	266,562
Net book value:		
At 31 December	**717,680**	733,586
At 1 January	**733,586**	1,110,721
Net book value pledged as security for bank loans (note 36)	**131,061**	141,289

During the year ended 31 December 2010, no impairment losses (2009: RMB266,562,000) were recognised for mining rights.

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Year ended 31 December 2010

18. INTANGIBLE ASSETS

	Trademark RMB'000	Technical know-how RMB'000	Others RMB'000	Total RMB'000
Cost:				
At 1 January 2009	–	41,925	26,287	68,212
Additions	–	680	26,851	27,531
Disposals	–	(41,983)	(10,939)	(52,922)
At 31 December 2009 and 1 January 2010	–	622	42,199	42,821
Additions	–	17,974	10,559	28,533
Acquisition of subsidiaries (note 46(a))	106,672	226	80,124	187,022
Disposals	–	–	(3,832)	(3,832)
At 31 December 2010	106,672	18,822	129,050	254,544
Accumulated amortisation:				
At 1 January 2009	–	31,402	7,984	39,386
Provided during the year	–	1,229	8,597	9,826
Disposals	–	(32,631)	(9,340)	(41,971)
At 31 December 2009 and 1 January 2010	–	–	7,241	7,241
Provided during the year	–	1,930	3,336	5,266
Disposals	–	–	(35)	(35)
At 31 December 2010	–	1,930	10,542	12,472
Impairment loss:				
At 1 January 2009	–	–	–	–
Charge for the year	–	622	472	1,094
At 31 December 2009 and at 31 December 2010	–	622	472	1,094
Net book value:				
At 31 December 2010	106,672	16,270	118,036	240,978
At 31 December 2009	–	–	34,486	34,486

19. GOODWILL

	2010 RMB'000	2009 RMB'000
Cost:		
At 1 January	**304,754**	265,237
Acquisition of subsidiaries (note 46(a))	**314,929**	–
Acquisition of additional interests in subsidiaries	**–**	39,517
At 31 December	**619,683**	304,754
Accumulated impairment:		
At 1 January	**177,825**	174,646
Charge for the year	**64,983**	3,179
At 31 December	**242,808**	177,825
Net book value:		
At 31 December	**376,875**	126,929

Impairment testing of goodwill

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

- Manufacture and sale of pharmaceutical products;
- Property; and
- Others

The carrying amount of goodwill is as follows:

	Manufacture and sale of pharmaceutical products RMB'000	Property RMB'000	Others RMB'000	Total RMB'000
Carrying amount of goodwill				
2010	**302,586**	**70,526**	**3,763**	**376,875**
2009	57,299	65,867	3,763	126,929

19. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

The recoverable amount of each CGU is determined based on value-in-use calculations. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The discount rates applied to the cash flow projections range from 12% to 15% (2009: 12% to 15%). Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The growth rates do not exceed the projected long term average growth rates for the pharmaceutical and property development industries in Mainland China.

Key assumptions were used in the value-in-use calculation of the CGUs for 31 December 2010 and 2009. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

20. INVESTMENTS IN SUBSIDIARIES

	Notes	2010 RMB'000	2009 RMB'000
Unlisted shares, at cost	*(1)*	**1,093,000**	1,093,000
Shares listed in Hong Kong, at cost	*(2)*	**651,290**	651,290
Loan to a subsidiary	*(3)*	**170,186**	176,096
		1,914,476	1,920,386
Market value of listed shares		**692,827**	728,357

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

(2) Investment in shares listed in Hong Kong represents the cost of acquisition of the 12.9% interest in Forte on the Hong Kong Stock Exchange.

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

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

21. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	2010 **RMB'000**	2009 RMB'000
Share of net assets	**434,219**	339,423
Loans to jointly-controlled entities	**636,210**	416,400
	1,070,429	755,823

Loans to jointly-controlled entities of RMB636,210,000 are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, these loans are considered as quasi-equity investments in jointly-controlled entities.

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

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

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

	2010 **RMB'000**	2009 RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**2,403,519**	996,498
Non-current assets	**1,010,443**	341,665
Current liabilities	**(2,498,375)**	(734,956)
Non-current liabilities	**(481,368)**	(263,784)
Net assets	**434,219**	339,423
Share of the jointly-controlled entities' results:		
Revenue	**112,195**	196,312
Other income	**2,782**	3,243
	114,977	199,555
Total expenses	**(138,823)**	(181,640)
Tax	**690**	(4,090)
(Loss)/profit after tax	**(23,156)**	13,825

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Year ended 31 December 2010

22. INVESTMENTS IN ASSOCIATES

Group

	2010 RMB'000	2009 RMB'000
Share of net assets	**12,034,691**	9,219,842
Goodwill on acquisitions	**369,793**	402,411
	12,404,484	9,622,253
Loan to an associate	**2,835,050**	–
Provision for impairment	**(885)**	(885)
	15,238,649	9,621,368

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

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

Company

	2010 RMB'000	2009 RMB'000
Unlisted shares, at cost	**82,421**	82,421

The Company's interest in an associate represents a 26.67% (2009: 26.67%) interest in Janeboat Holdings Ltd., a company incorporated in the British Virgin Islands.

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

	2010 RMB'000	2009 RMB'000
Assets	**114,027,298**	95,639,664
Liabilities	**(74,977,499)**	(58,596,451)
Revenues	**115,435,472**	99,615,367
Profit	**2,984,074**	3,785,870

22. INVESTMENTS IN ASSOCIATES *(Continued)*

(i) On 26 January 2010, China Alliance Properties Limited ("China Alliance"), a wholly-owned subsidiary of Forte subscribed for additional 1,550,000,000 ordinary shares issued by Shanghai Zendai Property Limited ("Zendai Property"), a company listed on the Main Board of the Hong Kong Stock Exchange for a total consideration of HKD480,500,000. After the completion of the subscription, China Alliance held approximately 19.47% of the issued share capital of Zendai Property as enlarged by the allotment and issuance of the subscription shares and the Group commenced to account for Zendai Property as an associate.

The changes in fair value of RMB152,931,000 in respect of the previously held equity interests in Zendai Property were reversed against other comprehensive income and the impairment loss of RMB190,226,000 provided in the prior year was reversed against retained earnings as an opening adjustment.

(ii) On 22 October 2010, Zhejiang Fosun Business Development Co., Ltd. ("Zhejiang Fosun"), a wholly-owned subsidiary of Fosun Group, entered into a cooperative agreement (the "Agreement") with four third parties to establish a joint venture named Shanghai Haizhimen Property Investment and Management Co., Ltd. ("Haizhimen") for the development of a piece of land located in the Bund, Shanghai. Zhejiang Fosun contributed capital of RMB500,000,000 to Haizhimen and holds a 50% equity interest in Haizhimen.

Pursuant to the Agreement, Zhejiang Fosun also provided a shareholders' loan amounting to RMB2,835,050,000 to Haizhimen to support its property development. The loan is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the Directors, the loan is considered as a quasi-equity investment in an associate.

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Year ended 31 December 2010

23. HELD-TO-MATURITY INVESTMENTS

Group

	2010	2009
	RMB'000	RMB'000
Debt investments	**14,312**	79,220

Company

	2010	2009
	RMB'000	RMB'000
Debt investments	**–**	35,320

As at 31 December 2010, the effective interest rate of the held-to-maturity investment is 0.2% (2009: 7.1% to 36.7%) per annum. The carrying amounts of the held-to-maturity investment approximate to its fair values.

24. AVAILABLE-FOR-SALE INVESTMENTS

	2010	2009
	RMB'000	RMB'000
Listed equity investments, at fair value		
Hong Kong	**300,478**	275,074
United States	**670,656**	454,615
Mainland China	**2,077,166**	139,084
	3,048,300	868,773
Unlisted equity investments, at cost	**4,278,745**	2,074,685
	7,327,045	2,943,458

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB2,474,233,000 (2009: gross gain of RMB705,720,000), of which RMB7,505,000 (2009: RMB52,910,000) was re-classified from other comprehensive income to the consolidated income statement for the year.

