ANNUAL REPORT
2018

FOSUN 复星

復星國際有限公司
FOSUN INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00656)

极·智
INNOVATION FOR EXCELLENCE

Profit Attributable to Owners of the Parent

RMB 13,406.4 million

Innovation for Excellence

Product Competitiveness | Brand Strength | Industrial Group

2018 was a year full of uncertainties and challenges. Yet, thanks to our resilient business model of "Industry Operations + Industrial Investment" with "Glocalization" that Fosun has adhered to throughout these years, the Group still managed to deliver steady growth for its full-year financial results.

This year, Fosun emphasises on three keywords – "Product Competitiveness, Brand Strength and Industrial Group". We have learnt and believed that "Going Back to the Basics" or "Going Back to the Nature of Business" can undoubtedly strengthen our foundation. More fundamentally, we believe only if we can focus on enhancing our product competitiveness and brand influence, a strong industrial group and a global ecosystem can be established.

With an increasing number of mature industrial groups that Fosun has helped tap into the capital markets, the Group accomplished its business model of "1 Ecosystem + N Industrial Groups". This has also enabled the Group to have a more clear business structure, unlocking growth momentum and value.

Going forward, Fosun's business will continue to centre on the family, remain focused on enhancing product competitiveness, building brand strength while further promoting the empowerment and synergies within industrial groups. With our roots in China, we aim to create a global customer-to-maker (C2M) happiness ecosystem.

Financial Summary

In RMB million	For the year ended 31 December 2018	2017 (restated)
Revenue	**109,351.6**	88,025.2
Health Ecosystem	**29,093.3**	22,486.3
Happiness Ecosystem	**44,155.3**	25,455.6
Wealth Ecosystem	**36,878.5**	40,746.2
Insurance	**23,668.5**	26,133.3
Finance	**2,482.7**	1,836.2
Investment	**10,727.3**	12,776.7
Eliminations	**(775.5)**	(662.9)
Profit attributable to owners of the parent [note]	**13,406.4**	13,161.3
Health Ecosystem	**1,484.7**	1,300.7
Happiness Ecosystem	**2,567.5**	2,113.4
Wealth Ecosystem	**9,354.2**	9,747.2
Insurance	**2,382.7**	2,792.9
Finance	**1,245.2**	1,100.6
Investment	**5,726.3**	5,853.7
Earnings per share – basic *(in RMB)*	**1.57**	1.53
Earnings per share – diluted *(in RMB)*	**1.56**	1.53
Dividend per share *(in HKD)*	**0.37**	0.35

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

GUO GUANGCHANG
Chairman
Fosun International Limited

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

Dear distinguished shareholders of Fosun,

As of the end of the Reporting Period, the total assets of the Group reached RMB638.88 billion, which increased by 20% year-on-year. During the Reporting Period, the revenue of the Group increased by 24.2% compared with 2017 to RMB109.35 billion. Profit attributable to owners of the parent increased by 1.9% year-on-year to RMB13.41 billion, marking the seventh consecutive year of growth and reaching a new record high. Despite the global market volatility and challenging economic environment in 2018, Fosun's good performance is a reflection of our business model resilience and strategy, adhering to the complementary twin-growth drivers of "Industry Operations + Industrial Investment". We are confident that the organic growth in Fosun's various businesses and their synergies with investments will enable Fosun to maintain steady and sound development through different industry cycles and remain resilient to capital market movements.

We are incredibly grateful to have our shareholders' long-term trust and support throughout these years that has allowed us to pursue our ambitions and achieved today's success. I am pleased to announce that the Board has recommended our dividend this year to be increased to HKD0.37 per share, which means a payout ratio of 20% and a dividend yield of 3.25%[1]. This will allow us to share the fruits of our business growth with our shareholders.

Looking ahead, Fosun, as a globalized company rooted in China, will continue to focus on long-term development with "Industry Operations + Industrial Investment" as our growth drivers. We remain oriented towards the demands of families worldwide for "health, happiness and wealth" products and services, with a view to building a global ecosystem that brings happiness to everyone.

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

One of the major organizational changes for Fosun in 2018 was the establishment of several industrial groups. Yuyuan, for instance, completed its major asset reorganization, while FTG and Babytree were successfully listed in Hong Kong. At the same time, Fosun's various business segments, such as fashion, sports, technology and innovation, have been evolving into various industrial groups. In the future, all these industrial groups will focus on integrating businesses across their whole value chains while remaining centered on family needs. They will continue to refine their products and enhance their brand strengths so as to provide customers with better products and services.

At recent meetings, we have emphasised on three keywords – "Product Competitiveness, Brand Strength and Industrial Group". While Fosun's industrial groups already have clear positioning, what should be elaborated here is our understanding of product competitiveness and brand strength.

We believe there's no secret to a business's success, as success is achieved through the relentless pursuit of product competitiveness. Besides satisfying needs and solving problems, products that are competitive will also earn recognition from customers and therefore become classic and popular products. For example, after Yuyuan's acquisition of Songhelou, Songhelou's Suzhou-style soup noodles which was once renowned in Jiang Nan, has been revived recently. Since the opening of its first noodles shop, it has become very popular among customers.

Brand strength is another crucial aspect of business that takes a long time, from 1 to N, to build up. We believe a company with strong brand strength can still attract market attention even if its products do not. Consumers will wait for better products to be launched. For example, LANVIN is a French high-end fashion brand with a history of 130 years. Over the past four years, while LANVIN's business has struggled, many loyal customers and followers still have high expectations for the new season's products. Today, LANVIN has appointed a new chief executive officer ("**CEO**") and a new creative director. The latest women's collection produced by LANVIN is a real delight. As LANVIN strives to revive the brand and unlock its value, it has also created a new business model that enables it to better meet customers' current demand for luxuries.

1 Calculated based on the share price as of 31 December 2018, subject to approval at the annual general meeting of the Company.

We believe by having stronger product competitiveness with powerful brand influence, we can create more outstanding industrial groups. As a holding company, the Company will connect and empower each of its industrial groups with its mid-office, one equipped with smart technologies and its own professionalization capability. This will enable Fosun to build a global ecosystem that brings happiness to families worldwide.

We are pleased to see some successful cases during the development of our business ecosystems. In the health services ecosystem, Fosun United Health Insurance works with Fosun's pharmaceutical business and medical & health services. This enables the Group to provide customers improved health services ranging from consultation to diagnosis and treatments, and it also expands the customer base for its medical services business. Meanwhile, insurers are able to effectively increase the efficiency of their claims management. Fosun has thus formed a closed-loop mode of operation that encompasses healthcare and insurance for health management.

This is what the Company has been aspiring to do at the group level. Instead of being merely a sum of parts, Fosun's business ecosystem aims to create a multiplier effect through synergies between various industries. In a nutshell, Fosun combines all the strengths and fruits of innovation for its health, happiness and wealth ecosystems to provide comprehensive, one-stop solutions for customers.

2. Accelerating development of mid-office through smart technologies and upgrading industries with Big Data and artificial intelligence ("AI")

The key to boosting the development of the above-mentioned business ecosystems lies in a strong mid-office equipped with smart technologies and advanced information technology. Such a mid-office combining Big Data and AI can enhance both the efficiency and connectivity of Fosun's ecosystem of businesses. As proud as we are of our progress and our innovation, I know Fosun cannot yet be regarded as a pioneer in this area. Yet we have a strong determination to build a mid-office equipped with smart technologies, and we have strong capabilities to formulate and execute our plan. I believe our passion for pioneering will drive the Group to explore more and match our peers.

In 2018, Fosun Cloud was launched successfully, and has started to empower several dozen companies within Fosun's ecosystem providing cloud computing and various smart technologies. Meanwhile, we also rolled out several smart management sub-systems, such as intelligent finance and HR platforms and other online platforms to enhance the efficiency of management and operation of both the mid- and back offices. In addition, Onelinkplus, a centralized purchasing platform, has been developed to enhance Fosun's procurement and supply chain management capabilities.

To fully connect the membership systems within Fosun's ecosystems, we have been linking up our businesses through the Youle Customer Loyalty Program ("**youlè**"). One year after its launch, youlè has incorporated the customer membership systems of the Group's 15 portfolio companies while its functions and services have been upgraded.

At the same time, Fosun has been pressing ahead with the upgrading of all its businesses with the help of Big Data and AI technology. For example, Fosun's self-incubated Fonova is helping its businesses such as tourism, culture, commerce and retail to digitalize and intelligentize their operations with smart technologies such as Big Data and AI. In the field of "health", Fosun has also developed some specific programs, such as the Xingqiao Program, which allow application of Big Data analytics to its health businesses. With diversified products and services under Fosun's various business sectors, we are able to integrate the businesses and form a closed-loop health ecosystem.

3. Industry Operations + Industrial Investment

As I have always said, investment is in Fosun's genes, and is a very important component of our business strategy. However, investment is not our ultimate goal, rather, it should serve to complement the development of our industrial businesses. Investment has to serve a purpose which, for Fosun, is to enable its industrial businesses to develop effectively and efficiently. Let's take Fosun's health business as an example. Fosun would not have been able to create a globally recognized pharmaceutical company without inorganic investments. Fosun Pharma's business now covers the whole healthcare value chain, with a solid industrial foundation particularly in pharmaceuticals manufacturing and research and development ("**R&D**"), medical services, medical devices, medical diagnostics, and pharmaceuticals distribution and retail. Fosun Pharma leads the industry in innovation and R&D.

We aren't so bold as to claim it's the only way to success, but it's Fosun's distinctive development model of "Industry Operations + Industrial Investment", under which we make bold and wise investments, yet all our investments should complement our industrial development.

For this reason, we can say that Fosun judges the quality of its investments by two criteria. On one hand, we have to assess the intrinsic value of the projects as pure investments; and on the other hand, we need to assess the value that can be generated from synergies between the prospective investment and Fosun's existing businesses. After this consideration, we will evaluate the ability to integrate the invested projects within Fosun's existing ecosystem. These are critical factors within our investment decision making process.

In short, let me share with you our fundamental investment decision-making approach. First, prospective investment targets will have to be businesses that fit in well with Fosun's existing businesses and are oriented towards family demands for health, happiness and wealth-related products and services. Second, Fosun will consider taking controlling stakes in such investments. Third, Fosun will focus on the beginning and end of an industry life cycle when it searches for investment targets, such as projects at the forefront of their technological field or projects that can help companies eliminate development bottlenecks.

Here, I would also like to share with you the importance of improving the operational capabilities of our portfolio companies through empowerment. The projects or portfolio companies that most need to be empowered often face obvious problems, but they also have distinct features and strengths. Fosun can draw on its in-depth knowledge and rich experience in various industries, and make use of its advantages to make up for the disadvantages of our portfolio companies and help them solve their problems. This is how Fosun can create value as a unique business partner. In the fashion industry, for instance, Fosun has accumulated considerable experience and built up a talent pool in recent years which enabled it to revive companies or brands through turnaround strategies. In 2018, for example, Fosun assisted its portfolio company Caruso, the high-end Italian menswear brand, to achieve significant improvements in its operations through various proactive initiatives, including reshaping its strategy and product mix, optimizing its cost structure, rationalizing its network of retail stores, and pressing ahead with overseas development plans. Meanwhile, the process of revitalizing Caruso has also added to Fosun's experience in the fashion industry. This serves as an example of how Fosun's industrial operations and investment reinforce each other.

Indeed, it's not easy to work it out, but we are working to build something that matters to our customers, and we believe only if we can improve our portfolio companies' competitiveness through empowerment, Fosun's strategy of "Industry Operations + Industrial Investment" can be well executed. This is also our way forward.

4. Driving business development with technology and innovation

The pace of technological progress is now faster than ever. Industries are increasingly eager to apply the latest technologies to enhance their competitiveness, and Fosun believes in driving business development through technology and innovation. In 2018, Fosun increased its investment in technology and innovation, R&D, investment and incubation.

Fosun's technology and innovation initiatives are aimed at meeting the needs of its businesses in their specific situations. We are committed to developing applied technologies in a smart and efficient way, and we already have many achievements in this endeavor.

A good example is Shanghai Henlius, which was founded by Dr. Liu Shigao and Dr. Jiang Weidong from Fosun Pharma a decade ago. In February 2019, "Rituximab Injection" (Hanlikang®) researched by Shanghai Henlius received approval from National Medical Products Administration, which is the country's first domestically developed biosimilar to receive permission for marketing, mainly used in the treatment of non-Hodgkin's lymphoma. The successful R&D of this new drug is a testament to the rewards of persistence.

In the area of Internet-enabled industries, Fosun's profound industrial experience gives it distinct advantages to all the businesses in its ecosystems. Fosun's various industrial groups have taken the initiative in upgrading products produced through traditional manufacturing and in enhancing their supply chains with Big Data and AI. For instance, Nanjing Iron & Steel adopted a business model of "JIT+C2M" (combining "just-in-time manufacturing" and the "customer-to-maker" business model) to transform its traditional steel production several years ago. The move has enabled Nanjing Iron & Steel not only to provide customized products for downstream users, but also to carry out centralized and efficient production, optimize resource allocation and greatly boost supply chain efficiency. The production line of Nanjing Iron & Steel has been highly automated, and its steelmaking robots have also been deeply integrated into its operations.

Leveraging the development of Big Data and AI, Fosun has also entered such AI-related fields such as computer vision and knowledge mapping in the field of healthcare. Through integration, it has formed a closed-loop ecosystem of such businesses as medical services, medical devices, and diagnostic reagents. It has also achieved multi-field, multi-dimensional AI-assisted image reading platforms for radiology, pathology, clinical laboratory, respiratory, orthopedics and the treatment of cardiovascular diseases. For instance, Aitrox, which was independently incubated by Fosun, has launched four products, namely Proxai, Pannotation, Placks and Pyxis. Today, Proxai has been applied in more than a hundred hospitals, and Pyxis has developed to an automated intelligent microscope. All these products constitute a closed-loop system of "hardware + software + AI" for different business purposes.

Fosun's persistent efforts to increase its investment in innovative R&D are aimed at long-term growth rather than short-term gains. We believe the pursuit of innovation can square the circle, we believe the simple truth – no great success (product) was ever achieved (produced) without trial and failure. Fosun will continue to coordinate its resources and actively cooperate with other companies and talents worldwide in innovation, R&D.

5. Making stable yet bold progress for sustainable growth and continuing to reinforce our financial strength

I always believe running a business is like treading on thin ice or fighting your way up a cliff. It requires us to take each step cautiously. That's why we stress the importance of both an optimized asset structure and a strong balance sheet to drive Fosun's steady growth.

In the past few years, Fosun has paid particular attention to the Group's financial strength and performance. As of 31 December 2018, the total debt to total capital ratio was 53.7%, which was maintained at a safe and comfortable level, and the overall average cost of debt of 2018 was 4.97%.

Rating agencies have also taken notice of Fosun's optimized credit profile. In January 2018, Moody's investors service upgraded Fosun's credit rating to Ba2 with a stable outlook.

In 2018, Fosun formed global strategic partnerships with a number of financial institutions, including HSBC, Natixis, New China Life Insurance, Shanghai Pudong Development Bank and China Minsheng Bank.

Meanwhile, Fosun's core assets continued to tap the capital market. In 2018, Babytree and FTG, two of Fosun's core member companies, were successfully listed in Hong Kong; and Yuyuan also completed its asset reorganization. These moves have enhanced the transparency of Fosun's businesses and made its valuation easier. It also offers a convenient way for the public to better understand Fosun's strategy and business endeavors. In the future, Fosun will encourage more of its member companies to tap the capital market so as to unlock their value and increase the transparency of Fosun.

6. Valuing talents and teams as the most precious assets

Since its establishment, talents and teams have always been Fosun's most valued assets. Fosun aspires to be a platform for entrepreneurs and creates opportunities for those with ambitions and dreams. This is why Fosun has adopted a partnership model[2] and formed partner mechanisms at different levels. Although partnership might not necessarily be the best mechanism in the contemporary business world, I personally think the partnership model fits for Fosun. Through the partner mechanisms, employees of Fosun can themselves become real entrepreneurs.

The entrepreneurial spirit means always being vigilant, venturing out of your comfort zone, and constantly improving yourself through learning. In a fast-changing world of rapid technological innovation, we must always maintain full energy, keep abreast of the times and forge ahead.

At present, Fosun has more than 50 global partners from all walks of life and regions, who are all entrepreneurs in various industries or professionals at Fosun. Some of them are young people who were born in the 1980s. Fosun has always attached importance to nurturing young people. Fosun believes that recruiting young talents for higher levels of management allows the team to become more energetic and more competitive. In the future, Fosun's global partners will start from the "top-level design" to further rationalize the organizational structure and share their intelligence. They will fully participate in the globalization of Fosun's businesses, and actively cooperate with Fosun in building its business ecosystems.

7. Being a responsible global citizen

Since its establishment, Fosun has been adhering to its core cultural values of "Self-improvement, Teamwork, Performance and Contribution to Society". Founders of Fosun grew up in the countryside, and China's reform and opening-up policy allowed us to go to colleges and change our destinies. For the past 40 years, we have been deeply grateful to the reform and opening up policy and would like to give back to society.

In 2018, Fosun started the "Rural Doctors" program to alleviate poverty through healthcare. The program has been in operation for only a year, yet it is being conducted in 37 poverty-stricken counties in 12 Chinese provinces, municipalities and autonomous regions. We understand that problems in the healthcare system at the grass-roots level in rural areas are some of the main reasons why poverty persists, and so we will forge ahead the "Rural Doctors" program, with our program slogan of "Reaching the Last Mile", in order to alleviate poverty. At the annual meeting of the Yabuli China Entrepreneurs Forum, which ended at the beginning of 2019, the "Rural Doctors" charity program was supported by a number of Chinese entrepreneurs.

As of 2018, Artesun® (Artesunate for injection), an innovative drug to which Fosun Pharma has completely independent intellectual property rights, had saved more than 20 million sufferers of severe malaria worldwide, especially children in African countries.

2 It is different from the legal concept of "partner" in partnership enterprises.

The Protechting Start-ups Acceleration Program initiated by Fosun and Fidelidade, has been successfully held for three consecutive years. Protechting 3.0 received applications of 235 youth entrepreneurial projects from 33 countries in 2018, winning three international awards for its performance in fulfilling social responsibility.

As a global company rooted in China, Fosun is determined to be a responsible global citizen that strives to contribute to the fields of health, happiness and wealth, with a view to creating more opportunities for sustainable development all over the world.

In the past year, for Fosun and myself, we learnt and believed that "Going Back to the Basics" or "Going Back to the Nature of Business" can undoubtedly strengthen our foundation. More fundamentally, we believe only if we can focus on enhancing our product competitiveness and brand influence, a strong industrial group and a global ecosystem can be established.

In 2019, Fosun needs to stay composed, resilient to external factors and focused on our strategy. We also need to remain focused on creating quality products, building brand strength and servicing the needs of our customers in order to bring health, happiness and wealth to the world's one billion families. This is how we will build Fosun's global happiness ecosystem in 2019 and beyond.

Looking forward to 2019, I am confident about the future.

Last but not least, I would like to extend my sincere gratitude to our distinguished shareholders and all the people who have supported and helped Fosun.

I wish all of you a happy Year of the Pig!

Guo Guangchang
26 March 2019

Business Overview

During the Reporting Period, the Group delivered 24.2% growth in revenue and recorded its 7th consecutive year of profit attributable to owners of the parent growth. The Group also strengthened its balance sheet and improved its capital structure by bringing mature assets to the capital markets through asset reorganization and initial public offerings. The Group continued to invest and operate based on its C2M strategy within three ecosystems of health, happiness and wealth aiming to upgrade operations, increase product competitiveness so as to maintain a sustainable and healthy growth across the global business.

DIVERSIFIED ASSETS CONTINUE TO DRIVE SOLID FINANCIAL PERFORMANCE

Despite the downturn of global security markets in 2018 which saw the CSI 300 index, Hang Seng index and S&P index dropped 25.31%, 13.71% and 6.24% respectively, the Group maintained a growth in both revenue and profit. The Group's revenue reached RMB109.35 billion this year, representing an increase of approximately 24.2% over the same period of last year. Profit attributable to owners of the parent stood at RMB13.41 billion, being the 7th year of consecutive growth with the Health and Happiness Ecosystems accounting for 30.2%, which saw a year-on-year growth of 18.7%. This is an important indicator of Fosun's proactive transition from a predominantly investment driven growth model to a more balanced mix of investment and industry operating driven growth model.

As at 31 December 2018, the Company continued to maintain a healthy and stable balance sheet and achieved a total debt to total capital ratio at 53.7%. During the Reporting Period, the overall average cost of debt of the Group was 4.97%. The total debt to total capital ratio, a more comprehensive measure to better reflect the Company's ability to manage corporate debt, is introduced in 2018 to complement the net gearing ratio which continues to be optimized. The Company has been committed to appropriate deleveraging. In January 2018, Moody's upgraded the Company's rating to "Ba2 Stable", in recognition of the Company's diversified investment portfolio, proven investment track record and increased holdings of marketable securities.

As of 31 December 2018, the Company's adjusted NAV per share was HKD24.84 per share, representing a decrease of HKD8.44 from the adjusted NAV per share recorded as of 31 December 2017. The main change in the adjusted NAV per share was attributable to secondary market volatility in 2018. The Company's total assets further increased to RMB638.88 billion in 2018, registering a year-on-year increase of 20% and a 10-year compound annual growth rate (CAGR) of 24.8%.

In line with the financial results of the Company achieved in 2018 and the Company's continued commitment to its shareholders, the Board recommends a dividend per share for 2018 of HKD0.37, representing a dividend yield of 3.25% and payout ratio of 20%, an improvement from 2017.

SUCCESSFUL CAPITAL MARKET STRATEGY UNLOCKS VALUE AND INCREASES TRANSPARENCY

During the Reporting Period, the portfolio companies of the Group completed asset reorganization and initial public offerings of its mature assets on stock exchanges in Shanghai and Hong Kong, including Yuyuan (600655.SH), FTG (1992.HK) and Babytree (1761.HK). Going forward, the Group will continue to integrate and streamline its assets to form industrial groups, and actively bring those industrial groups to capital markets.

BALANCING VALUE INVESTMENTS WITH ACCRETIVE DIVESTMENTS

During the Reporting Period, Fosun invested RMB28.5 billion, over 70 new investments with nearly half overseas, in line with its C2M strategy and three core ecosystems. Meanwhile, the Group continued to drive divestment and optimize capital allocation, receiving over RMB17.1 billion proceeds, including disposals of Focus Media (002027.SZ), Sun Paper (002078.SZ) and Shida Shenghua (603026.SH).

Major investments of Fosun in 2018 included the joint acquisition of French leading healthy food company St Hubert with Sanyuan Foods at a consideration of EUR625 million, an investment of approximately 17.99% equity interest in China's leading brewery Tsingtao Brewery at a consideration of approximately HKD6.62 billion, as well as acquisitions of world renowned fashion brands including LANVIN from France and Wolford from Austria. In July 2018, the Group acquired approximately 69.18% in Baihe Jiayuan, a leading service supplier of China's matchmaking-to-wedding industry chain for approximately RMB4.0 billion. The Group also pioneered new investments in new emerging family-centred sectors such as smart wearable devices, blockchain technology, education and pet businesses.

C2M ECOSYSTEM STARTS TO DRIVE VALUE AT MAKER LEVEL AND INNOVATE NEW PRODUCTS

On the operation side, the C2M ecosystem started to bear fruit with several key milestones achieved through the creation of new and innovative products.

In insurance, Fosun United Health Insurance launched new competitive products "He Mu" medical insurance by leveraging the Group's strong healthcare resources with United Family Hospital and distributed products through Shanghai Fuheng Brokers Co. Ltd. to enhance distribution.

In tourism, Thomas Cook developed Wolverhampton Wanderers-featured travel products to meet the demand of sports fans and also distinguished itself from competitors. Thomas Cook's cooperation also includes the Group's other consumer-oriented products such as joint marketing with Tsingtao Brewery and Club Med. In November 2018, Thomas Cook and Fosun jointly set up the first Sino-foreign joint venture travel agency in Hainan Island to tap into its booming tourism industry.

Fosun's ecosystems provide various scenarios for technology to make an impact in the daily operations and improve their efficiency. One year after its launch, youlè, the customer loyalty program and an easily-accessible mobile phone based program, connected the membership system of the Group's 15 portfolio companies and has been applied in various shopping scenarios.

OPERATIONS CONTINUE TO UPGRADE AND PROGRESS WHILE MID-TO-BACK OFFICE STRUCTURE IS OPTIMIZED AND STRATEGIC PARTNERSHIPS ARE DEVELOPED

In 2018, the Group continued to improve the mid-to-back office capabilities such as intelligent finance and HR platforms to support industrial groups with a view to improving the Company's efficiency in operations and consequently providing competitive products and services to customers.

The Group also signed several strategic partnership agreements to support the future development. These include a strategic collaboration framework agreement with Tsingtao Brewery to jointly improve its corporate governance and global operations, strategic collaboration agreements with HSBC, Natixis, New China Life Insurance, Shanghai Pudong Development Bank and China Minsheng Bank to support Fosun's future global growth strategies.

RECLASSIFICATION FOR THE GROUP'S BUSINESS SEGMENTS

With the completion of the asset reorganization of Yuyuan and the expansion of the non-insurance financial business of the Insurance and Finance segment under the former Wealth Ecosystem, the Group has reclassified the business segments in the 2018 annual report, by wholly integrating the restructured Yuyuan into the Happiness Ecosystem, dividing the former Insurance and Finance segment into the Insurance segment and Finance segment, and merging the former Hive Property segment into the Investment segment.

The Company's operational achievements in the three ecosystems include:

Health Ecosystem

– Fosun Pharma attached great importance to R&D and has established a global network of R&D. In the meantime, Fosun Pharma also introduced global leading technologies back to China, which included the establishment of joint venture companies, Fosun Kite Biotechnology Co., Ltd. and Intuitive Surgical – Fosun Medical Technology (Shanghai) Co., Ltd.. In 2018, R&D expenses of Fosun Pharma amounted to RMB1.48 billion. In February 2019, "Rituximab Injection" (Hanlikang®) researched and developed by Shanghai Henlius received approval from National Medical Product Administration, which is the country's first domestically developed biosimilar getting permission for marketing, mainly used in the treatment of non-Hodgkin's lymphoma.

– Fosun United Health Insurance has already launched more than 60 products and has accumulated more than 550,000 customers. Among them, long-term health insurance products called "Kang Le" and the new managed medical insurance product "He Mu", has been well-received by the market and customers, and the premium income of these products continued to increase. Its insurance income generated nationwide has amounted to RMB520.13 million, representing a year-on-year increase of 782% as at the end of the Reporting Period.

– Maternity and infant business was a key highlight in 2018. The maternity and infant business of Fosun matures and grows with a unique value positioning among families, including Babytree, which is one of the largest and most active maternity and child-focused community platforms in China and Qinbaobao, which records children's growth through photo sharing. Going forward, further efforts will be made to connect with Baihe Jiayuan and other Fosun resources to strengthen the ecosystem.

Happiness Ecosystem

– After completion of the asset reorganization in July 2018, Yuyuan has focused on happiness and fashion segment, made best use of both online fashion platform and offline property resources and carried forward the Happiness Ecosystem business. During 2018, the net profit attributable to the shareholders of the listed company of Yuyuan stood at RMB3,020.7 million, increasing by 4.67% as compared with 2017.

– In addition to the successful initial public offering ("**IPO**"), FTG expanded its business with 5 new resorts and official opening of Atlantis Sanya. In 2018, FTG recorded net profit of RMB389 million. During the Chinese New Year vacation period (16 days in total, i.e. from 4 February 2019 to 19 February 2019), Atlantis Sanya recorded unaudited operating revenue of RMB150.4 million, including room revenue of approximately RMB77.8 million with occupancy rate by room[3] of approximately 93% and other operating revenue related to the Aquarium (the Lost Chambers Aquarium in Atlantis Sanya), the Waterpark (the Aquaventure Waterpark in Atlantis Sanya), food and beverage and other services of approximately RMB72.6 million.

– Wolverhampton Wanderers, a football team invested by Fosun, successfully won English Football League Championship 2017/2018 and was promoted to one of the world's top football leagues, the English Premier League.

Wealth Ecosystem

– Fosun Insurance Portugal further reinforced its leadership in Portugal in 2018 with its market share of 34.7%, increasing 4.1 percentage points over the same period of last year. Its total premium income increased by 25.83% to EUR4,769.5 million. In addition, Fosun Insurance Portugal enhanced its operational efficiency through digitally-empowered innovation and increased its international focus.

– In June 2018, Fosun Insurance Technology Group was established to strengthen the development and innovation in InsurTech. Through global investment, collaboration and incubation, Fosun Insurance Technology Group was committed to expanding insurance infrastructure layout (such as insurance core system, cloud, big data etc.), and promoting the application of advanced insurance technology among different markets and other relevant areas (such as AI, internet of things ("**IOTs**"), telematics, blockchain etc.).

– Under the witness of State leaders of PRC and Portugal in December 2018, China UnionPay International Co., Ltd. and BCP signed a cooperative agreement to officially launch UnionPay card and BCP became the first non-Chinese bank in Europe (excluding Russia) to launch UnionPay card. In 2018, BCP also recorded solid financial results with net profit at EUR301 million, increasing by 61.5% compared with 2017.

FUTURE GROWTH DRIVEN BY TECHNOLOGY, INNOVATION AND C2M STRATEGY

During the Reporting Period, significant investment was made into technology and innovation, R&D, investment and incubation by the Group.

Fosun portfolio companies attached great importance to the investment in technology innovation. Club Med's "Happy Digital Plan" enables customers to make holiday plan in advance, customize accommodation, digitalize photos and travel experiences sharing. Fosun iRetail business employs membership program, AI technology and IOTs to manage both Fosun's commercial properties and third-party assets in a digital approach so as to improve customer services and increase the property value. Yuyuan has built its own customer relationship management mechanism and analyzed customer profiles to design "Gu Yun Jin" series products, which are very popular with the customers.

OUTLOOK

While the outlook for the macro-economy, geopolitics and global security markets remains uncertain, the Company will continue to focus on building a strong, stable and global business that can weather volatility and continuously drive shareholder returns.

In 2019, the Company expects to drive shareholders' value through a two-pronged approach.

Firstly, the Company will continue to focus on increasing its net asset value ("**NAV**") per share through continued value investments balanced with well-timed and accretive exits, strengthen the operational capacity and product competitiveness through the C2M strategy. At present, there are still many good investment opportunities in the market. The Company will maintain investment discipline, pay close attention to investment opportunities, support the investment teams to improve investment efficiency, and make correct investment decisions in due course.

3 Occupancy rate by room represents the total number of rooms sold divided by the total number of rooms available for sale.