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

As at 31 December 2010, none of the Group's available-for-sale investments (2009: RMB163,769,000) was pledged to secure bank loans as set out in note 36 to financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

25. PROPERTIES UNDER DEVELOPMENT

	2010 RMB'000	2009 RMB'000
Land costs	**12,482,724**	8,869,790
Construction costs	**3,838,183**	2,605,321
Capitalised financial costs	**466,730**	482,510
	16,787,637	11,957,621
Portion classified as current assets	**(9,856,198)**	(6,868,166)
	6,931,439	5,089,455

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

	2010 RMB'000	2009 RMB'000
Net book value pledged (note 36)	**5,778,577**	4,639,332
Additions to properties under development include:		
Interest expense capitalised in respect of bank and other borrowings (note 7)	**425,452**	449,190

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

26. LOANS RECEIVABLE

	Notes	2010 RMB'000	2009 RMB'000
Loans receivable		**1,713,432**	220,000
Portion classified as current	*(1)*	**(220,000)**	–
Long term portion	*(2)*	**1,493,432**	220,000

(1) As at 31 December 2010, the current portion of loans receivable represented the entrusted bank loan of RMB220,000,000 provided to a jointly-controlled entity. This loan is unsecured, bears interest at a variable interest rate of 7.61% (2009: 7.02%) per annum, based on the rates quoted by People's Bank of China, and is repayable on 20 October 2011.

(2) As at 31 December 2010, the non-current portion of loans receivable comprised of:

- an entrusted bank loan of RMB110,000,000 provided to a jointly-controlled entity. This loan is unsecured, bears interest at a fixed interest rate of 12.25% per annum and is repayable on 20 August 2012.

- a shareholders' loan of RMB1,383,432,000 provided to Haizhimen. This loan is unsecured, bears interest at a fixed interest rate of 13.80% per annum and has no fixed terms of repayment.

The carrying amount of the loans receivable approximated to their fair values as at 31 December 2010.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

27. PREPAYMENTS

	Notes	2010 RMB'000	2009 RMB'000
Prepayments for the proposed acquisition of equity interests in			
– Shanghai Dijie Real Estate Limited ("Dijie")	*(i)*	**616,313**	616,313
– Chengdu Meijili Business Service Co., Ltd.		**65,000**	–
– Neimenggu New Land Construction Group Co., Ltd.		**45,000**	–
Other receivables			
Chongqing Yukaifa Company Limited ("Chongqing Yukaifa)	*(ii)*	**30,435**	–
		756,748	616,313

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

As at 31 December 2010, the Group had advanced RMB616,313,000 (31 December 2009: RMB616,313,000) to Shanghai Vanke. The remaining capital commitment not paid as at 31 December 2010 amounting to RMB355,963,000 (31 December 2009: RMB355,963,000) is set out in note 48 to financial statements.

(ii) On 19 August 2010, Forte Investment entered into a cooperative agreement with Chongqing Yukaifa to establish a joint venture named Chongqing Langfu Property Co., Ltd. ("Chongqing Langfu") for the development of a property project, pursuant to which: (i) Forte Investment acquired 50% equity interests in Chongqing Langfu, and (ii) in order to guarantee Chongqing Yukaifa to receive a preferential dividend generated and declared by Chongqing Langfu, Forte Investment shall additionally pay RMB233,000,000 to Chongqing Yukaifa as a deposit. Such deposit will be repaid upon the receipt of dividend by Chongqing Yukaifa.

As at 31 December 2010, the Group advanced RMB34,100,000 (31 December 2009: Nil) to Chongqing Yukaifa which was interest-free, unsecured and to be repayable in 2012.

As at 31 December 2010, the amortised cost of this deposit was RMB30,435,000. The remaining capital commitment unpaid as at 31 December 2010 amounted to RMB198,900,000 (31 December 2009: Nil) is set out in note 48.

28. DEFERRED TAX

Movements in deferred tax assets and liabilities are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profit RMB'000	Accruals and provisions RMB'000	Post-employment benefits RMB'000	Repairs and maintenance RMB'000	Additional LAT provisions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2009	55,649	265,248	7,654	6,651	275,360	52,768	663,330
Deferred tax credited/ (charged) during the year	188,507	(123,106)	(4,267)	3,391	28,192	45,019	137,736
Gross deferred tax assets at 31 December 2009 and 1 January 2010	244,156	142,142	3,387	10,042	303,552	97,787	801,066
Disposal of a subsidiary (note 46(b))	–	–	–	–	(6,431)	(650)	(7,081)
Acquisition of subsidiaries (note 46(a))	1,326	–	–	–	–	–	1,326
Deferred tax credited/ (charged) during the year	(61,162)	51,095	(81)	(8,002)	110,885	117,763	210,498
Gross deferred tax assets at 31 December 2010	184,320	193,237	3,306	2,040	408,006	214,900	1,005,809

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28. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Fair value adjustments arising from available-for-sale investments RMB'000	Revaluation of investment properties RMB'000	LAT indemnity RMB'000	Deemed disposal of associates RMB'000	Deferred LAT RMB'000	Withholding taxes RMB'000	Others RMB'000	Total RMB'000
At 1 January 2009	310,496	42,043	27,823	62,561	–	–	37,440	85,218	565,581
Deferred tax charged/(credited) to the consolidated income statement during the year	(105,960)	–	(6,524)	9,755	651,402	–	63,821	(56,953)	555,541
Deferred tax charged to reserve during the year	–	120,851	–	–	–	–	–	–	120,851
Gross deferred tax liabilities at 31 December 2009 and 1 January 2010	204,536	162,894	21,299	72,316	651,402	–	101,261	28,265	1,241,973
Deferred tax charged/(credited) to the consolidated income statement during the year	(15,225)	–	66,145	36,954	18,096	214,464	60,891	8,713	390,038
Deferred tax charged to reserve during the year	–	554,046	–	–	–	–	–	–	554,046
Acquisition of subsidiaries (note 46(a))	290,588	–	–	–	–	–	–	–	290,588
Gross deferred tax liabilities at 31 December 2010	479,899	716,940	87,444	109,270	669,498	214,464	162,152	36,978	2,476,645

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

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

	Notes	2010 RMB'000	2009 RMB'000
Carrying amount of investment in an associate before classification as held for sale	*(i)*	**229,347**	–
Carrying amount of the assets of a disposal group	*(ii)*	**–**	1,548,894
Less: Provision for impairment	*(i)*	**(81,298)**	–
Carrying amount after impairment		**148,049**	1,548,894
Liabilities directly associated with the assets classified as held for sale	*(ii)*	**–**	997,393

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

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

The consideration will be received by instalments from 2012 till 2014.

As the disposal transaction is expected to be completed within the next 12 months from 31 December 2010, but the consideration is expected to be recovered over one year, the carrying amount of such investment of RMB148,049,000 in Huixin Paper is classified as non-current asset held for sale in the consolidated statement of financial position as at 31 December 2010.

(ii) In December 2009, the Group through its subsidiary, Forte, entered into an equity transfer agreement with HNA Group, for the disposal of Forte's entire shareholding of 75% in Tianjin Forte Puhe Development Co., Ltd. ("Tianjin Forte"). The carrying amounts of the assets and liabilities of Tianjin Forte were classified as held for sale in the consolidated statement of financial position as at 31 December 2009.

As at 31 December 2010, the disposal transaction has been completed. Tianjin Forte was disposed of by Forte through disposal of its 100% equity interest in Shanghai Yizhou Investment Management Co., Ltd. ("Shanghai Yizhou"), as set out in note 46(b) to the financial statements.

30. CASH AND BAND BALANCES

Group

	Notes	**2010 RMB'000**	2009 RMB'000
Cash on hand		**11,420**	3,327
Cash at banks, unrestricted		**16,815,172**	11,546,913
Cash and cash equivalents		**16,826,592**	11,550,240
Pledged bank balances	*(1)*	**2,291,849**	2,084,160
Time deposits with original maturity of more than three months	*(2)*	**2,216,536**	2,313,171
		21,334,977	15,947,571

Notes:

It mainly comprises as follows:

		2010 RMB'000	2009 RMB'000
(1)	Pledged bank balances to secure notes payable	**1,721,805**	1,511,684
	Pledged bank balances to secure bank loans (note 36)	**179,091**	520,658
(2)	Time deposits with original maturity of more than three months pledged to banks to secure bank loans (note 36)	**1,968,873**	2,216,434

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

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

Company

	2010 RMB'000	2009 RMB'000
Cash at banks, unrestricted	**1,786,810**	1,754,192
Time deposits with original maturity of more than three months	**–**	704,384
	1,786,810	2,458,576

31. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	2010 RMB'000	2009 RMB'000
Listed equity investments, at market value		
Hong Kong	**1,141,171**	5,949
United States	**4,534,183**	4,100,976
Mainland China	**351,024**	804,058
Europe	**452,270**	–
Elsewhere	**–**	11,270
	6,478,648	4,922,253

Company

	2010 RMB'000	2009 RMB'000
Listed equity investments, at market value		
Hong Kong	**1,138,757**	5,949
United States	**4,344,704**	4,100,544
	5,483,461	4,106,493

The above equity investments at 31 December 2010 and 2009 were classified as held for trading.