Secondly, the Company will continue to narrow the discount that exists between the Company's current NAV per share and the current share price. This will be achieved through the Company's capital markets strategy at first, of bringing mature and successful businesses to capital markets. This unlocks value from a NAV perspective of the portfolio companies but also allows them to operate independently, tap into necessary equity and debt markets and allows greater transparency to the Company's NAV per share. Secondly, the Company will focus on operating efficiency and apply strict ROE targets for every portfolio company. Finally, the Company has embarked on a steady improvement of its disclosure and will continue to improve the transparency to the market.

2018 was a volatile period full of challenges. Despite this, the Company was able to capitalize on its diversified portfolios across the world and drive the 7th consecutive year of profit growth. While 2019 remains uncertain, the Company is confident that it can continue to execute on its strategy to drive NAV per share and narrow the NAV discount which will ultimately continue to drive shareholder return.

BUSINESS REVIEW

As at the end of the Reporting Period, total assets of the Group amounted to RMB638.88 billion, representing an increase of approximately 19.7% from the end of 2017. During the Reporting Period, profit attributable to owners of the parent of the Group amounted to RMB13.41 billion, representing an increase of approximately 1.9% over the same period in 2017.

ASSET ALLOCATION OF THE GROUP

Unit: RMB million

Segment	Total assets as at 31 December 2018	Total assets as at 31 December 2017 (restated)	Change from the end of 2017
Health Ecosystem	**86,877.6**	74,436.6	16.7%
Happiness Ecosystem	**143,824.3**	79,346.7	81.3%
Wealth Ecosystem	**424,081.4**	394,218.5	7.6%
Insurance	**185,550.3**	176,130.4	5.3%
Finance	**76,530.8**	65,623.9	16.6%
Investment	**162,000.3**	152,464.2	6.3%
Eliminations	**(15,899.5)**	(14,213.7)	N/A
Total	**638,883.8**	533,788.1	19.7%

CORPORATE STRUCTURE[1] (AS OF 31 DECEMBER 2018)

Health Ecosystem

Pharmaceutical	Medical Services & Health Management	Health Products
Fosun Pharma 37.55%	Fosun United Health Insurance[2] 20.00%	Babytree[4] 21.75%
Sinopharm	Chancheng Hospital	Silver Cross 87.23%
Gland Pharma	Luz Saúde[3] 99.36%	Sanyuan Foods[5] 20.45%
Sisram Med	United Family	St Hubert[6] 98.12%
We Doctor	Starcastle Senior Living 100%	

Happiness Ecosystem

Tourism & Leisure	Fashion	Consumer & Lifestyle
FTG[7] 81.76%	LANVIN 65.60%	Yuyuan 68.58%
Club Med	Tom Tailor[9] 28.89%	Tsingtao Brewery[12] 17.99%
Atlantis Sanya	Wolford 58.45%	AHAVA[13] 100%
Thomas Cook[8] 13.89%	Caruso[10] 73.78%	Baihe Jiayuan 69.18%
	St. John[11] 70.00%	

Wealth Ecosystem

Insurance	Finance	Investment	
Fosun Insurance Portugal[14] 84.9884%	Fosun Hani Securities 100%	Fosun Capital 100%	Nanjing Nangang 60.00%
AmeriTrust 100%	H&A 99.91%	IDERA 98.00%	Koller 84.50%
Peak Reinsurance 86.90%	BCP 27.25%	Cainiao 6.73%	Besino Environment 98.81%
Pramerica Fosun Life Insurance 50.00%	Mybank 25.00%	Bund Finance Center 50.00%	ROC[15] 100%
Yong'an P&C Insurance 40.68%		28 Liberty 100%	Hainan Mining 51.57%

Notes:

1. This simplified corporate structure illustrates the key investments of the Group only. The equity percentage reflects the total direct shareholdings held by the Group, associates, joint ventures and funds managed by the Group as at 31 December 2018. The companies marked in the dotted-line borders are invested by Fosun Pharma. For specific information, please refer to the disclosure of Fosun Pharma. The companies marked in the shaded boxes are invested by FTG. For specific information, please refer to the disclosure of FTG. The companies marked in the double-line borders are invested by the joint venture of the Company, Nanjing Nangang.

2. Under accounting treatment, it is listed under the segment of "Insurance".

3. The Company and Fidelidade held 49% and 50.36% equity interest in Luz Saúde, respectively. Therefore, the Group held 91.80% effective equity interest in Luz Saúde.

4. The Company, together with its wholly-owned subsidiary, held 21.62% equity interest in Babytree. In addition, Fidelidade held 0.13% equity interest in Babytree. Therefore, the Group held 21.73% effective equity interest in Babytree.

5. The Company through its wholly-owned subsidiary and Shanghai Fosun Chuanghong Equity Investment Fund Partnership (L.P.) ("**Fosun Chuanghong**"), a fund under management of the Group, held 16.67% and 3.78% equity interest, respectively, in Sanyuan Foods. The Group held 37.24% effective equity interest in Fosun Chuanghong, thus, the Group held 18.08% effective equity interest in Sanyuan Foods.

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

7. The Company's equity interest in FTG was diluted to 81.07% as at 31 March 2019 due to the partial exercise of the over-allotment option of FTG in January 2019.

8. Thomas Cook was held as to 6.66% and 7.23% by FTG and Fidelidade (through its wholly-owned subsidiary), both are subsidiaries of the Company, respectively. Therefore, as at 31 December 2018 the Group held 11.59% effective equity interest in Thomas Cook.

9. Tom Tailor was held as to 14.33% by the Company, as to 14.56% by Fidelidade and its wholly-owned subsidiary. Therefore, the Group held 26.70% effective equity interest in Tom Tailor as at 31 December 2018. In February 2019, the Company increased its shareholding in Tom Tailor to 22.12% upon the subscription of the newly issued shares of Tom Tailor while the shareholding of Fidelidade and its wholly-owned subsidiary in Tom Tailor was diluted to 13.23%. As a result, the Group held 33.36% effective equity interest in Tom Tailor as at 31 March 2019.

10. The Company through its wholly-owned subsidiaries held 43.40% equity interest in Caruso. The joint venture established by the Group and Pramerica – Fosun China Opportunity Fund, L.P. managed by the Group held 30.38% equity interest in Caruso (the Group held 17.00% equity interest in the joint venture). Therefore, the Group held 43.40% effective equity interest in Caruso.

11. The joint venture established by the Group and Pramerica – Fosun China Opportunity Fund, L.P. managed by the Group held 70% equity interest in St. John Knit International Inc. (the Group held 19.70% equity interest in the joint venture).

12. Tsingtao Brewery was held as to 11.66% by two wholly-owned subsidiaries of the Company, as to 2.55% and 0.53% by Fidelidade and Peak Reinsurance, both are subsidiaries of the Company, respectively, and as to 3.25% by a fund managed by the Group. Therefore the Group held 14.29% effective equity interest in Tsingtao Brewery.

13. The Company through its subsidiary held 100% equity interest in AHAVA. Such subsidiary was owned as to 94.21% effective interest by the Group. Therefore, the Group held 94.21% effective equity interest in AHAVA.

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

15. An agreement has been entered into by a wholly-owned subsidiary of the Company to dispose of 51% equity interest in ROC to Hainan Mining, and the transaction was approved at the general meeting of Hainan Mining in December 2018 and is not completed yet.

Health Ecosystem

The Group's Health Ecosystem business includes three segments: **Pharmaceutical, Medical Services & Health Management and Health Products.**

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

Unit: RMB million

	2018	2017 (restated)	Change over the same period of last year
Revenue	**29,093.3**	22,486.3	29.4%
Profit attributable to owners of the parent	**1,484.7**	1,300.7	14.1%

During the Reporting Period, the increase in revenue of the Health Ecosystem was mainly attributable to the continuous and steady growth of Fosun Pharma's revenue. Although Fosun Pharma's profit decreased as a result of the increased investment in innovative R&D and improved business layout, as well as the deficits in certain associates and joint ventures and the increase in financial cost, etc., health products business and investments of the Health Ecosystem had a good performance, which caused the increase in profit attributable to owners of the parent of the Health Ecosystem by 14.1% compared to last year.

PHARMACEUTICAL

MEDICAL SERVICES & HEALTH MANAGEMENT

HEALTH PRODUCTS

Pharmaceutical

FOSUN PHARMA

Fosun Pharma was established in 1994, and its principal business is providing drugs, medical devices, diagnostic products and healthcare service. Fosun Pharma is the leading healthcare group in China. As at 31 December 2018, the Group held 37.55% of its equity interest.

During the Reporting Period, the revenue of Fosun Pharma and its subsidiaries ("**Fosun Pharma Group**") increased by 34.59% as compared to the year of 2017 to RMB24,714 million, and excluding the impacts of the contributions from the new acquisitions of enterprises for comparison purpose, revenue would have increased by 20.44% on the same basis as compared to 2017. Among them, the pharmaceutical manufacturing and R&D segment achieved strong growth, and the operating revenue grew 41.83% year-over-year to RMB18,499 million, and 24.94% on the same basis as compared to 2017. The healthcare service segment realized the operating revenue of RMB2,555 million, representing an increase of 22.42% compared with 2017. The medical devices and medical diagnosis segment achieved operating revenue of RMB3,627 million, representing an increase of 13.20% compared to the same period of 2017.

During the Reporting Period, Fosun Pharma Group witnessed a growth in sales and a good cash return. The cash flows from operating activities continued to rise, and the net cash flow from operating activities in 2018 was RMB2,950 million, representing an increase of 14.34% over 2017.

Fosun Pharma Group continued to increase R&D investment. During the Reporting Period, the total R&D investment amounted to RMB2,507 million, representing an increase of RMB978 million or 63.92% as compared to 2017. In particular, the R&D expenses amounted to RMB1,480 million, representing an increase of RMB453 million or 44.14% as compared to 2017. The R&D investment in the pharmaceutical manufacturing segment amounted to RMB2,250 million, representing an increase of RMB975 million or 76.49% as compared to 2017. In particular, R&D expenses amounted to RMB1,255 million, representing an increase of RMB456 million or 57.10% as compared to 2017.

As at the end of the Reporting Period, Fosun Pharma Group had 215 pipeline drugs, generic drugs, biosimilars and consistency evaluation projects of generic drugs, including 15 small molecular innovative drugs, 10 biopharmaceutical innovative drugs, 17 biosimilars, 117 generic drugs of international standards, 54 consistency evaluation projects and 2 traditional Chinese medicine drugs.

Medical Services & Health Management

FOSUN UNITED HEALTH INSURANCE

Fosun United Health Insurance was established in January 2017 in Guangzhou, Guangdong Province, with a registered capital of RMB500 million. As at the end of the Reporting Period, the Group held 20% equity interest in Fosun United Health Insurance.

Fosun United Health Insurance actively operates in medical insurance, illness insurance, disability income insurance, healthcare insurance and accident insurance in the PRC markets, providing high quality life cycle products and the whole-process service system for Chinese families.

As at the end of the Reporting Period, Fosun United Health Insurance has already launched more than 60 products and has accumulated more than 550,000 customers. Among them, long-term insurance products "Kang Le" and the new managed medical insurance product "He Mu", have been well-received by the market and customers, and the premium income of these products continued to increase.

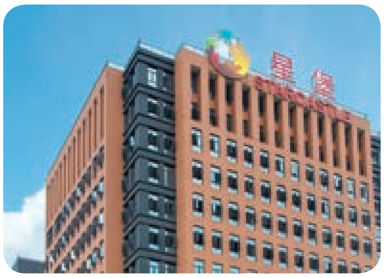
As at the end of the Reporting Period, Fosun United Health Insurance expanded its operations into Guangdong, Beijing and Shanghai, and set up branches in Foshan, Dongguan, Jiangmen, Zhongshan, Huizhou and other cities in Guangdong province; its insurance income generated nationwide amounted to RMB520.13 million, representing a year-on-year increase of 782%; and the latest comprehensive risk rating of Fosun United Health Insurance was B rated in the fourth quarter of 2018 by China Banking and Insurance Regulatory Commission.

Fosun United Health Insurance will continue to explore the opportunities to establish online health consultation services to help customers manage chronic illnesses, and to provide premium experience in medical treatment to customers and high quality healthcare services to more individuals and families through youlè platform.

STAR HEALTHCARE

Shanghai Star Healthcare Co., Ltd. ("**Star Healthcare**") is a wholly-owned subsidiary established by the Group through an initial capital injection of RMB50 million in 2014. Star Healthcare integrates the Group's internal and external eminent medical resources to provide one-stop and whole-process healthcare management services and third-party insurance services for mid-to-high end members and corporate customers including planning products for employee healthcare benefits that targets for corporate customers, innovative products targeting insurance customers and healthcare service products focused on mothers and their children.

During the Reporting Period, the revenue of Star Healthcare amounted to RMB12.04 million, representing a year-on-year increase of 270%. The direct billing network resources of Star Healthcare in China concentrated in approximately 600 cooperative medical and checkup institutions in 300 cities. By leveraging the leading insurance claim core system within the industry, Star Healthcare provided professional direct payment of medical management and claim settlement services for insurance companies.



STARCASTLE SENIOR LIVING

Starcastle Senior Living was established in July 2012. Starcastle Senior Living's first high-end senior living project for Chinese senior citizens commenced its operations in May 2013, providing one-stop and whole-process services to Chinese seniors, from independent living to hospice care.

Phase I of Starcastle Senior Living's Zhonghuan Community had 219 units, with an occupancy rate of 96% as at the end of the Reporting Period. In Starcastle Senior Living's Pujiang Community, there were a total of 395 units, with an occupancy rate of 49% as at the end of the Reporting Period. Together, the 2 projects have the capacity to accommodate approximately 1,200 seniors. Additionally, the construction of Phase II of Starcastle Senior Living's Zhonghuan Community commenced in April 2017. It is expected to commence operations in 2019 and provide 897 units.

LUZ SAÚDE

Luz Saúde is a leading private healthcare provider group in Portugal. Luz Saúde was delisted from Euronext Lisbon in November 2018. As at the end of the Reporting Period, the Group held an aggregate of approximately 99.36% equity interest in Luz Saúde.

As at the end of the Reporting Period, Luz Saúde owned 15 private hospitals, 1 national healthcare service hospital under a public private partnership, 12 private ambulatory clinics and 2 senior residences. Luz Saúde offered approximately 1,650 beds and continued its growth in the Portuguese private healthcare market through a series of acquisitions, expansion and greenfield projects. During the Reporting Period, Luz Saúde started to operate its Odivelas clinic in January 2018, and completed the expansion of Hospital da Luz Oeiras in March 2018, so as to continue to expand its client base and regional footprint. Luz Saúde started operations in the Coimbra region of Portugal in the first quarter of 2018 through the acquisition of Idealmed medical system. Hospital da Luz Lisboa of Luz Saúde (one of the largest private hospital in Portugal) is currently undergoing expansion to increase service capacity by 80% upon completion of expansion and further reinforce its market leadership position. In addition, the launch of Hospital of Vila Real, a new private hospital of Luz Saúde in Vila Real (north of Portugal) in September 2018 will also strengthen Luz Saúde's presence in the region and expand its client base.

During the Reporting Period, Luz Saúde recorded revenue of EUR544.9 million and EBITDA of EUR54.7 million, with an EBITDA margin of 10%, compared with the revenue of EUR483.8 million, EBITDA of EUR53.7 million and EBITDA margin of 11.1% for the same period in 2017; its profit attributable to owners of the parent was EUR14.0 million, as compared to EUR17.0 million for the same period in 2017.

Health products

Fosun's health products business focuses on investment in world-class health management companies and in-depth industrial operations. It strives to provide families around the world with safe, high-quality and innovative health consumption platforms, products and services, including healthy foods, maternal and nursery goods, personal healthcare, senior living products and new retail.

SILVER CROSS

The Group acquired Silver Cross in 2015 and held 87.23% equity interest as at the end of the Reporting Period. Established in 1877, Silver Cross is one of the most iconic maternal and nursery brands in the UK.

Silver Cross remains renowned for its meticulous design, high-end craftsmanship, excellent materials and attention to details. Its traditional hand-made baby prams, travel accessories, safety seats and furniture are well recognized and highly rated by customers worldwide. Silver Cross benefits from its international distribution channels and offices across the US, Europe, the Middle East and the Asia-Pacific region.

In 2017 Silver Cross acquired Micralite, a baby stroller brand which owns multiple patents, which was relaunched in Hong Kong in January 2018. Silver Cross has established a long-term authorising partnership with Aston Martin and has launched a new product range utilizing the license with childrenswear brand "Marie Chantal" in the first half of 2018.

During the Reporting Period, Silver Cross recorded operating revenue of approximately GBP47.35 million and a profit before tax of approximately GBP4.15 million.

SANYUAN FOODS

The Group is the second largest shareholder of Sanyuan Foods with 20.45% equity interest as at the end of the Reporting Period, which was acquired through an injection of approximately RMB2 billion by way of a private placement in 2015.

Sanyuan Foods is a renowned state-owned brand in the Chinese dairy industry, it is well-regarded for its brand image and extensive sales channels. Sanyuan Foods enjoys significant market advantages in Beijing and peripheral markets.

After acquiring shares in Sanyuan Foods, Fosun utilized its global resources to achieve integrated development of Sanyuan Foods and enhance its leading position in the Chinese dairy industry by optimizing corporate strategies and introducing merger and acquisition targets. In January 2018, Fosun and Sanyuan Foods completed the joint acquisition of St Hubert in France, through which they will leverage the strengths of both parties in distribution and providing innovative and high quality healthy food products.

During the first nine months of 2018, Sanyuan Foods recorded revenue of RMB5,673.5 million and net profit attributable to shareholders of the listed company of RMB139.0 million, representing an increase of 21.1% and 12.6% over the same period of last year, respectively.

JUEWEI FOOD

In March 2011, the Group invested RMB104 million in Juewei Food Co., Ltd. ("**Juewei Food**", a company listed on the SSE with stock code 603517). As at the end of the Reporting Period, the Group held 5.81% equity interest in Juewei Food. In February 2019, the Group intended to dispose all of its 23,841,329 shares in Juewei Food.

Juewei Food, a company mainly engaged in R&D, production and sales of leisure braised foods, is the market leader of the braised food niche industry in China. Currently, the industry is not very concentrated. In the future, the market share will gradually concentrate in companies of larger scale, and the market concentration will be further increased. Meanwhile, due to the fast-moving leisure consumer product market, the Group believes that there is a huge space for the future growth of the casual braised food market.

Juewei Food has established direct sales and franchise chain sales network covering 30 provinces/municipalities in China. As at the end of the Reporting Period, Juewei Food had more than 3,000 franchisees, more than 9,000 offline stores and accumulatively more than 40 million online registered users nationwide. In the first half of 2018, Juewei Food opened up the market in Hong Kong, and entered the market in Singapore, which represented a breakthrough in overseas market.

During the first nine months of 2018, Juewei Food recorded operating revenue of RMB3,265.9 million, and net profit attributable to shareholders of the listed company of RMB487.2 million.

ST HUBERT

In January 2018, Fosun and Sanyuan Foods successfully acquired St Hubert, a French renowned leading healthy food company. As at the end of the Reporting Period, the Group together with Sanyuan Foods held 98.12% equity interest in St Hubert.

Established in 1904, St Hubert has annual sales of approximately 35,000 tonnes. St Hubert has a leading edge in R&D and innovation and is a pioneer in the healthy food industry. Its product lines include vegetable spreads, vegetable yogurts, vegetable drinks and desserts and are free of hydrogenated fats, trans fats and genetically modified ingredients.

St Hubert and its sub-brand Valle' are both market leaders of their local vegetable spreads market. In 2018, St Hubert's market share reached 43.5% in France, while Valle' market share amounted to 70% in Italy.

Upon completion, the Group and Sanyuan Foods will initially assist St Hubert in introducing its existing spread and soy-based yogurt product lines into the Chinese market, establishing retail and corporate customer channels in China, as well as sharing logistics resources and jointly developing new healthy product lines, such as new type of vegetable spreads and other plant-based products.

During the first nine months of 2018, St Hubert recorded an operating income of approximately EUR91 million, and EBITDA of EUR33 million.

BABYTREE

As at the end of the Reporting Period, the Group held 21.75% equity interest in Babytree.

As at the end of the Reporting Period, Babytree owned and operated the one of the largest and the most active maternity and child-focused community platform in China by the average monthly active users ("**MAU**"), dedicated to connecting and serving young families, which are families between two years before the birth of a child and six years after. In 2018, Babytree successfully created customized services for young Chinese families. Babytree also leveraged the Group's health resources to start online premium content and health service businesses.

In May 2018, Babytree announced a strategic investment by Alibaba Group Holding Limited (through its subsidiary), and in November 2018, Babytree was successfully listed on the Hong Kong Stock Exchange with stock code 01761, raising approximately HKD1,608.6 million.

As of 30 June 2018, Babytree recorded total revenue of RMB407.5 million, excluding the effects of fair value change of financial liabilities at fair value through profit or loss and equity-settled share-based payment expenses, Babytree recorded adjusted profit of RMB122.3 million.

Happiness Ecosystem

The Group's Happiness Ecosystem business includes three segments: **Tourism & Leisure, Fashion and Consumer & Lifestyle.**

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

Unit: RMB million

	2018	2017 (restated)	Change over the same period of last year
Revenue	**44,155.3**	25,455.6	73.5%
Profit attributable to owners of the parent	**2,567.5**	2,113.4	21.5%

During the Reporting Period, the increase in revenue of the Happiness Ecosystem was mainly due to the revenue of Yuyuan consolidated into the financial statements of the Group after the completion of the reorganization, as well as the revenue increase brought by the business expansion of Club Med and the opening of Atlantis Sanya of FTG. The increase in profit attributable to owners of the parent was mainly attributed to the substantial growth of FTG's performance in 2018, turning around from loss to profit. Meanwhile, profit attributable to owners of the parent of the restructured Yuyuan reached RMB3.02 billion in 2018, being the main source of operating profit of the Happiness Ecosystem.

TOURISM
&
LEISURE

FASHION

CONSUMER
&
LIFESTYLE

Tourism & Leisure

FTG

FTG is one of the world's leading leisure-focused integrated tourism groups, and the largest leisure tourism resorts group worldwide in terms of revenue in 2017. Focusing on the leisure and tourism needs of families around the world, it is engaged in the entire industry chain of leisure and tourism with integration of global resources. FTG was spun off from the Group and successfully listed on the main board of the Hong Kong Stock Exchange in December 2018.

FTG has made encouraging progress during the Reporting Period. Its total revenues increased by 37.9% to RMB16,269.8 million in 2018, compared with RMB11,799.4 million in 2017. Gross profit increased by 86.4% to RMB5,276.0 million in 2018, compared with RMB2,830.3 million in 2017. Adjusted EBITDA increased to RMB2,073.0 million in 2018, compared with RMB746.3 million in 2017. Net profit was turned around with net profit amounted to RMB389.1 million in 2018 against the net loss of RMB295.0 million in 2017.

Its resort business under Club Med brand has demonstrated strong performance in 2018. The business volume increased by 8.0% in 2018 compared with 2017 and the recurring operating profit of resort operation increased by 41.8% in 2018. Under the upscale strategy, resort capacities of Club Med increased by 8.9% in 2018 and 80.1% of them are 4 and 5 Trident resort capacities. The internationalization diversity of FTG's customer base and business presence in tourist destinations help to strengthen its profitability. In 2018, the number of customers from Asia-Pacific region increased by 14.4% and particularly, customers from Greater China increased by 21.6%. In addition, its Happy Digital program has been widely implemented as an innovative means to serve customers and enhance their satisfaction.

Atlantis Sanya, the first tourism destination project of FTG located in Sanya, has approved to be an icon of tourism upgrading v3.0 of Sanya, Hainan Province. Since its soft opened in February 2018 and officially opened in April 2018, Atlantis Sanya contributed RMB752.0 million operation revenue and the number of customer visits to Atlantis Sanya reached 3.2 million in 2018. In addition, FTG has delivered 764 apartment units of Tang Residence in 2018 and 147 units have been operated and managed by Albion brand to provide more accommodation capacity in Sanya.

In addition to Atlantis Sanya, FTG will also embark on two other tourist destination projects by starting the construction of Lijiang International Foliday Zone and Taicang Foliday European Town in 2019, which will have well-designed tourist attractions for sightseeing, resorts and other types of accommodation, facilities for leisure and entertainment, customized vacation inns and residences, and various kinds of entertainment and cultural activities. FTG believes that the projects in Lijiang and Taicang will generate significant returns in the next few years.

Furthermore, FTG has launched various tourism-related services and solutions, including the resident show C in Atlantis Sanya, a playing-and-learning club for kids through cooperation with Mattel Ventures International II Limited, and FOLIDAY platform for family-oriented, tourism- and leisure-related services and joint venture with Thomas Cook in China. Through these endeavors, FTG has enriched offerings of distinctive vacation experiences and expanded the distribution channel. The different offerings interact with synergies and enable FTG to realize one-stop services.

Fashion

Fosun Fashion Group is an important component of the Happiness Ecosystem of Fosun, which focuses on in-depth operation and global integration of relevant industries surrounding consumers' life and happiness. The operation model of Fosun Fashion Group combines strategic investment and industrial operation. Currently, it engages in apparel, leather goods, footwear and other sectors within fashion industry. The current portfolio assets include French high-end fashion brand LANVIN, Austrian high-end lingerie and stocking brand Wolford, American high fashion brand St. John, Italian high-end menswear brand Caruso, and German fast fashion brand TOM TAILOR. In the future, Fosun Fashion Group aims to meet the leisure demand of all families, integrate resources, and establish a fashion ecosystem with global influence.

LANVIN

In April 2018, the Group completed the investment in France's oldest luxury couture house that remains active, LANVIN. As at the end of the Reporting Period, the Group became LANVIN's controlling shareholder with an equity interest of 65.60%.

Founded in 1889 by Jeanne Lanvin, LANVIN has long been synonymous with Parisian elegance, style and fashion. Currently, LANVIN operates in more than 50 countries, designing, producing and selling womenswear, menswear, kidswear and accessories including footwear and leather goods.

By combining Fosun's global resources and LANVIN's profound heritage, both can explore new opportunities in the Chinese market, operational improvements and potentials for further global expansion.

During the Reporting Period, while maintaining its distinguished brand image, LANVIN continued to reshape its operation, including but not limited to organizational restructuring, talent mapping, and improving operation efficiencies. In August 2018, Fosun Fashion Group announced the appointment of Mr. Jean-Philippe Hecquet as global CEO of LANVIN. Mr. Jean-Philippe Hecquet served multiple different executive roles over the past 20 years at two of the leading global fashion companies. In January 2019, LANVIN announced the appointment of Mr. Bruno Sialelli as the creative director, to set up a new direction for the brand. In February of the same year, LANVIN successfully held the Fall-Winter 2019 Show in Paris, France.

WOLFORD

In May 2018, the Group completed its acquisition of a majority stake of 50.87% in Wolford at the consideration of EUR12.80 per share. Followed by the Group's tender offer and capital increase, the Group held 58.45% stake in Wolford as of 31 December 2018.

Founded in the Austrian City of Bregenz in 1950, Wolford is the market leader for luxury legwear and bodywear and has also established itself in the exclusive lingerie segment. Wolford's shares are listed on the Vienna Stock Exchange since 1995. Over the past decades, Wolford has introduced numerous product innovations, of which some remain bestsellers today. Wolford designs and manufactures its products exclusively in Europe and meets the highest environmental standards. As at the end of the Reporting Period, Wolford had its presence in around 60 countries and regions.

In 2018, an essential part of the corporate strategy of Wolford is to make the brand relevant to younger consumers once again. This means having the right fashion collection and accompanying product communications by exploiting all channels. Since the official launch of the new campaign, which was photographed by the well-known fashion photographer Ellen von Unwerth, Wolford has been present across the globe with a new visual language. Moreover, the new shop concept has been introduced in January 2019 in Amsterdam and in February 2019 in Paris. The new brand presence will be complemented by an entirely overhauled packaging concept which will also be introduced in 2019. One more important milestone is the adoption of the new strategy for Chinese market: Wolford will substantially expand its local market presence with the support of the Group.

As at the end of the Reporting Period, Wolford recorded around 1,400 employees (full time equivalent) and owned 16 subsidiaries, 262 off-line stores (owned and partner operated) and 16 on-line stores for sales and marketing.

TOM TAILOR

The Group made a strategic investment in the German fashion group Tom Tailor in 2014. As of 31 December 2018, the Group held approximately 28.89% equity interest in Tom Tailor. In February 2019, the Group has agreed to subscribe for a total of 3,849,526 newly issued shares of Tom Tailor through a capital increase with a consideration of approximately EUR8.7 million. As at 31 March 2019, the subscription has been completed and the Group held 14,969,521 Tom Tailor shares in total, representing approximately 35.35% of the total issued share capital and voting rights of Tom Tailor. The Group has made a voluntary public takeover offer to Tom Tailor shareholders in early April to acquire all Tom Tailor shares which are not directly held by the Company with an offer price of EUR2.31 per Tom Tailor share.

Founded in 1962 and headquartered in Hamburg, Germany, Tom Tailor is an international, vertically integrated fashion company focusing on casual wear in the medium price segment through its brands TOM TAILOR and BONITA, complemented by an extensive range of fashionable accessories and home textiles. Tom Tailor is represented in more than 30 countries with its core markets being Germany, Austria, Switzerland, South-Eastern Europe and Russia.

During the Reporting Period, Tom Tailor has continued to focus on the successful growth strategy of the TOM TAILOR core brand. The exceptionally long and hot summer period in central Europe resulted in the sales decrease of Tom Tailor in the third quarter of 2018 and led to an adjustment of its earnings guidance for 2018 by its management. Although the TOM TAILOR brand was able to assert itself on the market and gained further market share, the BONITA brand suffered significantly under the adverse weather in the third quarter of 2018. In this regard, BONITA had to implement extensive measures in order to reduce overstock. While Tom Tailor reached its operating targets in its business unit TOM TAILOR, the unexpected accounts of BONITA brand had an impact on the Tom Tailor's overall results. Furthermore, the weaker than anticipated operational performance of BONITA brand lowered the EBITDA of Tom Tailor.

Consumer & Lifestyle

YUYUAN

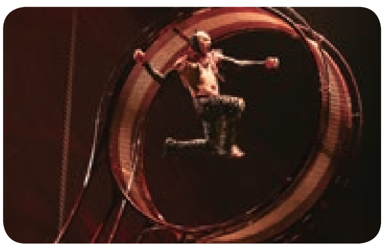
In November 2002, the Group became the largest shareholder of Yuyuan. In July 2018, Yuyuan completed an asset reorganization and subsequently the Group made further acquisition of its shares on the secondary market. As at the end of the Reporting Period, the Group held approximately 68.58% equity interest in Yuyuan.