32. TRADE AND NOTES RECEIVABLES

	2010 RMB'000	2009 RMB'000
Trade receivables	**1,394,348**	1,012,058
Notes receivable	**4,102,187**	3,756,933
	5,496,535	4,768,991

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32. TRADE AND NOTES RECEIVABLES *(Continued)*

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

	2010	2009
	RMB'000	RMB'000
Outstanding balances with ages:		
Within 90 days	**1,064,682**	831,628
91 to 180 days	**150,930**	146,081
181 to 365 days	**141,513**	36,593
1 to 2 years	**40,640**	7,271
2 to 3 years	**5,796**	6,302
Over 3 years	**50,613**	50,663
	1,454,174	1,078,538
Less: Provision for impairment of trade receivables	**(59,826)**	(66,480)
	1,394,348	1,012,058

The carrying amounts of trade and notes receivables approximate to their fair values.

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

	2010	2009
	RMB'000	RMB'000
At 1 January	**66,480**	78,314
Amount written off as uncollectible	**(16,892)**	(8,661)
Provision/(reversal) for impairment losses	**6,069**	(3,457)
Acquisition of subsidiaries	**4,169**	284
At 31 December	**59,826**	66,480

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

	2010	2009
	RMB'000	RMB'000
Neither past due nor impaired	**326,656**	581,927
Within 90 days past due	**335,922**	258,424
91 to 180 days past due	**17,930**	21,665
Over 180 days past due	**18,025**	5,594
	698,533	867,610

32. TRADE AND NOTES RECEIVABLES *(Continued)*

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

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

At 31 December 2010, the Group's trade and notes receivables with a carrying amount of approximately RMB253,285,000 (2009: RMB112,700,000) were pledged to secure bank loans, as set out in note 36 to the financial statements.

At 31 December 2010, the discounted or endorsed but undue notes of approximately RMB6,465,515,000 (2009: RMB5,904,751,000) were derecognised. Subsequent to the end of the reporting period and up to the date when the financial statements were approved by the board of directors, an amount of RMB446,601,000 of the aforementioned discounted or endorsed notes fell due.

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

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

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33. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2010 RMB'000	2009 RMB'000
Group		
Prepayments consist of:		
Prepayments for purchase of raw materials of steel	**759,629**	450,432
Prepayments for purchase of pharmaceutical materials	**144,483**	135,639
Prepayments for purchase of construction materials	**184,755**	223,317
Prepayments for purchase of equipment and others	**575,627**	443,556
Deposits	**669,190**	985,868
Other receivables consist of:		
Loans to third parties	**113,373**	23,080
Tax recoverable	**600,170**	283,815
Others	**943,309**	747,389
	3,990,536	3,293,096
Company		
Interest receivables	**115**	550
Deposits	**721**	1,017
	836	1,567

The carrying amounts of deposits and other receivables approximate to their fair values.

34. INVENTORIES

	2010 RMB'000	2009 RMB'000
Raw materials	**3,348,127**	2,803,331
Work in progress	**1,239,388**	917,803
Finished goods	**1,605,858**	1,164,593
Spare parts and consumables	**815,036**	801,198
	7,008,409	5,686,925
Less: Provision for inventories	**(106,800)**	(103,254)
	6,901,609	5,583,671
Net book value of inventories pledged as security for bank loans (note 36)	**600,000**	200,000

35. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES

	Notes	**2010 RMB'000**	2009 RMB'000
Group			
Due from related companies:			
Associates	*(i)*	**571,250**	722,109
Jointly-controlled entities	*(ii)*	**1,208,042**	348,560
Non-controlling shareholders of subsidiaries	*(iii)*	**160,793**	29,828
		1,940,085	1,100,497
Portion classified as current		**1,526,292**	908,592
	(i)	**413,793**	191,905
Company			
Due from subsidiaries	*(iii)*	**10,887,527**	8,334,529

Notes:

(i) As at 31 December 2010, the balances due from associates include the amount of RMB459,700,000 (31 December 2009: RMB213,190,000), which is interest-free, unsecured and is estimated to be repayable in 2012. Subsequent to its initial recognition, the amount due from associates is measured using the effective interest method. As at 31 December 2010, the amortised cost of the amount due from associates was RMB413,793,000 (31 December 2009: RMB191,905,000).

(ii) As at 31 December 2010, the balances due from jointly-controlled entities include the amount of RMB1,206,892,000 (2009: RMB348,750,000), which is unsecured, interest-free and repayable on demand. The remaining balances due from jointly-controlled entities are trade in nature, interest-free and repayable on demand.

(iii) As at 31 December 2010, the balances due from non-controlling shareholders and subsidiaries are trade in nature, interest-free and repayable on demand.

	Notes	**2010 RMB'000**	2009 RMB'000
Group			
Due to the holding company	*(iv)*	**1,092,250**	878,749
Due to related companies:			
Associates	*(v)*	**436,747**	87,523
Non-controlling shareholders of subsidiaries	*(vi)*	**275,001**	206,900
Jointly-controlled entities	*(vi)*	**242,637**	51,000
		954,385	345,423
Company			
Due to the holding company	*(iv)*	**1,092,250**	878,749

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Year ended 31 December 2010

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

Notes: *(Continued)*

(iv) The balances due to the holding company represent the dividend payables which are unsecured, interest-free and repayable on demand.

(v) The balances due to associates include the amount of RMB407,444,000 (2009: RMB72,916,000), which is unsecured, interest-free and repayable on demand. The remaining balances due to associates are trade in nature, interest-free and repayable on demand.

(vi) The balances due to non-controlling shareholders of subsidiaries and jointly-controlled entities are unsecured, interest-free and repayable on demand.

The carrying amounts of the balances with shareholders, subsidiaries and related companies approximate to their fair values.

The nature of the transactions with shareholders and related companies is disclosed in note 50 to the financial statements.

36. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	Notes	2010 RMB'000	2009 RMB'000
Bank loans:	*(1)*		
Guaranteed		**1,313,000**	65,150
Secured		**12,124,726**	10,275,254
Unsecured		**21,963,487**	13,136,742
		35,401,213	23,477,146
Enterprise bonds	*(2)*	**2,485,329**	2,482,589
Corporate bonds	*(3)*	**2,966,591**	1,869,304
Medium-term notes	*(4)*	**986,104**	–
Other borrowings, secured	*(5)*	**429,900**	–
Other borrowings, unsecured	*(5)*	**1,552,706**	876,330
Total		**43,821,843**	28,705,369
Repayable:			
Within one year		**22,026,769**	16,792,363
In the second year		**4,586,023**	2,739,988
In the third to fifth years, inclusive		**12,073,206**	5,703,745
Over five years		**5,135,845**	3,469,273
		43,821,843	28,705,369
Portion classified as current liabilities		**(22,026,769)**	(16,792,363)
Long term portion		**21,795,074**	11,913,006

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

Group *(continued)*

Notes:

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

(a) the pledge of certain of the Group's buildings amounting to RMB888,973,000 (2009: RMB255,597,000), plant and machinery amounting to RMB844,578,000 (2009: RMB589,936,000), investment properties situated in Mainland China amounting to RMB2,551,167,000 (2009: RMB2,057,400,000), prepaid land lease payments amounting to RMB171,886,000 (2009: RMB31,389,000), inventories amounting to RMB600,000,000 (2009: RMB200,000,000), properties under development amounting to RMB5,778,577,000 (2009: RMB4,639,332,000), completed properties for sale amounting to 315,519,000 (2009: RMB41,632,000), mining rights amounting to RMB131,061,000 (2009: RMB141,289,000), time deposits with original maturity of more than three months amounting to RMB1,968,873,000 (2009: RMB2,216,434,000), bank balances amounting to RMB179,091,000 (2009: RMB520,658,000), trade and notes receivables amounting to RMB253,285,000 (2009: RMB112,700,000), investment in an associate amounting to RMB865,487,000 (2009: Nil), and investment in a subsidiary.

(b) none of the Group's available-for-sale investments (2009: RMB163,769,000) were pledged to secure bank loans.

In addition, the Group's related parties have guaranteed certain of the Group's bank loans up to RMB1,313,000,000 (2009: RMB65,150,000).