Yuyuan is a flagship platform in the Group's Happiness Ecosystem and it owns jewelry fashion ("Laomiao" and "Yayi"), fashion landmark, culture & commerce and other business sectors. Yuyuan Jewelry Fashion Group focuses on improving product competitiveness, launching a number of new series and products such as "Chan Yue", "Chinese Zodiac", "Zodiac" and "Gu Yun Jin". Jewelry fashion business achieved a growth in sales revenue of 14.66% in 2018, and as at the end of the Reporting Period, the number of chain stores of Laomiao and Yayi was 1,974. In February 2019, Yuyuan expanded its industrial chain resources globally in diamond and gem market, upon completion of the acquisition of 80% equity interest in International Gemological Institute which is headquartered in Belgium. The acquisition is expected to contribute further growth of its jewelry fashion business in the future.

Fashion landmark business continues to focus on the policy of deeply-rooted in cities, combine itself with the Group's premium resources and strengthen its layout, so as to consolidate its foothold to further expand its market reach. As at the end of the Reporting Period, Yuyuan has deployed in 33 fashion landmark projects. Yuyuan practices the development model of "industry + real estate" and adheres to the idea of "cohabitation of industry and real estate" to realize the integration and mutual empowerment of industry and real estate business.

Culture & commerce business continues to upgrade their own brands. During the Reporting Period, the Nanxiang Steamed Bun Restaurant in the Yuyuan business district was re-decorated and re-opened, and new series of pastry such as pear pastry boxes, peony rosewood cream and Qiaolaoye muffin were introduced. Also, it has introduced some famous brands of Shanghai, such as Xinghualou, Dahuchun, Xiandelai, Zhenlaodafang and so on, further enriching the old cluster of Yuyuan business district.

During the Reporting Period, Yuyuan recorded revenue of RMB33,777.2 million, representing an increase of 7.2% over the same period of last year; and net profit attributable to the shareholders of the listed company of RMB3,020.7 million, representing an increase of 4.67% over the same period of last year.*



CIRQUE DU SOLEIL

The Group and funds under its management invested in Canada's Cirque du Soleil in July 2015. As at the end of the Reporting Period, the Group and the funds under its management jointly held 24.59% equity interest in Cirque du Soleil.

Cirque du Soleil is headquartered in Montreal, Quebec, Canada, with an aim to provide high-quality live entertainment. In 2018, Cirque du Soleil staged "Toruk" shows in Sanya, Beijing, Shanghai, etc. It expects to start its resident show in Hangzhou in the second half of 2019.

In July 2018, Cirque du Soleil acquired VStar Entertainment Group ("**VStar**"), a global live entertainment provider best known for its children and family shows with a history of nearly 40 years. Acquisition of VStar will further enrich Cirque du Soleil's portfolio, so as to expand its audience base.

As part of Fosun's Happiness Ecosystem, the Group, together with TPG VII CDS Holdings and Cirque du Soleil, will cooperate to drive the future development of Cirque du Soleil in Greater China.

STUDIO 8

Studio 8, LLC ("**Studio 8**") is an investment made by the Group in the entertainment industry. Its founder and CEO, Jeff Robinov, previously served as President of Warner Bros. Pictures Group. Studio 8 was jointly founded by Fosun and Sony Pictures Entertainment. As at the end of the Reporting Period, the Group held 80% equity interest in the Class A shares of Studio 8.

During the Reporting Period, the first two projects developed independently by Studio 8 – *Alpha* and *White Boy Rick* (starring Matthew McConaughey), have been released and grossed more than USD120 million in global box office takings.

TSINGTAO BREWERY

In December 2017, the Group and the fund under its management entered into agreements with Asahi Group Holdings, Ltd. to acquire approximately 17.99% equity interest in Tsingtao Brewery with a total consideration of HKD6,617 million. The acquisition was completed in March 2018. As at the end of the

* Yuyuan completed the major asset reorganization in July 2018, and made retrospective adjustments to the data disclosed in the previous periodic reports.

Reporting Period, the Group and the fund under its management held 243,108,236 H-shares in total, representing 37.11% in aggregate of the issued H shares and 17.99% in aggregate of the total issued shares of Tsingtao Brewery.

Founded in 1903 by German and British merchants, Tsingtao Brewery is the earliest brewery in China. As at the end of the Reporting Period, it is sold in more than 100 different countries and regions, producing both middle- and high-end products in more than 60 breweries across China for Tsingtao Brewery's various brands including "Tsingtao" and "Laoshan". In June 2018, the Group and Tsingtao Brewery signed a framework agreement of strategic cooperation and agreed to create synergy and strengthen cooperation through various ways.

During the first nine months of 2018, Tsingtao Brewery recorded total operating revenue of approximately RMB23.64 billion, representing an increase of 1.09% over the same period of last year, and a net profit attributable to owners of the listed company of approximately RMB2.10 billion, representing an increase of 12.32% over the same period of last year.

AHAVA

The Group invested RMB539 million in Israeli cosmetic company AHAVA in September 2016 and the Group held 100% equity interest in AHAVA as at 31 December 2018.

AHAVA (Hebrew for "love") is a Dead Sea beauty and wellness brand with over thirty years of history. AHAVA sells its products in over twenty countries and regions and has branches in the US, Germany and China. AHAVA is a cosmetics company with R&D and manufacturing facilities located along the shores of the Dead Sea. AHAVA manufactures cosmetic products with unique natural resources such as water, salt and mud from the Dead Sea in addition to plants growing near the Dead Sea, which are highly rated by consumers worldwide.

AHAVA's overall net sales in 2018 grew by 11% over the same period of last year, keeping positive growth since acquisition. As at the end of the Reporting Period, 78 Stock Keeping Units ("**SKUs**") received approvals from State Administration for Market Regulation in China.

During the Reporting Period, AHAVA recorded a total operating revenue of RMB406 million and a net profit of RMB16.3 million.

百合网 baihe.com | 世纪佳缘 jiayuan.com

BAIHE JIAYUAN

In July 2018, the Group acquired approximately 69.18% equity interest in Baihe Jiayuan with a total consideration of approximately RMB4 billion.

Baihe Jiayuan is principally engaged in internet information service business, providing products and services in the matchmaking-to-wedding industry chain.

Centering around Chinese families, Fosun focuses on their core needs of happiness. As a leading service supplier of matchmaking-to-wedding industry chain in China, Baihe Jiayuan is devoted to building a happiness ecosystem of marriage and families. Dating and matchmaking, wedding planning and relationship management are indispensable for creating and maintaining enjoyable family lives. It is a shared strategic vision of Fosun and Baihe Jiayuan to create happiness ecosystem for Chinese families.

Guided with this strategic vision, Fosun and Baihe Jiayuan integrate dating and matchmaking services with the ecosystems "Health, Happiness and Wealth". With the core needs of the Chinese young families and increasing family consumption demands, excellent products and services are offered and happy lives for families worldwide are created.

FOLLI FOLLIE

Folli Follie S.A., a globally renowned fashion retail group and its shares are listed on the Athens Stock Exchange with stock code FFGRP ("**Folli Follie**"), was an overseas investment made by the Group in 2011. As at the end of the Reporting Period, the Group and the fund under its management held a total 16.37% equity interest in Folli Follie.

In May 2018, the Hellenic Capital Markets Commission suspended trading on Folli Follie shares citing its inability to provide financial data following a report by a hedge fund questioning its Asian business. As at the end of the Reporting Period, Folli Follie was undergoing an independent audit by Ernst & Young at the request of the Greek regulator. The Group will continue to follow closely on the development of the incident.

The Group invested in Folli Follie with the initial cost of EUR86 million. The total dividend the Group has received over the years is EUR7 million. The fair value gain accumulatively recognized as of the end of 2017 was EUR55 million. Taking a prudent approach, as at the end of the Reporting Period, the Group has made full impairment provision for the investment in Folli Follie, and the fair value loss recognized in the Reporting Period was EUR141 million, while the accumulative net loss was EUR79 million.

Wealth Ecosystem

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

INSURANCE

FINANCE

INVESTMENT

INSURANCE

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

Unit: RMB million

	2018	2017 (restated)	Change over the same period of last year
Revenue	**23,668.5**	26,133.3	-9.4%
Profit attributable to owners of the parent	**2,382.7**	2,792.9	-14.7%

During the Reporting Period, the revenue of Insurance segment decreased by 9.4% compared with the same period of last year. Excluding the impact of the consolidated revenue of Ironshore Inc. before disposal in 2017, the revenue of Insurance segment would increase by 3.1% over the same period of last year. Profit attributable to owners of the parent of Insurance segment decreased by 14.7% compared with the same period of last year, mainly because the investment income of the subsidiary insurance companies did not meet the expectation due to the impact of the market fluctuations. In addition, during the Reporting Period, the Group's investment income from the secondary market of insurance stocks also significantly reduced compared with last year.

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

Fosun Insurance Portugal

In 2014, the Group acquired a controlling stake in Fosun Insurance Portugal, consisting of Fidelidade, Multicare and Fidelidade Assistência. As at 31 December 2018, the Group owns 84.9884% equity interest in Fidelidade and 80% equity interest in Multicare and Fidelidade Assistência, respectively. This platform is a leading player in the Portuguese insurance market and facilitates business development of the Group in Europe, Africa and Latin American countries.

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

Additionally, Fosun Insurance Portugal completed, at the beginning of 2019, the acquisition of 51% equity interest in La Positiva Seguros y Reaseguros S.A., a leading player in the Peruvian insurance market and also with a presence, through its subsidiaries, in Bolivia and Paraguay. The acquisition is the first move into Latin America and an important step in the international expansion strategy of Fosun Insurance Portugal.

In 2018, Fosun Insurance Portugal achieved a total market share in Portugal of 34.7%, an increase of 4.1 percentage points compared with 2017 mainly benefiting from life business (an increase of 6.2 percentage points to 39.1%), reflecting CGD commercial performance in an environment of extremely low interest rates and limited alternative bank products, difficult to repeat in future. In the non-life business segment, there was a market share increase of 0.3 percentage points over 2017 to 27.5%.

During the Reporting Period, Fosun Insurance Portugal recorded total premium income of EUR4,769.5 million, non-life business combined ratio of 97.2%, net profit of EUR293.8 million, net assets of EUR2,915.3 million, investable assets of EUR15,713.3 million and total investment return of 3.3%. Fosun Insurance Portugal's international business recorded overall premiums of EUR271.0 million, an increase of 14% when compared with 2017, mainly benefiting from favorable performance from life business. In terms of non-life business, the international business contributed to 9.3% of total non-life premiums.

In 2018, Fosun Insurance Portugal won several distinguished awards, such as the *Marca de Confiança 2018* (Most Trusted Brand in 2018) and *Escolha do Consumidor 2018* (Consumer's Choice in 2018) in the categories of "Excellence", "Insurance Companies" and "Health Systems". In 2019, Fosun Insurance Portugal will continue innovating its product offerings, improving service quality and promoting its global strategy.

AmeriTrust (Previously known as MIG)

In July 2015, the Group privatized MIG by acquiring 100% of its equity interest with an aggregate transactional value of approximately USD439.0 million. As the Group's first wholly-owned property insurance company in North America, MIG established an important stand point in the North American property insurance market. In October 2017, it officially changed its name from "Meadowbrook Insurance Group, Inc." to "AmeriTrust Group, Inc.".

AmeriTrust is a professional property and casualty insurer and an insurance administration services company focusing on niche markets. AmeriTrust markets and underwrites property and casualty insurance programs and products in the admitted and non-admitted markets through a broad and diverse network of independent retail agents, wholesalers, program administrators and general agencies that have specialized knowledge and focused expertise.

During the Reporting Period, AmeriTrust recorded premium income of USD609.6 million, net profit of USD39.9 million, combined ratio of 100.5%, investable assets of USD1,577.0 million, total investment return of 4.2%, and solvency adequacy ratio of 476.0% (a risk-based capital ratio and local statutory solvency adequacy ratio). It recorded net assets of USD570.2 million as of 31 December 2018.

Peak Reinsurance

In 2012, the Group and International Finance Corporation established Peak Reinsurance. In February 2018, Peak Reinsurance announced that a wholly-owned subsidiary of U.S.-headquartered Prudential Financial, Inc. ("**PFI**"), signed definitive agreements to purchase a minority stake in Peak Reinsurance Holdings Limited ("**Peak Reinsurance Holdings**"), the sole and direct shareholder of Peak Reinsurance through the subscription of new shares. Prior to the transaction, the shares of Peak Reinsurance Holdings held by International Finance Corporation were purchased by the Group. Following the closing of the transaction in April 2018, the Group and PFI respectively held 86.9% and 13.1% of Peak Reinsurance through Peak Reinsurance Holdings.

Based at the heart of the Asia Pacific region in Hong Kong and authorized by the Insurance Authority of Hong Kong, Peak Reinsurance is one of the few locally established reinsurance companies in Asia Pacific, underwriting both life and non-life reinsurance business.

Peak Reinsurance strives to provide innovative and forward-looking reinsurance services for customers in the regions of Asia Pacific, Europe, Middle East, Africa and the Americas. It tailors risk transfer and capital management solutions to best fit clients' needs.

In 2018, Peak Reinsurance further developed its business by establishing a Japan representative office in July and launched the first Asian reinsurance sidecar transaction via Lion Rock Re Ltd. in December. The transaction represents an important milestone in the Hong Kong and Asian (re)insurance market and raised an additional USD75 million in capital.

Peak Reinsurance was awarded "Asian Reinsurer of the Year" for the third consecutive year by *Asian Banking and Finance* in 2018 and leaped to the top 34th and 36th Global Reinsurance Group by S&P and A.M. Best respectively in terms of gross written premium.

Since launched, Peak Reinsurance has a track record of year-on-year premium growth. During the Reporting Period, it generated premium income of USD1,381.9 million, reflecting a stable growth despite a difficult period for the reinsurance industry. Peak Reinsurance continues to make consistent profit since the commencement of its operations. During the Reporting Period, net profit of Peak Reinsurance reached USD18.5 million (with technical combined ratio of 98.3%).

As at 31 December 2018, Peak Reinsurance's total investment return was 2.7%, with investable assets and net assets growing to USD1,699.2 million and USD956.4 million respectively. Solvency remains very strong with solvency adequacy ratio of 438.0%. Peak Reinsurance continues to deliver stable and sustainable returns since its establishment.

Peak Reinsurance is a successful reinsurance company that is rooted in Asia but has global presence, fully cooperating with global insurance companies. Peak Reinsurance pays more attention to risk control in the underwriting segment, actively allocates investment portfolio and steadily enhances the level of profitability. Meanwhile, taking advantages of its professional skills, Peak Reinsurance actively carried on vertical acquisition on top of its organic growth.

Pramerica Fosun Life Insurance

In September 2012, the Group worked with The Prudential Insurance Company of America to set up Pramerica Fosun Life Insurance, which marked the Group's first step into China's domestic life insurance market. As of 31 December 2018, the Group held 50% equity interest in Pramerica Fosun Life Insurance. Pramerica Fosun Life Insurance conducts sales through multiple channels including tied agency, worksite marketing, bancassurance, intermediary and elite agency.

During the Reporting Period, Pramerica Fosun Life Insurance recorded premium income of RMB1,260.0 million with a growth of 90.3% compared with the same period of last year. Net asset was RMB1,876.5 million, a decrease of 6.8% compared with the start of 2018. Pramerica Fosun Life Insurance recorded net loss of RMB111.0 million, indicating a reduction of 9.3% compared with same period of last year, solvency adequacy ratio of 386.1%, investable assets of RMB5,056.4 million, total investment return of 6.3%.