The bank loans bear interest at rates ranging from 0.22% to 7.31% (2009: 0.27% to 7.74%) per annum.

(2) Enterprise bonds

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

(3) Corporate bonds

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

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

(4) Medium-term notes

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

(5) The other borrowings represent borrowings from third parties, which bear interest at rates ranging from 2.55% to 12.18% (2009: 2.55% to 12.18%) per annum.

The carrying amounts of the Group's current bank and other borrowings approximate to their fair values. The fair value of the Group's non-current bank and other borrowings as at 31 December 2010 with a carrying amount of RMB21,795,074,000 (2009: RMB11,913,006,000) was RMB21,743,801,000 (2009: RMB11,921,339,000).

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Year ended 31 December 2010

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

Company

	2010 RMB'000	2009 RMB'000
Bank loans:		
Unsecured	3,174,250	482,286
Repayable:		
Within one year	562,930	411,848
In the second year	463,589	70,438
In the third to fifth years, inclusive	2,147,731	–
	3,174,250	482,286
Portion classified as current liabilities	(562,930)	(411,848)
Long term portion	2,611,320	70,438

The bank loans bear interest at rates ranging from 2.28% to 4.94% (2009: 2.28% to 2.82%) per annum.

The carrying amounts of the Company's current bank loans approximate to their fair values. The fair value of the Company's non-current bank loans as at 31 December 2010 with a carrying amount of RMB2,611,320,000 (2009: RMB70,438,000) was RMB2,648,040,000 (2009: RMB69,456,000).

37. LOANS FROM RELATED COMPANIES

	Carrying amounts		Fair values	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Loans from				
– a jointly-controlled entity	86,887	81,324	87,722	83,017
– an associate	26,678	25,294	26,678	25,286
	113,565	106,618	114,400	108,303
Repayable:				
Within one year	26,678	–	26,678	–
In the second to fourth year, inclusive	86,887	106,618	87,722	108,303
	113,565	106,618	114,400	108,303
Portion classified as current liabilities	(26,678)	–	(26,678)	–
Non-current portion	86,887	106,618	87,722	108,303

37. LOANS FROM RELATED COMPANIES *(Continued)*

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

38. TRADE AND NOTES PAYABLES

	2010	2009
	RMB'000	RMB'000
Trade payables	**4,440,072**	3,539,566
Notes payables	**4,177,313**	3,322,401
	8,617,385	6,861,967

The carrying amounts of trade and notes payables approximate to their fair values.

An aged analysis of trade payables as at the end of the reporting period is as follows:

	2010	2009
	RMB'000	RMB'000
Outstanding balances with ages:		
Within 90 days	**3,262,713**	2,523,171
91 to 180 days	**460,137**	414,585
181 to 365 days	**98,504**	181,843
1 to 2 years	**375,793**	345,306
2 to 3 years	**143,341**	44,360
Over 3 years	**99,584**	30,301
	4,440,072	3,539,566

Credit terms granted by the Group's suppliers are as follows:

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

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

39. ACCRUED LIABILITIES AND OTHER PAYABLES

Group

	2010 **RMB'000**	2009 RMB'000
Advances from customers	**7,790,924**	6,471,617
Payables related to:		
Purchases of property, plant and equipment	**1,543,079**	1,234,444
Deposits received	**477,569**	452,549
Payroll	**424,199**	366,327
Business tax	**217,036**	115,170
Accrued interest expenses	**221,845**	202,845
Value-added tax	**70,630**	61,986
Accrued utilities	**281,634**	163,774
Acquisitions of subsidiaries (note 46(a))	**12,743**	150,000
Current portion of other long term payables (note 43)	**80,806**	73,528
Others	**1,739,935**	1,238,826
	12,860,400	10,531,066

Company

	2010 **RMB'000**	2009 RMB'000
Other payables	**17,683**	1,489

The carrying amounts of accrued liabilities and other payables, excluding advances from customers, approximate to their fair values.

40. FINANCE LEASE PAYABLES

Nanjing Iron & Steel United Co., Ltd., a subsidiary of the Group, signed an agreement with a leasing company to lease certain machinery and equipment for its iron and steel business, which are classified as finance leases.

Total future minimum lease payments under finance leases and their present values are as follows:

	2010 RMB'000	2009 RMB'000
Repayable:		
Within one year	**49,322**	–
In the second year	**48,577**	–
In the third to fifth years, inclusive	**135,370**	–
Total minimum finance lease payments	**233,269**	–
Less: Future finance charges	**(28,975)**	–
	204,294	–
Portion classified as current finance lease payable	**(40,116)**	–
Long term portion	**164,178**	–

Interest is charged at a rate of 5.60% per annum.

41. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	**2010 RMB'000 Liabilities**	2009 RMB'000 Liabilities
Forward currency contracts	*(i)*	**37,559**	–
Commodity derivative contracts	*(ii)*	**47,007**	–
		84,566	–

(i) The Group entered into various forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting. Changes in the fair value of such derivatives which have not been settled as at 31 December 2010 amounting to RMB37,559,000 (2009: Nil) were debited to other expenses during the year as set out in note 8 to the financial statements.

(ii) The Group uses commodity derivative contracts to hedge its commodity price risk, which does not meet the criteria of hedge accounting. Commodity derivative contracts utilised by the Group are standardised steel futures contracts on the Shanghai Futures Exchange.

The realised gain on futures contracts amounting to RMB30,475,000 was credited to other gains during the year as set out in note 6 to the financial statements, and the unrealised loss on the changes in fair value amounting to RMB47,007,000 was debited to other expenses during the year as set out in note 8 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

42. DEFERRED INCOME

Deferred income represents government grants received related to assets.

	2010 RMB'000	2009 RMB'000
Special purpose fund for technology improvement	**144,876**	82,669

43. OTHER LONG TERM PAYABLES

	2010 RMB'000	2009 RMB'000
Payables for rehabilitation:		
At 1 January	**34,206**	30,921
Additions	**15,368**	453
Interest increment (note 7)	**–**	2,832
Classified as current portion (note 39)	**(12,200)**	–
At 31 December	**37,374**	34,206
Payables for retirement benefits:		
At 1 January	**527,715**	603,330
Additions	**16,450**	22,424
Interest increment (note 7)	**22,891**	24,117
Payments made	**(61,358)**	(48,628)
Classified as current portion (note 39)	**(68,606)**	(73,528)
At 31 December	**437,092**	527,715
Total	**474,466**	561,921

Payables for rehabilitation are in relation to the costs of the Group's obligations for land reclamation.

Payables for retirement benefits represent liabilities taken over by the Group from the former parent company of the Former SOEs, which are state-owned enterprises, in respect of the retirement benefits of the Qualified SOE Employees and the Qualified Retirees.

The long term payables are based on estimates of future payments made by management and are discounted at rates in the range of 5.70% to 7.83%.

44. SHARE CAPITAL

Shares

	2010 RMB'000	2009 RMB'000
Authorised:		
100,000,000,000 (2009: 100,000,000,000) ordinary shares of HKD0.1 each	**9,746,013**	9,746,013
Issued and fully paid:		
6,421,594,500 (2009: 6,421,594,500) ordinary shares of HKD0.1 each	**621,497**	621,497

The following changes in the Company's authorised and issued share capital took place during the period from 1 January 2009 to 31 December 2010 are as follows:

	Number of ordinary shares	Nominal value of ordinary shares RMB'000
Authorised:		
As at 31 December 2009 and 31 December 2010	100,000,000,000	9,746,013
Issued and fully paid:		
As at 31 December 2009 and 31 December 2010 (6,421,594,500 shares of HKD0.1 each)	6,421,594,500	621,497

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

45. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Company

	Issued capital RMB'000 (note 44)	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Capital redemption reserve RMB'000	(Accumulated losses)/ retained earnings RMB'000	Proposed final dividend RMB'000 (note 11)	Total equity RMB'000
At 1 January 2009	621,497	11,785,713	(929,989)	1,465	(190,683)	453,051	11,741,054
Final dividend declared	–	–	–	–	–	(453,051)	(453,051)
Proposed final dividend	–	–	–	–	(927,270)	927,270	–
Exchange realignment	–	–	(18,890)	–	–	–	(18,890)
Total comprehensive income for the year*	–	–	–	–	4,306,395	–	4,306,395
At 31 December 2009 and 1 January 2010	**621,497**	**11,785,713**	**(948,879)**	**1,465**	**3,188,442**	**927,270**	**15,575,508**
Final dividend declared	**–**	**–**	**–**	**–**	**–**	**(927,270)**	**(927,270)**
Proposed final dividend	**–**	**–**	**–**	**–**	**(928,936)**	**928,936**	**–**
Exchange realignment	**–**	**–**	**(468,904)**	**–**	**–**	**–**	**(468,904)**
Total comprehensive income for the year*	**–**	**–**	**–**	**–**	**1,664,813**	**–**	**1,664,813**
At 31 December 2010	**621,497**	**11,785,713**	**(1,417,783)**	**1,465**	**3,924,319**	**928,936**	**15,844,147**

* The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 includes a profit of RMB1,664,813,000 (2009: RMB4,306,395,000) which has been dealt with in the financial statements of the Company.