In recent years, the premium received by Pramerica Fosun Life Insurance has been growing rapidly with launches of the Beijing branch, Shandong branch, Jiangsu branch, 1 central sub-branch, 12 sales offices and 2 sub-branches, as of 31 December 2018. Pramerica Fosun Life Insurance has followed the strategy of "Sticking to the Tradition with Innovation", positioning itself with the long-term strategy of combining the rapid growth of regular-pay premium and new business value, and formed its business model dominated by regular-pay premium, with annualized new premium achieving a growth of 76.2% compared with the same period of last year.

Yong'an P&C Insurance

Yong'an P&C Insurance is a national insurance company headquartered in Xi'an, with 28 branches throughout China. It operates all types of non-life insurance business.

During the Reporting Period, Yong'an P&C Insurance recorded premium income of RMB10,510.7 million, net profit of RMB221.7 million, investable assets of RMB11,242.8 million and net asset of RMB4,789.3 million as at the end of the Reporting Period. Yong'an P&C Insurance recorded a combined ratio of 103.5%, total investment return of 5.7% and solvency adequacy ratio of 252.4% as at the end of the Reporting Period.

FINANCE

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

Unit: RMB million

	2018	2017 (restated)	Change over the same period of last year
Revenue	**2,482.7**	1,836.2	35.2%
Profit attributable to owners of the parent	**1,245.2**	1,100.6	13.1%

During the Reporting Period, the revenue of Finance segment increased mainly due to the business expansion of the German private bank H&A. The increase in profit attributable to owners of the parent was mainly caused by the performance improvement of BCP.

Fosun Hani Securities

Fosun Hani Securities is a Hong Kong-based integrated financial service platform and investment entity wholly-owned by the Group, providing global institutional and retail customers with services such as securities brokerage and sales, investment banking, research, asset management, margin loans and wealth management.

In 2018, driven by the two-pronged strategy of "boutique investment banking + technology-powered finance", Fosun Hani Securities achieved significant growth of various businesses. In 2018, Fosun Hani Securities obtained the sponsor license issued by Hong Kong Securities and Futures Commission, and assisted in initial public offerings (IPOs) in Hong Kong of several star enterprises sought-after by the capital market, such as Babytree (1761.HK), FTG (1992.HK), and Junshi Bio-B (1877.HK), blazing a trail for "boutique investment banking".

In respect of transformation to technology-powered finance company, Fosun Hani Securities successfully launched an internet-based platform for securities online account opening and trading, Xiaolu Health App and other projects in 2018, and continued to provide products and services of overseas asset allocation for family customers. In addition, Fosun Hani Securities completed its strategic investment in The Floor, an Israel technology-powered finance company, in August 2018, further expanding its global footprint covering verticals such as finance technology, blockchain and computer.

As at 31 December 2018, the paid-in capital of Fosun Hani Securities was HKD2,419 million, the total asset amounted to HKD2,500 million, net asset amounted to HKD2,390 million, operating revenue amounted to HKD84.16 million and net profit amounted to HKD15.38 million.

Hauck & Aufhäuser Privatbankiers AG (H&A)

Fosun acquired 99.91% equity interest in the German private bank H&A in September 2016 with a consideration of EUR210 million. H&A is a fully licensed private bank in Germany, offering financial services such as private banking, asset management and servicing as well as investment banking. H&A is a market leader in custodian banking services and capital market services for small- and mid-sized institutional clients in German speaking countries.

Founded in 1796, H&A is headquartered in Frankfurt with offices in Munich, Dusseldorf, Hamburg and Cologne, branches in Luxembourg and London, a subsidiary in Zurich and a representative office in Paris. With Fosun's support, H&A acquired a Luxembourg-based company Oppenheim in December 2017, reaching an important strategic milestone in its growth strategy. The acquisition gave H&A the opportunity to expand its products and services in the European Union. Furthermore, H&A's investment banking division reached the No. 1 position for IPOs and capital increases in the Small- and Mid-Cap segment[4] in Germany. In addition, H&A has also gained recognition of the public. The growth of new capital of H&A was above the market average, which showed synergies with the Group gradually. It was also named among the top three most dynamic asset managers in the category of EUR10 million to 100 million assets under management.

As at the end of the third quarter of 2018, H&A's assets under management reached EUR123 billion, representing an increase of 66.2% over the same period in 2017, whilst the total assets grew to EUR5,243 million. H&A also recorded a gross income of EUR141.8 million for the third quarter, representing an increase of 43.2% over the same period in 2017, and profit before tax of EUR16.5 million, representing an increase of 71.9% over the same period in 2017.

BCP

In November 2016, the Group invested in BCP, the largest Portuguese listed bank. As at 31 December 2018, the Group's shareholding in BCP reached 27.25%.

Established in 1985, BCP offers banking products and financial services in Portugal and abroad, including retail banking, corporate and investment banking, private banking businesses, and owns a leading internet bank called "ActivoBank". BCP also holds a prominent position in Poland, Switzerland, Mozambique and Angola, and has entered in the Chinese mainland market through its Guangzhou representative office and operated in Macau Special Administration Region through a fully-licensed branch since 2010.

The net profit of BCP during the Reporting Period was EUR301 million, increased 61.5% compared with EUR186 million of the same period in 2017. The business volume has increased by EUR3.8 billion over the same period in 2017.

In June 2018, BCP and Ant Financial Services Group signed a cooperation agreement. The two companies will work together, combining Alipay's expertise and experience in online and mobile payment systems with BCP's local and international banking business and transactional capabilities, to launch "Alipay in-store" payment services to link Portuguese merchants and service providers with Chinese visitors to provide innovative and cutting-edge services for their respective customers.

4 Market Capitalization ≤ EUR750 million.

In June 2018, BCP signed "Clearing and Settlement of Renminbi Business Agreement" with the Bank of China Macau Branch (the bank for clearing Renminbi for Portuguese-speaking countries designated by the People's Bank of China), which reinforces its presence in the Chinese market. With the signing of this agreement, BCP became the first Portuguese bank considered as a participating bank with access to Macau Special Administration Region's payment system.

In Switzerland, BCP has set up its Chinese desk, preparing for developing its customer base and products by fully leveraging the Group's C2M platform.

The new executive committee and new board of directors of BCP have been elected in the general meeting in May 2018 and approved by European Central Bank in July 2018, the term of which is from 2018 to 2021.

In December 2018, witnessed by the state leaders of China and Portugal, BCP and UnionPay International Co., Ltd. entered into a cooperation agreement. Pursuant to which, BCP will issue UnionPay cards in Portugal and actively participate in UnionPay's QuickPass and online payment services. Through this agreement, BCP also became an acquirer for all the UnionPay Cards, irrespective of the country of issuance.

Mybank

In May 2015, the Group, as one of the founders, injected a registered capital of RMB1,000 million to acquire 25% equity interest in Mybank.

Commencing operations in June 2015, Mybank is a joint-stock commercial bank which provides financial services to small and micro enterprises, individual entrepreneurs and individual consumers on the internet and through a cloud-based financial platform. Mybank's mission is to provide inclusive finance and it is committed to using internet technology, data and internet innovations to help small and micro enterprises, individual entrepreneurs, and customers concerning agriculture, rural areas and farmers to solve issues linked to financing difficulties and a lack of rural financial services so as to promote the development of the real economy.

In June 2018, Mybank celebrated its third anniversary. Over the three years since its inception, Mybank has worked with other financial institutions and provided loan service for over 10 million small and micro operators. According to the latest disclosure of Mybank, throughout 2017, Mybank issued an aggregate of RMB446.8 billion loans to small and micro enterprises and operators. Apart from operating online loan business, Mybank actively explores the development of other financial products. Since June 2017, Mybank has collaborated with Alipay QR Code Payment to introduce the service of "More Collection More Lending" in a quest to bring the innovative "310" loan mode of Mybank into the services provided for online to offline individual operators. In addition, Mybank also provides credit service for offline small and micro customers. It also sells monetary fund products and has served 6.75 million customers in total by the end of 2017.

Guide

In November 2018, the Group completed the acquisition of 69.14% equity interest in Guide Investimentos S.A. Corretora de Valores ("**Guide**"), a fast-growing Brazilian brokerage and wealth management firm based in Sao Paulo. Guide was originally a wholly-owned subsidiary of a Brazilian bank, Banco Indusval S.A., which still maintains a 20% minority equity interest in Guide after the acquisition. As at December 2018, Guide has more than BRL18 billion of assets under custody, serving over 80,000 customers. Guide experienced a growth in total revenue of more than 70% compared with 2017.

This deal follows the Group's strategy of investing and developing operations in emerging markets, especially in Latin America. It is the second investment of the Group targeting financial services assets in Brazil after the acquisition of the local asset management company Rio Bravo in 2016 and also the second milestone in the creation of a Brazilian financial group platform. Rio Bravo will act as a product manufacturer and Guide as the distribution platform for the Group in the C2M structure. By combining Guide's technology and innovation capabilities with the Group's global resources, this C2M structure aims to offer the most high-quality services for Brazilian families.

INVESTMENT

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

Unit: RMB million

	2018	2017 (restated)	Change over the same period of last year
Revenue	10,727.3	12,776.7	-16.0%
Profit attributable to owners of the parent	5,726.3	5,853.7	-2.2%

During the Reporting Period, the revenue of the Investment segment decreased compared to last year mainly due to the revenue reduction of Hainan Mining. The decrease in profit attributable to owners of the parent compared to last year was mainly attributable to the significant decrease in gain on fair value adjustment caused by the stock price volatility in the secondary market, such decrease was partially offset by the operation performance improvement of the steel and oil exploration businesses in the Investment segment.

The Investment segment includes primary market investments, asset management and others.

Primary Market Investments

CAINIAO

In May 2013, the Group invested RMB500 million into Cainiao as one of the founding shareholders. Cainiao is the official logistics partner of Alibaba.

Cainiao is committed to building an international logistics network and utilizing the capacity and capability of logistics partners to provide one-stop logistics services and supply chain management solutions domestically and internationally, as well as fulfilling various logistics needs of merchants and consumers on an extensive scale. Cainiao consistently optimizes its services for merchants, empowers logistics partners to improve their operating efficiency, which in turn enables Cainiao to provide consumers with the best logistics experience. Cainiao processed over 1 billion logistics orders during "Double 11" in 2018.

Meanwhile, Cainiao plans to deploy 6 digital intelligent logistics hubs in 6 cities, including Kuala Lumpur, Hong Kong, Liège, Dubai, Moscow and Hangzhou. The purpose of such establishments is to provide small and medium enterprises worldwide with high-quality logistics services.

Cainiao will further strengthen its global logistics network with the aim to realize the mission of fulfilling orders of delivery within 24 hours in China and within 72 hours anywhere in the world, and enable greater efficiencies and lower costs in China's logistics industry.

Asset Management

The asset management business of the Group mainly targets domestic and international high-end large institutional clients and high net worth individuals, and actively seeks institutional investors, large enterprises and family capital to become limited partners for long-term cooperation. During the Reporting Period, the management fee derived from the asset management business of the Group amounted to RMB564.6 million. As at the end of the Reporting Period, the scale of the asset management business of the Group reached RMB136,975.6 million and net assets attributable to the Group of RMB7,413.9 million. The asset management of the Group includes equity funds, real estate funds and asset management platforms.

Equity Funds

As at the end of the Reporting Period, the scale of the equity funds managed by the Group amounted to RMB31,395.9 million, the number of invested projects increased to 99 projects with some new projects in 2018 such as Tsingtao Brewery.

FOSUN CAPITAL

Fosun Capital is an equity investment and management company, established in April 2007 and wholly owned by the Group. For over a decade, based on the global vision and industrial background of the Group, Fosun Capital has provided high-quality equity investment and management services for investors such as well-known family funds, insurance companies, listed companies, large investment institutions and high net worth individuals across the world. Assets being launched and managed include fund of funds, private equity funds, venture capital funds, industrial funds of listed companies and other equity investment funds covering industries such as advanced manufacturing, energy and environmental protection, modern services, fashion consumption, healthcare and information technology.

As at the end of the Reporting Period, Fosun Capital's assets under management were RMB14,232.8 million.

Real Estate Funds and Asset Management Platforms

As at the end of the Reporting Period, the scale of the real estate funds and asset management platforms under management of the Group amounted to RMB105,579.7 million, including the Japanese real estate capital management company IDERA, the French listed real estate fund management company Paris Realty Fund SA, the European real estate asset management company Resolution Property Investment Management LLP, the Russian real estate asset management company Fosun Eurasia Capital Limited Liability Company, and the Brazilian fund asset management company Rio Bravo. The highlights of IDERA, a subsidiary of the Group, are stated below.

IDERA

In May 2014, the Group had completed the acquisition of IDERA, a Japanese real estate capital management company, at a consideration of JPY6,811.0 million. As at the end of the Reporting Period, the Group held 98% equity interest in IDERA. IDERA is a leading independent real estate capital management and fund platform in Japan. As at the end of the Reporting Period, it managed over JPY321,640 million (representing approximately RMB20,037.3 million) assets in total. During the Reporting Period, IDERA recorded unaudited operating revenue of JPY3,627 million (representing approximately RMB214.9 million) according to the Japanese Accounting Standards.

Others

ROC

ROC is the strategic platform in the oil and gas sector of the Group. Leveraging ROC's leading capabilities in operation and management and business development, together with its existing business bases in the PRC, Southeast Asia and Australia, the Group is posed to capture new investment opportunities in the global oil and gas industry. An agreement has been entered into to sell 51% equity interest in ROC to Hainan Mining, and the transaction was approved at the general meeting of Hainan Mining in December 2018.

In May 2018, ROC successfully entered into two transactions with Buru Energy Limited for a 50% non-operated interest in the Ungani production licences (Block L20 and L21), onshore Western Australia; and a 50% non-operated exploring interest in each of Block EP391, EP428 and EP436, onshore Western Australia. Completion of these two transactions is subject to government approval.

In July 2018, ROC, through its subsidiary, together with its partner, Smart Oil Investment Ltd., signed a contract with China National Offshore Oil Corporation for joint operatorship of the exploration and development of Weizhou 10-3W Oilfield and Block 22/04 in the Beibu Gulf, offshore of South China Sea.

During the Reporting Period, ROC realized sales revenue of USD170.1 million (2017: USD130.7 million), net profit of USD50.0 million (2017: USD38.9 million) and net cash inflow from operating activities of USD118.4 million (2017: USD66.6 million).

HAINAN MINING

The Group invested in Hainan Mining in 2007. As at the end of the Reporting Period, the Group held 51.57% equity interest in Hainan Mining. The Group engages in iron ore production and operation through Hainan Mining, a subsidiary of the Group which owns a large high-grade iron ore mine in China. Its core business includes mining and sales of iron ore. By investing in existing mining projects and other mining companies, Hainan Mining aims to accelerate the expansion of its scale and enhance its position in the industry. During the Reporting Period, Hainan Mining's operating revenue was RMB1,386.60 million, down by 49.69% over the same period of last year, and the loss attributable to shareholders of the listed company was RMB766.1 million. The decrease in net profit for the period compared with the same period of last year was mainly attributable to the factors such as the decline in iron ore sales, the increase in land acquisition costs and gains and losses from changes in fair value caused by stock market investments in the secondary market.

In order to expand the business scope and reform the business structure, Hainan Mining has entered into an agreement to acquire 51% equity interest in ROC with the consideration of USD229.5 million.

NANJING NANGANG

As at 31 December 2018, the Group in total held 60% equity interest in Nanjing Nangang. Nanjing Nangang through its investment in Nanjing Iron & Steel, carries out operations in the iron and steel industry and invests in areas such as energy and environmental protection as well as new materials. In 2018, Nanjing Nangang realized a revenue of RMB45,176.17 million, representing an increase of 15.6% over the same period of last year, and the total profit was RMB5,637.24 million, representing an increase of 31.26% over the same period of last year.

Located in Eastern China, Nanjing Iron & Steel is an integrated steel company that covers the complete production process including mining, coking, sintering, iron smelting, steel smelting and steel rolling. Nanjing Iron & Steel has the comprehensive capacity to produce 10 million tons of steel, 9 million tons of iron and 9.4 million tons of steel materials annually. It is the single largest Chinese manufacturer of medium-size plates. During the Reporting Period, the production and sales of its leading products of high-quality medium-size plate and special long steel plate were booming. The operational mechanism of "efficiency in production and cost-saving in manufacturing" was consistently optimized. The year-on-year gross profit margin of products increased significantly, and the competitiveness of products increased steadily. The operational performance of Nanjing Iron & Steel of 2018 was by far the best since its establishment.

In the process of transformation, Nanjing Nangang acquired the equity interest in Besino Environment held by the Group, and increased the capital of Besino Environment through its subsidiaries. As at 31 December 2018, Nanjing Nangang and its subsidiaries jointly held 98.81% equity interest in Besino Environment. In terms of new materials, Nanjing Nangang, through Nanjing Iron & Steel, participated in the private placement of Jiangsu Tiangong Technology Co., Ltd. (listed on the NEEQ with stock code 834549), and completed its investment as the controlling shareholder in Koller, a German supplier of lightweight parts for the automotive industry in August 2017 and improved its layout of the new material industry chain. In terms of intelligent manufacturing, Nanjing Iron & Steel strengthened the construction of industrial internet. Its thick plate production line was awarded as a demonstration intelligent workshop in Jiangsu Province and the "JIT+C2M" model was introduced to its manufacturing process to satisfy the customer needs and facilitate its deep operation over the whole industry chain. Jiangsu Jinheng Information Technology Corp, Ltd., a subsidiary of Nanjing Iron & Steel which specializes in intelligent manufacturing solutions for the metallurgical industry, has been listed on the NEEQ (stock code 872438).

HANGZHOU-TAIZHOU HIGHSPEED RAILWAY

In September 2017, Fosun led the construction of China's Hangzhou-Taizhou Highspeed Railway. As a private consortium, Fosun led the signing with the Zhejiang government on the Hangzhou-Taizhou project, with private capital accounting for 51% of the shares. The project started construction in December 2017 and is estimated to open to traffic by the end of 2021.

The railway is from Hangzhoudong to Wenling. Its total length is 269 km and the length of the new main line is 224 km. The target speed of the railway is 350km/h. The estimated total investment is RMB44.89 billion.

As the main railway system in the Greater Bay Area, the Hangzhou-Taizhou Line serves to fill the gap between the diagonal area of Hangzhou metropolitan circle and the cities of Wenzhou and Taizhou, creating a 1-hour-high-speed-railway circle between Hangzhou, the provincial capital of Zhejiang, and Taizhou, and integrates the cities of Wenzhou and Taizhou into the Yangtze River economic zone. It is significant in fostering regional economic coordinated development and the development of the tourism industry along the line, and setting an example for the reformation of an investment and financing regime to fund national railway infrastructure construction.

FORTE

In 2018, after the completion of the asset reorganization with Yuyuan, Forte continued to focus on the city's deep-rooted policy and to consolidate its foothold in key cities to expand its market reach. At the same time, according to respective strategic policies of different cities and following market demands, Forte localized its strategies to further strengthen the supply of new products, and accelerated its destocking drive to cash in on new sales with a sound sales performance and cash flow over the year.

In terms of investment and operation, Forte continued its "Hive Cities" strategy, and combined it with the Group's first-tier industrial resources, to highly connect family life with industries like finance, culture, business, health, elderly care and trade in the city. At the same time, Forte focused on global market development, continued to capture opportunities and expanded into new regions and markets.

For financial management, Forte actively tapped into capital markets, continuously optimized the debt structure and improved credit rating to provide adequate multiple sources of funding for business development and help further development of the business.

During the Reporting Period, Forte realized operating revenue of RMB29,280 million, representing an increase of 53% over the same period of last year, and the profit attributable to owners of the parent stood at RMB5,047 million, representing an increase of 154% over the same period of last year.[5]

28 LIBERTY

In December 2013, the Group acquired 100% equity interest in 28 Liberty with freehold for investment purposes, at a consideration of USD725 million. Located in the north of the financial district in Lower Manhattan (28 Liberty Street, New York, NY 10005), 28 Liberty is a 60-storey Grade A landmark office building with a leasable area of 2,200,000 sq.ft.. The occupancy rate has risen from 44% in 2015 to 89% in 2018, with contractual leasing area of 1,320,000 sq.ft.. 28 Liberty has actively focused on reposition and renovation and has maximized value by converting office only to mixed use, including renovating building infrastructures, creating retail spaces at plaza and underground, teaming up with Union Square Hospitality Group, introducing 60th floor restaurant Manhatta and event space Bay Room. As of the end of the Reporting Period, material cost, labor cost and other cost have decreased to 25%, 54% and 18% respectively. In the future, 28 Liberty will consider to provide breakfast services, upgrade building design and function and schedule to adjust the rental price. During the Reporting Period, the rental revenue of the 28 Liberty project amounted to USD66.4 million.

THE BUND FINANCE CENTER

The Bund Finance Center is a high-end complex project located in the core district of the Bund in Shanghai at 600 Zhongshan No.2 Road (E), Shanghai 200010, China. The Bund Finance Center is a comprehensive financial complex in the Bund financial zone and this project comprises four different types of properties, including Grade A offices, a shopping centre, the Fosun Foundation Art Center and a boutique hotel. Therefore all the functions ranging from finance to commerce, tourism, culture and arts are included.

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

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

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

5 In July 2018, Yuyuan completed the asset reorganization and became a subsidiary of Forte. Therefore only the operating results in the second half of 2018 of Yuyuan were consolidated into Forte. Financial data presented are based on HKFRSs.

CLOUDJET

Shanghai Cloudjet Information Technology Co., Ltd. ("**Cloudjet**") was established in 2015. It is a smart technology innovation platform wholly-owned by the Group. Cloudjet has been developing industrial connectivity and technological capabilities and has focused on three ecosystems, namely smart consumption, smart retail and smart healthcare, which focus on business-to-business (B2B) and business-to-business-to-customer (B2B2C) businesses to thoroughly explore application scenarios in the market and further promote industrial applications and monetization capability of technology and science.

Shanghai Ziku Information Technology Co., Ltd. ("**Ziku**"), incubated by Cloudjet, taps into one-stop Social Customer Relationship Management (SCRM) and user operation management business, including empowering offline merchants with the capabilities of online customer acquisition and services, and enhancing efficiency of monetizing online traffic. Products provided include software (SCRM/PMS/BI) + service, membership operation service and digital marketing service, etc. Currently, Ziku focuses primarily on catering industry. In 2018, it provided services to over 7,000 stores of more than 70 branded customers, generating approximately RMB20 million in contractual revenue.

As a total solution service provider driven by big data, Fonova empowers offline commercial and cultural consumption scenarios with enhanced experience through smart digital operations. Covering various business segments such as commercial entities, cultural venues, tourist attractions, brand management and government administration, Fonova has set up a complete commercial mode to provide various products, such as middle-end data platform, public opinion hearing, commercial graph, cultural graph and all-region marketing. It generated approximately RMB18 million in contractual revenue by providing its services to 31 customers in 2018.

Aitrox marks a major milestone in the Group's diversification into the medical artificial intelligence market. It has launched four products, namely Proxai, Pannotation, Placks and Pyxis, of which, Proxai has been applied in more than a hundred hospitals. Sticking to standard disease diagnosis processes, Aitrox is committed to developing end-to-end all-range solutions to cover various fields such as radiology, clinic treatment and pathology examination, aimed at integrating premium resources from the whole industry chain of global healthcare and establishing a complete closed loop of healthcare business.

Starcleric was a new project of primary healthcare services incubated by Cloudjet in 2018. Driven by technology, it is committed to establishing platforms of primary healthcare services, primary healthcare data and IOTs of primary healthcare. With local village clinics of primary healthcare serving as access points, the project provided hardware facilities, equipment and corresponding operating systems to cover various healthcare services such as third party examination and health check, thus empowering the primary medical system as a whole. The project has been piloted in Fuzhou.

As of the end of the Reporting Period, Ziku, Fonova and Aitrox incubated by Cloudjet had initiated market financing. In the future, Cloudjet will continue to focus on smart consumption, smart retail and smart healthcare ecosystems by incubating/introducing more innovative and smart technologies, and seize new business opportunities.

FINANCIAL REVIEW

Net Interest Expenditures

Net interest expenditures, net of capitalized amounts of the Group, increased to RMB6,887.6 million in 2018 from RMB5,133.4 million in 2017. The increase in net interest expenditures was mainly attributable to the growth both in scale of borrowings and in the interest rates of borrowings. The interest rates of borrowings in 2018 were approximately between 0% and 9.8%, as compared with approximately between 0.45% and 8.33% for the same period of last year.

Tax

Tax of the Group decreased to RMB4,985.1 million in 2018 from RMB6,175.0 million in 2017. The decrease in tax was mainly resulted from the decrease in taxable profit from the Group.

Earnings Per Share of Ordinary Shares

Basic earnings per share attributable to ordinary equity holders of ordinary shares of the parent was RMB1.57 in 2018, representing an increase of 2.6% from RMB1.53 per share in 2017. Diluted earnings per share attributable to ordinary equity holders of ordinary shares of the parent was RMB1.56 in 2018. The weighted average number of shares used in the calculation of basic earnings per share was 8,560.4 million shares for 2018, which was 8,573.4 million shares for 2017.

Equity Per Share Attributable to Owners of the Parent

As at 31 December 2018, equity per share attributable to owners of the parent was RMB12.70, representing an increase of RMB0.94 per share from RMB11.76 per share as at 31 December 2017. The increase in equity per share attributable to owners of the parent was primarily due to the difference between RMB6,990.1 million and RMB2,511.9 million, which were the total comprehensive income attributable to owners of the parent in 2018 and the dividend distributed on 16 July 2018, respectively.

Proposed Final Dividend

The Board has recommended the payment of a proposed final dividend of HKD0.37 per ordinary share for the year ended 31 December 2018. Subject to the approval of the Company's shareholders at the Company's annual general meeting to be held on 5 June 2019, the proposed final dividend will be paid to the Company's shareholders on or around 16 July 2019. There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividends.

Capital Expenditures and Capital Commitment

The capital expenditure of the Group mainly consists of additions to property, plant and equipment, prepaid land lease payments, exploration and evaluation assets, mining rights, intangible assets, investment properties and oil and gas assets. We have been increasing our investment in the R&D of pharmaceutical products in order to produce more proprietary products with higher gross profit margin. We continued our commitment in property development, but will adjust our strategy according to market conditions. With an aim to further strengthen our leading role in the happiness industry, we have made extra efforts in the Happiness Ecosystem.

As at 31 December 2018, the Group's capital commitment contracted but not provided for was RMB20,437.7 million. These were mainly committed for property development, addition of plant and machinery and investments. Details of capital commitment are set out in note 65 to financial statements.

Indebtedness and Liquidity of the Group

As at 31 December 2018, the total debt of the Group was RMB186,140.4 million, representing an increase over RMB150,456.5 million as at 31 December 2017, which was mainly due to the increase in borrowings as a result of business expansion of various segments of the Group. As at 31 December 2018, mid-to-long-term debt of the Group accounted for 63.6% of total debt, as opposed to 61.4% as at 31 December 2017. As at 31 December 2018, cash and bank and term deposits increased significantly by 28.7% to RMB106,316.5 million as compared with RMB82,616.1 million as at 31 December 2017.

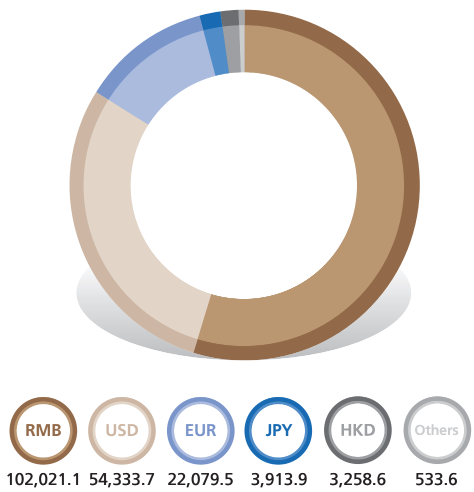
Unit: RMB million

	31 December 2018	31 December 2017
Total debt	**186,140.4**	150,456.5
Cash and bank and term deposits	**106,316.5**	82,616.1

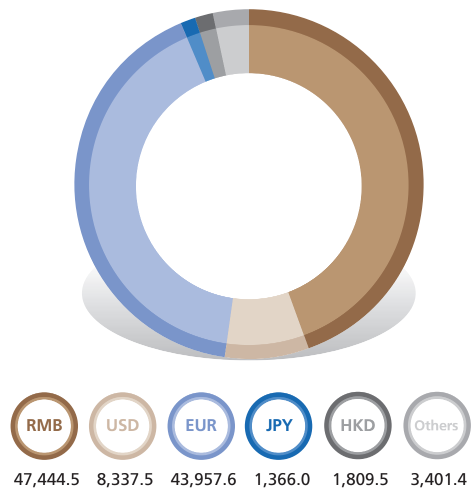
The original denomination of the Group's debt as well as cash and bank and term deposits by currencies, equivalent in RMB, as at 31 December 2018, is summarized as follows:

Unit: RMB million equivalent

TOTAL DEBT



CASH AND BANK AND TERM DEPOSITS



Total Debt to Total Capital Ratio

As at 31 December 2018, the ratio of total debt to total capital was 53.7% as compared with 52.4% as at 31 December 2017. This ratio has increased as a result of the increase of the total debt. Healthy debt ratios and abundant funds can reinforce the Group's ability to defend against risk exposure, and provide support to the Group in capturing investment opportunities.

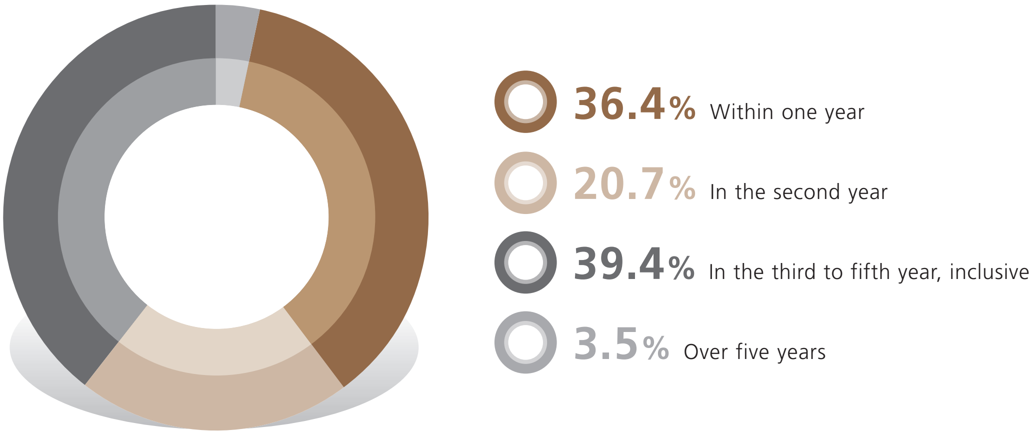
Basis of Calculating Interest Rate

To stabilize interest expenses, the Group endeavored to maintain appropriate borrowings at fixed interest rates and floating interest rates. The Group made timely adjustment to the debt structure according to the interest rate policy, seeking to optimise the interest rate level. As at 31 December 2018, 56.8% of the Group's total borrowings bore interest at a fixed interest rate.