(a) Other deficits

The opening balance of other deficits as at 1 January 2009 represented the acquisition of the entire equity interest in Fosun Group pursuant to the reorganisation of the Group prior to the listing of its shares on the Hong Kong Stock Exchange, after netting off paid-up capital and capital reserve (arising from the bonus share issue of its subsidiaries) of Fosun Group.

45. RESERVES *(Continued)*

(b) Statutory surplus reserve (the "SSR")

In accordance with the Company Law of the PRC and the respective articles of association of the subsidiaries established in Mainland China (the "PRC Subsidiaries"), each PRC Subsidiary is required to allocate 10% of its profits after tax, as determined in accordance with the applicable PRC accounting standards and regulations, to the SSR until such reserve reaches 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the SSR can be capitalised as paid-up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(c) Distributable reserves

For dividend purposes, the amount which the PRC subsidiaries can legally distribute by way of a dividend is determined by reference to the distributable profits as reflected in their PRC statutory financial statements which are prepared in accordance with the applicable PRC accounting standards and regulations.

In accordance with the Company Law of the PRC, profits after tax of the PRC subsidiaries can be distributed as dividends after the appropriation to the SSR as set out above.

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

The major acquisition during the year is set out as follows:

On 31 May 2010, the Group through its subsidiary, Forte, acquired a 100% equity interest in Garden Plaza SRL ("Garden Plaza"), a society with restricted liability organised and existing under the laws of Barbados. Garden Plaza is engaged in property investments in Shanghai. The Group acquired Garden Plaza in order to increase the Group's competitive strength in the property market in Shanghai. The acquisition has been accounted for using the acquisition method. The purchase consideration for the acquisition was in the form of cash and amounted to RMB731,051,000 of which RMB12,743,000 remained unpaid as at 31 December 2010.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

The fair values of the identifiable assets and liabilities of the subsidiaries acquired during the year were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment (note 13)	253,722
Prepaid land lease payments (note 15)	100,867
Intangible assets (note 18)	187,022
Investment properties (note 14)	2,400,000
Deferred tax assets (note 28)	1,326
Held-to-maturity investments	14,312
Amount due to shareholders	(867,514)
Properties under development	88,000
Cash and bank balances	518,848
Trade and notes receivables	247,361
Prepayments, deposits and other receivables	120,670
Inventories	273,295
Interest-bearing bank and other borrowings	(799,900)
Trade and notes payables	(288,562)
Accrued liabilities and other payables	(299,634)
Tax payable	(12,572)
Deferred tax liabilities (note 28)	(290,588)
Non-controlling interests	(441,549)
Total identifiable net assets at fair value	1,205,104
Goodwill on acquisitions (note 19)	314,929
	1,520,033
Satisfied by:	
Cash	1,507,290
Cash consideration unpaid (note 39)	12,743
	1,520,033

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

The fair values of the acquired trade receivables as at their respective date of acquisition and other receivables approximate to their gross contractual amounts. None of the receivables are expected to be uncollectible.

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

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

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash consideration	(1,507,290)
Cash and bank balances acquired	518,848
Net outflow of cash and cash equivalents included in cash flows from investing activities	(988,442)
Transaction costs of these acquisitions included in cash flows from operating activities	(19,546)
	(1,007,988)

The Group has incurred transactions costs of RMB19,546,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses in the consolidated income statement.

The effect of all the acquisitions on the financial results of the Group from the respective date of acquisition to the end of the year is as follows:

	RMB'000
Financial results:	
Revenue	306,502
Loss for the year	(183,957)

Had the combinations taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended 31 December 2010 would have been RMB45,199,863,000 and RMB6,189,642,000 respectively.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Disposal of subsidiaries

The disposal of subsidiaries during the year is set out as follows:

(i) On 3 March 2010, Forte Group entered into an equity transfer agreement to dispose of its 100% equity interest in Shanghai Yizhou and its subsidiary at a total consideration of RMB888,121,000. The disposal was completed on 18 May 2010.

(ii) On 8 June 2010, Forte Group entered into an equity transfer agreement to dispose of its 50% equity interest in Shiner Way Limited ("Shiner Way"), including its subsidiary at a total consideration of RMB64,117,000 of which RMB12,521,000 had not been collected as at 31 December 2010.

Subsequent to the completion of the equity transfer on 30 June 2010, the remaining 50% equity investment in Shiner Way Limited was accounted for as investment in a jointly-controlled entity.

	2010	2009
	RMB'000	RMB'000
Net assets disposed of:		
Property, plant and equipment (note 13)	**6,683**	182
Prepaid land lease payments (note 15)	**–**	1,846
Cash and bank balances	**222,289**	259
Trade and notes receivables	**741**	–
Properties under development	**434,966**	–
Deferred tax assets (note 28)	**7,081**	–
Prepayments, deposits and other receivables	**168,575**	1,114
Inventories	**1,430,875**	1,664
Trade and notes payables	**(179,199)**	–
Accrued liabilities and other payables	**(1,931,195)**	(2,459)
Tax payable	**(64,994)**	–
Non-controlling interests	**(75,006)**	–
	20,816	2,606
Retained interests in subsidiaries disposed of	**(68,742)**	–
Professional fee directly attributable to the disposals	**36,000**	–
Net gain on disposal of subsidiaries (note 6)	**964,164**	494
	952,238	3,100

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Disposal of subsidiaries *(Continued)*

An analysis of the cash flows in respect of the disposal of subsidiaries is as follows:

	2010	2009
	RMB'000	RMB'000
Satisfied by:		
Cash	**939,717**	3,100
Other receivables	**12,521**	–
	952,238	3,100
Cash consideration	**939,717**	3,100
Cash paid for the professional fee directly attributable to the disposals	**(36,000)**	–
Cash and bank balances disposed of	**(222,289)**	(259)
Net inflow of cash and cash equivalents included in cash flows from investing activities	**681,428**	2,841

47. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties, as set out in note 14 to the financial statements, under operating lease arrangements.

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:

47. OPERATING LEASE ARRANGEMENTS *(Continued)*

As lessor *(Continued)*

Group

	2010 RMB'000	2009 RMB'000
Within one year	**64,806**	32,333
In the second to fifth years, inclusive	**111,202**	71,463
Over five years	**28,554**	25,244
	204,562	129,040

As lessee

The Group leases certain of its office properties, shop lots, land and plant buildings under operating lease arrangements, with negotiated terms ranging from one to nineteen years.

At the end of the reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	2010 RMB'000	2009 RMB'000
Within one year	**74,799**	64,555
In the second to fifth years, inclusive	**258,080**	247,266
Over five years	**516,124**	516,996
	849,003	828,817

Company

	2010 RMB'000	2009 RMB'000
Within one year	**1,930**	1,679
In the second to fifth years, inclusive	**1,000**	–
	2,930	1,679

48. COMMITMENTS

In addition to the operating lease commitments detailed in note 47 above, the Group and the Company had the following capital commitments at the end of the reporting period:

Group

	2010	2009
	RMB'000	RMB'000
Contracted, but not provided for:		
In respect of:		
Plant and machinery	**576,433**	492,465
Properties under development	**3,576,589**	4,531,525
Intangible assets	**210**	23,899
Mining and exploration rights	**3,780**	–
Prepaid land lease payments	**–**	5,600
Investments	**624,098**	477,419
	4,781,110	5,530,908
Authorised, but not contracted for:		
In respect of:		
Plant and machinery	**13,259**	950,843
Investments	**307,821**	1,864,000
	321,080	2,814,843

In addition, the Group's share of the jointly-controlled entities' own capital commitments, which are not included in the above, is as follows:

	2010	2009
	RMB'000	RMB'000
Contracted but not provided for:		
Properties under development	**199,999**	33,499

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

48. COMMITMENTS *(Continued)*

Company

	2010	2009
	RMB'000	RMB'000
Authorised, but not contracted for:		
Investments	**307,821**	1,864,000

49. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the end of the reporting period:

	2010	2009
	RMB'000	RMB'000
Guaranteed bank loans of:		
Related parties (note 50)	**1,026,800**	846,800
Third parties	**73,400**	50,000
	1,100,200	896,800
Qualified buyers' mortgage loans*	**3,013,599**	2,762,666
	4,113,799	3,659,466

* The Group provided guarantees of approximately RMB3,013,599,000 (2009: RMB2,762,666,000) in favour of their customers in respect of mortgage loans provided by banks to such customers for their purchases of the Group's developed properties where the underlying real estate certificates can only be provided to the banks in a time delayed manner due to administrative procedures in the PRC. These guarantees provided by the Group will be released when the customers pledge their real estate certificates as security to the banks for the mortgage loans granted by the banks.

The Directors consider that in case of default in payments, the net realisable value of the related properties can cover the outstanding mortgage principal together with the accrued interest and penalties and therefore no provision has been made in the financial statements for the guarantees.

50. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

Name of related parties	Nature of transactions	2010 RMB'000	2009 RMB'000
Sales of goods			
Sinopharm Group Co. Ltd. (Note 4)	Sales of pharmaceutical products	**182,849**	96,610
Shanghai Lianhua Fosun Pharmacy Chain Operation Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	**27,275**	26,896
Shanghai Pharmacy Holdings Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	**7,106**	7,148
Suzhou Laishi Transfusion Equipment Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	**6,924**	6,268
Shanghai Liyi Pharmacy Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	**3,023**	5,103
Guilin Auspicious Pharmaceutical Industrial Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	**–**	581
Shanghai Huifeng Fomei Pharmacy Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	**5,577**	2,922
Shanghai Transfusion Technology Co., Ltd. (Notes 3, 4 & 14)	Sales of pharmaceutical products	**3,680**	16,135
Beijing Jinxiang Fosun Fharma Holdings Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	**359**	–
Total sales of goods		**236,793**	161,663

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

50. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2010 RMB'000	2009 RMB'000
Purchases of goods			
Sinopharm Group Co. Ltd. (Note 4)	Purchases of pharmaceutical products	**97,308**	10,095
Shanghai Pharmacy Holdings Co., Ltd. (Notes 1 & 4)	Purchases of pharmaceutical products	**2,153**	8,514
Suzhou Laishi Transfusion Equipment Co., Ltd. (Notes 1 & 4)	Purchases of pharmaceutical products	**3,652**	3,660
Hainan Iron and Steel Co., Ltd. (Notes 3, 4 & 14)	Purchases of iron ore products	**41,504**	21,005
Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd. (Notes 1 & 4)	Purchases of coking coal products	**113,455**	92,257
Total purchases of goods		**258,072**	135,531
Service income			
Wuxi Forte Real Estate Development Co., Ltd. (Notes 2 & 5)	Consulting services provided to the related company	**993**	–
Tianjin Jianlong Iron & Steel Industrial Co., Ltd. (Notes 1 & 5)	Consulting services provided to the related company	**–**	32,035
Wuxi Forte Real Estate Development Co., Ltd. (Notes 2 & 5)	Sales agency services provided to the related company	**–**	877
Total service income		**993**	32,912
Interest income			
Shaanxi Jianqin Real Estate Development Co., Ltd. (Notes 2 & 7)	Interest income	**23,191**	13,740
Nanjing Dahua Investment Development Co., Ltd. (Notes 1 & 7)	Interest income	**10,507**	–
Total interest income		**33,698**	13,740

50. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2010 RMB'000	2009 RMB'000
Interest expense			
Shanghai Yuyuan Mart Real Estate Development Co., Ltd. (Notes 1 & 7)	Interest expense	**13,984**	6,690
Other expenses			
Shanghai Foreal Property Management Co., Ltd. (Notes 1, 6 & 14)	Property management services provided by the related company	**12,765**	13,392
Nanjing Xinwu Shipping Co., Ltd. (Notes 1 & 6)	Transportation fees	**82,028**	69,987
Nanjing Iron & Steel (Group) Co., Ltd. (Notes 3, 6 & 14)	Operating lease in respect of office buildings leased from the related company	**4,677**	3,023
Hainan Iron and Steel Co., Ltd. (Notes 3, 6 & 14)	Operating lease in respect of land lease from the related company	**16,548**	15,776
Total other expenses		**116,018**	102,178
Underlying notional interest of loans from related companies			
Wuxi Forte Real Estate Development Co., Ltd. (Notes 2 & 9)	Notional interest	**5,562**	5,206
Yangzte Tianjin Limited (Notes 3, 10 & 14)	Notional interest	**5,553**	5,840
Tianjin Binhai Auto Parts Industry Base Co., Ltd. (Notes 1 & 11)	Notional interest	**1,384**	–
Total notional interest		**12,499**	11,046
Loans from related companies			
Tianjin Binhai Auto Parts Industry Base Development Co., Ltd. (Notes 1 & 11)	Loan provided by the related company	**–**	28,000
Shanghai Yuyuan Mart Real Estate Co., Ltd. (Notes 1 & 7)	Loan provided by the related company	**150,000**	247,792
Total loans from related companies		**150,000**	275,792

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

50. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Nature of transactions	2010 RMB'000	2009 RMB'000
Guarantees of bank loans			
Nanjing Iron & Steel (Group) Co., Ltd. (Notes 3, 8 & 14)	Bank loans guaranteed by the related company	**3,852,500**	3,272,288
Nanjing Xinwu Shipping Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	**30,000**	53,000
Tianjin Jianlong Iron & Steel Industrial Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	**170,000**	200,000
Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	**110,800**	52,800
Nanjing Iron & Steel Jiahua New Construction Material Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	**175,000**	–
Beijing Yuquanxincheng Property Development Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	**100,000**	100,000
Beijing Hehua Property Development Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	**441,000**	441,000
Loans to related companies			
Shaanxi Jianqin Real Estate Development Co., Ltd. (Notes 2 & 7)	Entrusted loan provided to the related company	**110,000**	220,000
Haizhimen (Notes 1 & 12)	Shareholder loan provided to the related company	**4,218,482**	–
Show All Limited (Notes 2 & 12)	Shareholder loan provided to the related company	**219,810**	–
Total loans to related companies		**4,548,292**	220,000

50. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

(1) They are associates of the Group.

(2) They are jointly-controlled entities of the Group.

(3) They are non-controlling shareholders of the subsidiaries of the Group.

(4) The Directors consider that the sales and purchases were undertaken on commercial terms similar to those offered to/by unrelated customers/suppliers in the ordinary course of business of the relevant companies.

(5) The Directors consider that the fees for consulting services and sales agency services were determined based on prices available to third party customers.

(6) The Directors consider that the fees for property management services, transportation services and leasing paid to related companies were determined based on prices available to third party customers of the related companies.

(7) The Directors consider that the loans provided by/to the related companies are unsecured, repayable on demand, and the applicable interest rates are determined in accordance with the prevailing market borrowing rates.

(8) The bank loans were guaranteed by related companies free of charge. The guarantees were given by the Group for bank loans of related companies free of charge.

(9) The entrusted bank loan in the amount of RMB93,000,000 is provided by Wuxi Forte Real Estate Development Co., Ltd. and is interest-free, unsecured and repayable by 2012 as set out in note 37 to the financial statements. The corresponding notional interest for the year ended 31 December 2010 amounted to approximately RMB5,562,000 (2009: RMB5,206,000).

(10) The loan in the amount of RMB99,716,000 is provided by Yangzte Tianjin Limited, a non-controlling shareholder of Tianjin Forte, and was interest-free, unsecured and repaid in 2010. The corresponding notional interest for the year ended 31 December 2010 amounted to approximately RMB5,553,000 (2009: RMB5,840,000).

(11) The loan in the amount of RMB28,000,000 is provided by Tianjin Binhai Auto Parts Industry Base Co., Ltd. and is interest-free, unsecured and repayable by 2011 as set out in note 37 to the financial statements. The corresponding notional interest for the year ended 31 December 2010 amounted to approximately RMB1,384,000 (2009: Nil).

(12) The balance of shareholders' loan provided to Shaanxi Jianqin Real Estate Development Co., Ltd. and Show All Limited as at 31 December 2010 is RMB290,000,000 and RMB346,210,000,respectively as set out in note 21 to the financial statements. The balance of shareholders' loan provided to Haizhimen as at 31 December 2010 is RMB 4,218,482,000 as set out in note 22 and note 26 to the financial statements.

50. RELATED PARTY TRANSACTIONS *(Continued)*

Notes: *(Continued)*

(13) Compensation of key management personnel of the Group:

	2010 **RMB'000**	2009 RMB'000
Short term employee benefits	19,470	12,529
Pension scheme contributions	448	252
Total compensation paid to key management personnel	19,918	12,781

(14) These transactions constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules. They are exempted from the disclosure requirements under Chapter 14A of the Listing Rules.

51. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2010 Group

Financial assets

	Financial assets at fair value through profit or loss -held for trading RMB'000	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Available-for-sale financial investments RMB'000	Total RMB'000
Held-to-maturity investments	–	14,312	–	–	14,312
Available-for-sale investments	–	–	–	7,327,045	7,327,045
Loans receivable	–	–	1,713,432	–	1,713,432
Cash and bank balances	–	–	21,334,977	–	21,334,977
Equity investments at fair value through profit or loss	6,478,648	–	–	–	6,478,648
Trade and notes receivables	–	–	5,496,535	–	5,496,535
Financial assets included in prepayments, deposits and other receivables (note 33)	–	–	2,326,044	–	2,326,044
Due from related companies	–	–	1,940,085	–	1,940,085
	6,478,648	14,312	32,811,073	7,327,045	46,631,078

51. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

2010 Group *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	43,821,843	–	43,821,843
Loans from related companies	113,565	–	113,565
Trade and notes payables	8,617,385	–	8,617,385
Financial liabilities included in accrued liabilities and other payables (note 39)	4,781,810	–	4,781,810
Due to related companies and the holding company	2,046,635	–	2,046,635
Other long term payables	474,466	–	474,466
Financial lease payables	204,294	–	204,294
Derivative financial instruments	–	84,566	84,566
	60,059,998	84,566	60,144,564

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

51. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

2009 Group

Financial assets

	Financial assets at fair value through profit or loss -held for trading RMB'000	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Available-for-sale financial investments RMB'000	Total RMB'000
Held-to-maturity investments	–	79,220	–	–	79,220
Available-for-sale investments	–	–	–	2,943,458	2,943,458
Loans receivable	–	–	220,000	–	220,000
Cash and bank balances	–	–	15,947,571	–	15,947,571
Equity investments at fair value through profit or loss	4,922,253	–	–	–	4,922,253
Trade and notes receivables	–	–	4,768,991	–	4,768,991
Financial assets included in prepayments, deposits and other receivables (note 33)	–	–	2,040,152	–	2,040,152
Due from related companies	–	–	1,100,497	–	1,100,497
	4,922,253	79,220	24,077,211	2,943,458	32,022,142

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings	28,705,369
Loans from related companies	106,618
Trade and notes payables	6,861,967
Financial liabilities included in accrued liabilities and other payables (note 39)	4,059,449
Due to related companies and the holding company	1,224,172
Other long term payables	561,921
	41,519,496

51. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

2010 Company

Financial assets

	Financial assets at fair value through profit or loss - held for trading RMB'000	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	5,483,461	–	–	5,483,461
Cash and bank balances	–	–	1,786,810	1,786,810
Financial assets included in prepayments, deposits and other receivables (note 33)	–	–	836	836
Due from subsidiaries	–	–	10,887,527	10,887,527
	5,483,461	–	12,675,173	18,158,634

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in accrued liabilities and other payables (note 39)	17,683
Interest-bearing bank loans	3,174,250
Due to the holding company	1,092,250
	4,284,183

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

51. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

2009 Company

Financial assets

	Financial assets Financial assets at fair value through profit or loss - held for trading RMB'000	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Total RMB'000
Held-to-maturity investments	–	35,320	–	35,320
Equity investments at fair value through profit or loss	4,106,493	–	–	4,106,493
Cash and bank balances	–	–	2,458,576	2,458,576
Financial assets included in prepayments, deposits and other receivables (note 33)	–	–	1,567	1,567
Due from subsidiaries	–	–	8,334,529	8,334,529
	4,106,493	35,320	10,794,672	14,936,485

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in accrued liabilities and other payables (note 39)	1,489
Interest-bearing bank loans	482,286
Due to the holding company	878,749
	1,362,524

52. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

Group

As at 31 December 2010

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments:				
Equity investments (note 24)	**3,048,301**	**–**	**–**	**3,048,301**
Equity investments at fair value through profit or loss	**6,478,648**	**–**	**–**	**6,478,648**
	9,526,949	**–**	**–**	**9,526,949**

As at 31 December 2009

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments:				
Equity investments (note 24)	868,773	–	–	868,773
Equity investments at fair value through profit or loss	4,922,253	–	–	4,922,253
	5,791,026	–	–	5,791,026

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

52. FAIR VALUE HIERARCHY *(Continued)*

Assets measured at fair value: (continued)

Company

As at 31 December 2010

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	**5,483,461**	**–**	**–**	**5,483,461**

As at 31 December 2009

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	4,106,493	–	–	4,106,493

Liabilities measured at fair value:

Group

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial instruments	(84,566)	–	–	(84,566)

The Group did not have any financial liabilities measured at fair value as at 31 December 2009.

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 (2009: Nil).

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other borrowings, 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 receivables and trade payables, which arise directly from its operations.

The Group also entered into derivative transactions, representing forward currency contracts and commodity derivative contracts during the year ended 31 December 2010. The purpose is to manage the foreign currency risks and commodity price risk arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. At 31 December 2010, approximately 28% (2009: 31%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

Group:

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2010	**75**	**(140,574)**
	(25)	**46,858**
2009	27	(29,998)
	(81)	89,994

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar and Hong Kong dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Group:

	Increase/ decrease in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000
2010		
If RMB weakens against United States dollar	**5**	**(297,608)**
If RMB strengthens against United States dollar	**5**	**297,608**
If RMB weakens against Hong Kong dollar	**5**	**(58,707)**
If RMB strengthens against Hong Kong dollar	**5**	**58,707**
2009		
If RMB weakens against United States dollar	5	(19,423)
If RMB strengthens against United States dollar	5	19,423
If RMB weakens against Hong Kong dollar	5	58,334
If RMB strengthens against Hong Kong dollar	5	(58,334)

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, held-to-maturity investments, available-for-sale investments, equity investments at fair value through profit or loss, amounts due from related companies, and other receivables, arises from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 49 to financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables were widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 32 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans. The Group's policy is that not more than 80% of the borrowings should mature in any 12-month period. 64% (2009: 69%) of the Group's debts would mature in less than one year as at 31 December 2010 based on the carrying value of borrowings reflected in the financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payment, was as follows:

2010 Group

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	1,314,961	20,980,110	19,529,372	3,788,154	45,612,597
Loans from related companies	–	–	28,000	93,000	–	121,000
Trade and notes payables	2,139,506	553,068	5,823,749	101,061	–	8,617,384
Due to related companies	954,385	–	–	–	–	954,385
Due to the holding company	1,092,250	–	–	–	–	1,092,250
Financial liabilities included in accrued liabilities and other payables	6,111,933	5,653	22	44,407	–	6,162,015
Other long term payables	–	–	–	474,466	–	474,466
Financial lease payable	–	12,331	36,992	183,946	–	233,269
Derivative financial Instruments	–	–	84,566	–	–	84,566
	10,298,074	1,886,013	26,953,439	20,426,252	3,788,154	63,351,932

2009 Group

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	1,793,969	14,998,394	8,474,429	3,486,683	28,753,475
Loans from related companies	–	–	–	121,000	–	121,000
Trade and notes payables	1,983,529	1,957,762	2,920,676	–	–	6,861,967
Due to related companies	345,423	–	–	–	–	345,423
Due to the holding company	878,749	–	–	–	–	878,749
Financial liabilities included in accrued liabilities and other payables	4,020,921	–	38,528	–	–	4,059,449
Other long term payables	–	–	–	484,471	200,233	684,704
	7,228,622	3,751,731	17,957,598	9,079,900	3,686,916	41,704,767

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

In addition, the guarantees provided by the Group will be called in case of default in payments by the guaranteed companies as set out in note 49.

2010 Company

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	–	562,930	2,611,320	–	3,174,250
Due to the holding company	1,092,250	–	–	–	–	1,092,250
Financial liabilities included in accrued liabilities and other payables	17,683	–	–	–	–	17,683
	1,109,933	–	562,930	2,611,320	–	4,284,183

2009 Company

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	–	411,849	70,438	–	482,287
Due to the holding company	878,749	–	–	–	–	878,749
Financial liabilities included in accrued liabilities and other payables	1,489	–	–	–	–	1,489
	880,238	–	411,849	70,438	–	1,362,525

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments (note 31) and available-for-sale investments measured at fair value (note 24) as at 31 December 2010. The Group's listed investments are listed on the Hong Kong, Shenzhen, Shanghai, United States and Europe stock exchanges and are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the income statement.

		Carrying amount of equity investments RMB'000	Increase in profit before tax RMB'000	Increase in equity RMB'000
2010				
Investments listed in:				
Hong Kong	– Available-for-sale	300,478	–	15,024
	– Held-for-trading	1,141,171	57,059	–
Shenzhen	– Available-for-sale	444,319	–	22,216
	– Held-for-trading	103	5	–
Shanghai	– Available-for-sale	1,632,847	–	81,642
	– Held-for-trading	350,921	17,546	–
United States	– Available-for-sale	670,656	–	33,533
	– Held-for-trading	4,534,183	226,709	–
Europe	– Held-for-trading	452,270	22,614	–

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk *(Continued)*

		Carrying amount of equity investments RMB'000	Increase in profit before tax RMB'000	Increase in equity RMB'000
2009				
Investments listed in:				
Hong Kong	– Available-for-sale	275,074	–	13,754
	– Held-for-trading	5,949	297	–
Shenzhen	– Available-for-sale	113,771	–	5,689
Shanghai	– Available-for-sale	25,313	–	1,266
	– Held-for-trading	804,058	40,000	–
United States	– Available-for-sale	454,615	–	22,731
	– Held-for-trading	4,100,976	205,049	–
Singapore	– Held-for-trading	11,270	564	–

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 2010 and 31 December 2009.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2010

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio between 20% and 60%. Net debt includes interest-bearing bank and other borrowings, and loans from related companies, less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests. The gearing ratios as at the ends of the reporting periods were as follows:

Group

	2010 **RMB'000**	2009 RMB'000
Interest-bearing bank and other borrowings	**43,821,843**	28,705,369
Loans from related companies	**113,565**	106,618
Less: Cash and cash equivalents	**(16,826,592)**	(10,550,240)
Net debt	**27,108,816**	18,261,747
Total equity	**44,999,086**	36,328,087
Total equity and net debt	**72,107,902**	54,589,834
Gearing ratio	**38%**	33%

54. EVENTS AFTER THE REPORTING PERIOD

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

As at the date of announcement, the Group held 1,458,963,765 domestic shares and 325,710,000 H shares of Forte, representing in aggregate approximately 70.56% of the Forte shares, and making up of approximately 99.00% of the total issued domestic shares and approximately 30.86% of the total issued H shares.

54. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(a) *(Continued)*

Based on the offer price of HKD3.50 per H share and the equivalent in RMB of the offer price of the H share offer for each domestic share, and 729,828,122 H shares and 14,804,300 domestic shares in issue (representing the H shares and domestic shares not already held by the Company and parties acting in concert with it, but including the domestic shares of Forte held by Dahua (Group) Company Limited), as at the date of announcement, the maximum value of the H share offer and domestic share offer (assuming the H share and domestic share offer is accepted in full and there is no change in the share capital of Forte) is approximately HKD2,554,400,000 and RMB43,900,000, respectively.

(b) On 27 February 2011, Fosun Pharma, a subsidiary of the Company, announced to offer for subscription and apply for listing of its H shares on the Main Board of the Hong Kong Stock Exchange. The total number of H shares to be offered under the proposed global offering will not exceed 20% of Fosun Pharma's total issued shares after the completion of the proposed global offering, with an over-allotment option to issue no more than 15% of the H shares initially available under the proposed global offering.

55. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2011.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Liu Benren

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chen Kaixian
Zhang Shengman
Andrew Y. Yan

AUDIT COMMITTEE

Zhang Shengman *(Chairman)*
Chen Kaixian
Andrew Y. Yan

REMUNERATION COMMITTEE

Andrew Y. Yan *(Chairman)*
Liang Xinjun
Zhang Shengman

NOMINATION COMMITTEE

Wang Qunbin *(Chairman)*
Zhang Shengman
Andrew Y. Yan

COMPANY SECRETARY

Sze Mei Ming

AUTHORISED REPRESENTATIVES

Qin Xuetang
Ding Guoqi

AUDITORS

Ernst & Young

LEGAL ADVISOR AS TO HONG KONG LAW

Herbert Smith LLP

LEGAL ADVISOR AS TO PRC LAW

Chen & Co. Law Firm

PRINCIPAL BANKERS

Agricultural Bank of China
China Construction Bank
Industrial and Commercial Bank of China
Shanghai Pudong Development Bank
Bank of China
Bank of Communications
China Merchants Bank
Bank of East Asia
Standard Chartered Bank
China Development Bank
Crédit Agricole Corporate and Investment Bank
Wing Lung Bank

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GLOSSARY

FORMULAE

EBITDA	=	profit for the year + tax + interest expenses + depreciation and amortisation
Total debt	=	current and non-current interest-bearing borrowings + interest-free loans from related parties
Total capitalisation	=	equity attributable to owners of the parent + minority interests + total debt
Interest coverage	=	EBITDA/interest expenses

ABBREVIATIONS

Associate	has the same meaning ascribed thereto under the Listing Rules
Articles of Association	the current articles of association of the Company with the latest amendments made on 17 June 2008
the Board	the board of Directors
CG Code	the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules
Club Med	Club Méditerranée SA
the Company	Fosun International Limited
the Director(s)	the director(s) of the Company
Focus Media	Focus Media Holding Limited, a company whose American Depositary Shares are listed on Nasdaq (Stock Code: FMCN)
Forte	Shanghai Forte Land Co., Ltd., a company whose H shares are listed on the Stock Exchange (Stock Code: 02337)
Forte Group	Forte and its subsidiaries
Fosun Capital	Fosun Capital Investment Management Company
Fosun Group	Shanghai Fosun High Technology (Group) Co., Ltd.
Fosun Holdings	Fosun Holdings Limited
Fosun International Holdings	Fosun International Holdings Ltd.
Fosun Pharma	Shanghai Fosun Pharmaceutical (Group) Co., Ltd., a company whose A shares are listed on the Shanghai Stock Exchange (Stock Code: 600196)
GFA	gross floor area
the Group	the Company and its subsidiaries
Hainan Mining	Hainan Mining Co., Ltd. (formerly known as Hainan Mining United Co., Ltd.)
HKD	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of China
Huaxia Mining	Beijing Huaxia Jianlong Mining Technology Co., Ltd.

GLOSSARY

Jianlong Group	Tianjin Jianlong Iron & Steel Industrial Co., Ltd.
Jin'an Mining	Anhui Jin'an Mining Co., Ltd.
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
Nanjing Iron & Steel	Nanjing Iron & Steel Co., Ltd., a company whose A shares are listed on the Shanghai Stock Exchange (Stock Code: 600282)
Nanjing Nangang	Nanjing Nangang Iron & Steel United Co., Ltd.
Nanjing Steel United	Nanjing Iron & Steel United Co., Ltd.
PRC	the People's Republic of China
Prudential	Prudential Financial, Inc.
Reporting Period	the year ended 31 December 2010
Resource Property	Shanghai Resource Property Consultancy Co., Ltd.
RMB	Renminbi, the lawful currency of the PRC
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shanjiaowulin	Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd.
Shares	the shares of the Company
Share Option Scheme	the share option scheme of the Company adopted on 19 June 2007
Sinopharm	Sinopharm Group Co. Ltd., a company whose H shares are listed on the Stock Exchange (Stock Code: 01099)
Stock Exchange	The Stock Exchange of Hong Kong Limited
USD	United States dollars, the lawful currency of the United States
Yong'an Insurance	Yong'an Insurance Co., Ltd.
Yuyuan	Shanghai Yuyuan Tourist Mart Co., Ltd., a company whose A shares are listed on the Shanghai Stock Exchange (Stock Code: 600655)
Zendai	Shanghai Zendai Property Limited, a company whose shares are listed on the Stock Exchange (Stock Code: 00755)
Zhaojin Mining	Zhaojin Mining Industry Co., Ltd., a company whose H shares are listed on the Stock Exchange (Stock Code: 01818)
Zunyi Shiji	Zunyi County Shiji Nonferrous Metal Limited Liability Company

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