The Maturity Profile of Outstanding Borrowings

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

Outstanding borrowings classified by year of maturity as at 31 December 2018 are as follows:



Available Facilities

As at 31 December 2018, save for cash and bank and term deposits of RMB106,316.5 million, the Group had unutilized banking facilities of RMB173,607.8 million. The Group has entered into cooperation agreements with various major banks in China. According to these agreements, the banks granted the Group general banking facilities to support its capital needs. Prior approval of individual projects from banks in accordance with bank regulations of China must be obtained before the use of these banking facilities. As at 31 December 2018, available banking facilities under these arrangements totalled RMB294,145.8 million, of which RMB120,538.0 million was utilized.

Cash Flow

In 2018, net cash flow generated from operating activities was RMB13,302.4 million. Profit before tax for the year was RMB21,994.6 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 RMB9,707.4 million. However, owing to the increase in deposits from customers, investment contract liabilities and insurance and reinsurance creditors of RMB6,707.3 million, RMB6,476.4 million and RMB3,482.6, respectively, cashflow generated from operating activities increased. The net increase in properties under development and completed properties held for sale of RMB7,834.6, the increase in insurance and reinsurance debtors of RMB4,064.8 million and the tax paid of RMB4,616.9 contributed to an decrease in the cash flow from operating activities. The increase in investment contract liabilities, insurance and reinsurance creditors and insurance and reinsurance debtors were mainly due to the expansion of insurance business; the increase in deposits from customers was mainly due to the increase in H&A's deposits from customers; the net increase in properties under development and completed properties held for sale was mainly due to the additional cost along with the construction progress.

In 2018, net cash flow used in investing activities was RMB11,862.0 million, mainly used for the purchase of property, plant and equipment, purchase and construction of investment properties, purchase of intangible assets, purchase of financial assets at fair value through profit and loss, debt investments at fair value through other comprehensive income and debt investments at amortized cost, and acquisition of subsidiaries and associates, which was partly offset by proceeds from disposal of financial assets at fair value through profit and loss, equity investments designated at fair value through other comprehensive income, debt investments at fair value through other comprehensive income, maturity of debt investments at amortized cost, disposal of subsidiaries and assets of a disposal group classified as held for sale, disposal of items of property, plant and equipment, dividends and interests received from debt instruments and equity investments.

In 2018, net cash flow from financing activities was RMB21,325.3 million, mainly generated from the new bank and other borrowings, as well as capital contribution from non-controlling shareholders of subsidiaries, which was partly offset by the repayment of bank and other loans, payment of interest and dividends and acquisition of additional interests in subsidiaries.

Pledged Assets

As at 31 December 2018, the Group had pledged assets of RMB79,743.6 million (31 December 2017: RMB50,343.5 million) for bank borrowings. Details of pledged assets are set out in note 42 to financial statements.

Contingent Liabilities

The Group's contingent liabilities of RMB5,742.3 million as at 31 December 2018 (31 December 2017: RMB5,744.0 million), Details of contingent liabilities are set out in note 66 to financial statements.

Interest Coverage

In 2018, interest coverage was 4.7 times as compared with 6.0 times in 2017, the decrease was mainly due to the increase in EBITDA has lower portion than that in net interest expenditure of the Group during the Reporting Period. EBITDA of the Group increased to RMB32,710.4 in 2018 from RMB30,789.2 in 2017.

Financial Policies and Risk Management

GENERAL POLICY

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

FOREIGN CURRENCY EXPOSURE

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

INTEREST RATE EXPOSURE

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

APPLICATION OF DERIVATIVES

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

Forward-Looking Statements

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

Five-Year Statistics

Unit: RMB million

Year	2014	2015	2016	2017	**2018**
Total equity	75,684.5	99,553.1	122,873.8	136,412.3	**160,441.0**
Equity attributable to owners of the parent	49,408.4	75,744.3	92,367.0	100,960.8	**108,528.8**
Equity per share attributable to owners of the parent (in RMB)	7.14	8.80	10.74	11.76	**12.70**
Indebtedness					
Total debt	95,834.2	115,110.0	126,276.8	150,456.5	**186,140.4**
Total debt/Total capitalization (%)	55.9%	53.6%	50.7%	52.4%	**53.7%**
Interest coverage (times)	5.1	5.4	5.4	6.0	**4.7**
Capital employed	145,242.6	190,854.3	218,643.8	251,417.2	**294,669.2**
Cash and bank balances	40,338.6	47,219.2	52,156.4	82,616.1	**106,316.5**
Property, plant and equipment	36,037.9	18,023.6	20,672.0	25,413.2	**36,310.4**
Investment property	16,883.9	40,898.7	30,493.3	32,438.4	**46,567.8**
Property under development	37,101.8	35,882.4	32,068.6	41,367.6	**39,520.9**
Prepaid land lease payments	2,921.4	2,143.9	2,105.3	2,359.8	**3,427.9**
Mining rights	784.9	564.5	531.3	542.2	**548.2**
Interest in associates	26,976.4	31,579.7	44,115.6	61,721.9	**84,084.1**
Available-for-sale investments	77,237.8	118,954.6	128,175.4	136,692.5	**–**
Equity investments at fair value through profit or loss	14,867.2	10,716.2	8,328.7	17,158.2	**–**
Financial assets at fair value through profit or loss	–	–	–	–	**49,015.8**
Equity investments designated at fair value through other comprehensive income	–	–	–	–	**1,645.1**
Debt investments at fair value through other comprehensive income	–	–	–	–	**84,149.2**
Debt investments at amortized cost	–	–	–	–	**20,123.4**
Profit attributable to owners of the parent(Note 1)	6,853.9	8,038.3	10,268.2	13,161.3	**13,406.4**
Basic earnings per share (in RMB)	1.02	1.06	1.19	1.53	**1.57**
Diluted earnings per share (in RMB)	0.99	1.05	1.19	1.53	**1.56**
Profit contribution by each business segment(Note 2)					
Health Ecosystem	955.8	938.4	1,038.5	1,300.7	**1,484.7**
Happiness Ecosystem	412.9	149.5	468.9	2,113.4	**2,567.5**
Wealth Ecosystem	5,485.2	6,950.4	8,760.8	9,747.2	**9,354.2**
Insurance	974.2	1,796.4	2,059.1	2,792.9	**2,382.7**
Finance	264.6	508.8	381.2	1,100.6	**1,245.2**
Investment	2,155.5	2,089.6	4,245.3	5,853.7	**5,726.3**
Hive Property	2,090.9	2,555.6	2,075.2	–	**–**
EBITDA	18,682.1	24,422.5	23,891.3	30,789.2	**32,710.4**
Proposed dividend per share (in HKD)	0.170	0.170	0.210	0.350	**0.370**

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

Note 2: The profit contribution from hive property project companies related to Yuyuan restructuring was not reclassified for the years from 2014 to 2016, and Hive Property segment was retained.

The Board is pleased to present the corporate governance report of the Group for the year ended 31 December 2018.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

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

A. THE BOARD

a) Responsibilities

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

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

b) Delegation of Management Function

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

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

The day-to-day management, administration and operation of the Company are delegated to the senior management by the Board. The delegated functions and work tasks are periodically reviewed. Under the leadership of the Chief Executive Officer, the senior management is responsible for the daily operation of the Company.

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

c) Board Composition

The Board for the year ended 31 December 2018 comprised the following Directors:

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

Independent Non-Executive Directors
Mr. Zhang Shengman
Mr. Zhang Huaqiao
Mr. David T. Zhang
Mr. Yang Chao
Dr. Lee Kai-Fu

Note:

(1) Ms. Kang Lan resigned as Executive Director and Senior Vice President of the Company with effect from 6 November 2018.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The Independent Non-Executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules. There is no financial, business, family or other material/relevant relationship among the Directors. Biographical details, including offices held in public companies or organizations and other significant commitments, of the Directors are set out in the section "Biographical Details of Directors and Senior Management" of this annual report.

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

The Independent Non-Executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in Board meetings, and serving on Board committees, all Independent Non-Executive Directors have made various positive contributions to the development of the Company.

d) Appointment and Re-election of Directors

The procedures of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee of the Company is responsible for reviewing the Board composition, formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-Executive Directors.

All Directors (including the Independent Non-Executive Directors) have entered into service contracts with the Company for a term of 3 years from 28 March 2018. No Director has a service contract with the Company which is not terminable by the Company within one year and without payment of compensation (other than statutory compensation).

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

e) Continuous Professional Development of Directors

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

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

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

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

Note:

(1) Ms. Kang Lan resigned as Executive Director and Senior Vice President of the Company with effect from 6 November 2018.

f) Board Meetings

The Board meets regularly to review the financial and operating performance of the Group and approve future strategy. The Board held four regular Board meetings and two other Board meetings during the Reporting Period. In respect of corporate governance matters, the Board reviewed, among others, policies on corporate governance, code of conduct and the Company's policies and practices on compliance with legal and regulatory requirements in regular meetings. The attendance records of each Director are set out below in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS".

g) Practice and Conduct of Board Meetings

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings (or such other period as agreed). For other Board and committee meetings, reasonable notice is generally given.

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

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

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

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

h) Directors and Officers Liability Insurance

The Company has arranged the directors and officers liability insurance in respect of legal action against the Directors, the insured clause and scope of coverage of year 2018/2019 have been reviewed and renewed.

i) Board Diversity Policy

The Company recognizes and embraces the benefit of having a diverse board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage and achieving long-term sustainable growth for the Group. According to the board diversity policy of the Company, all Directors appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board. The said elements have substantially been included in the current Board composition.

B. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

C. BOARD COMMITTEES

The Board has established the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company were established with defined written terms of reference. The terms of reference of the above-mentioned Board committees are posted on the Company's website (www.fosun.com) and the Hong Kong Stock Exchange's website (www.hkexnews.hk) and are available to shareholders upon request. In March 2019, the Company established Environmental, Social and Governance Committee.

The majority of the members of each Board committee are Independent Non-Executive Directors. The Board committees are provided with sufficient resources to discharge their duties, and upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Audit Committee comprises five Independent Non-Executive Directors, namely Mr. Zhang Shengman (Chairman), Mr. Zhang Huaqiao, Mr. David T. Zhang, Mr. Yang Chao and Dr. Lee Kai-Fu. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

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

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

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

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

The Company's annual results for the year ended 31 December 2018 have been reviewed by the Audit Committee.

Remuneration Committee

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

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

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

Nomination Committee

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

The main duties of the Nomination Committee include the following:

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

The Nomination Committee held one meeting during the Reporting Period to review the structure, size, composition and diversity of the Board, the independence of the Independent Non-Executive Directors and make recommendations to the Board in relation to the re-appointment of retiring Directors at the 2018 annual general meeting. The attendance records of each member of the Nomination Committee are set out below in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS".

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

Environmental, Social and Governance Committee

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

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

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

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

D. ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committee meetings, and annual general meeting and extraordinary general meeting of the Company held for the year of 2018 is set out in the table below:

	Attendance/Number of Meetings					
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extra-ordinary General Meeting
Executive Directors						
Mr. Guo Guangchang	6/6	–	–	–	1/1	2/2
Mr. Wang Qunbin	6/6	–	1/1	1/1	1/1	2/2
Mr. Chen Qiyu	6/6	–	–	–	1/1	2/2
Mr. Xu Xiaoliang	6/6	–	–	–	1/1	2/2
Mr. Qin Xuetang	6/6	–	–	–	1/1	2/2
Mr. Wang Can	6/6	–	–	–	1/1	2/2
Ms. Kang Lan[(1)]	5/5	–	–	–	0/1	1/1
Mr. Gong Ping	6/6	–	–	–	0/1	2/2
Independent Non-Executive Directors						
Mr. Zhang Shengman	6/6	2/2	1/1	1/1	0/1	2/2
Mr. Zhang Huaqiao	6/6	2/2	1/1	1/1	1/1	2/2
Mr. David T. Zhang	6/6	2/2	1/1	1/1	1/1	2/2
Mr. Yang Chao	6/6	2/2	1/1	1/1	0/1	2/2
Dr. Lee Kai-Fu	6/6	2/2	1/1	1/1	0/1	2/2

Note:

(1) Ms. Kang Lan resigned as Executive Director and Senior Vice President of the Company with effect from 6 November 2018.

E. MODEL CODE FOR SECURITIES TRANSACTIONS

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

F. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Board is responsible for presenting a balanced and clear assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018. The senior management has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company put to the Board for approval.

G. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

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

During the Reporting Period, the remuneration paid to Ernst & Young, the external auditors of the Company, in respect of professional audit services, amounted to RMB10.0 million and no significant non-audit services were provided by Ernst & Young to the Company.

H. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

I. COMPANY SECRETARY

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

The Company Secretary's biography is set out in the section of "Biographical Details of Directors and Senior Management" in this annual report. During 2018, the Company Secretary has received over 15 hours of professional training.

J. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions. The Group delivers its most updated information through announcements made on the Hong Kong Stock Exchange's website, communication with analysts, meetings with investors, maintenance of the website of the Company concerning investor relations, dissemination of investor's newsletter and public forum.

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

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

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

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

K. SHAREHOLDER RIGHTS

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

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

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

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

Putting Forward Enquiry/Requisition to the Board

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

Contact Details

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

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

Key Shareholder Dates

Key shareholder dates for 2019 are:

- June 2019: annual general meeting;
- August 2019: release of announcement of interim results in respect of the six months ending 30 June 2019; and
- September 2019: release of interim report in respect of the six months ending 30 June 2019.

Biographical Details of Directors and Senior Management

Executive Directors and Senior Management

Guo Guangchang Wang Qunbin Chen Qiyu Xu Xiaoliang

Guo Guangchang, aged 51, is an Executive Director and Chairman of the Company. Mr. Guo is the founder of the Group and has been a director of various companies within the Group since 1994. As at the end of the Reporting Period, he has also been a director of both Fosun Holdings and Fosun International Holdings (the direct and indirect controlling shareholders of the Company, respectively). Mr. Guo was a non-executive director of Fosun Pharma (listed on the Hong Kong Stock Exchange and the SSE) and China Minsheng Banking Corp., Ltd. (listed on the Hong Kong Stock Exchange with stock code 01988 and the SSE with stock code 600016). As at the end of the Reporting Period, Mr. Guo has been the vice chairman of The General Association of Zhejiang Entrepreneurs, chairman of The Zhejiang Chamber of Commerce, Shanghai (re-positioned as the honorary chairman of The Zhejiang Chamber of Commerce, Shanghai since January 2019), etc.. Mr. Guo was a deputy to the 10th and 11th National People's Congress of the PRC, a member of the 9th and 12th National Committee of the Chinese People's Political Consultative Conference, etc.. Mr. Guo was awarded, among others, "Lifetime Achievement Award" at the 16th CNBC Asia Business Leaders Award Ceremony, "2016/17 Nobel Laureates Series-Asian Chinese Leaders Award" by Asian College of Knowledge Management, "Lifetime Achievement Award" at the 8th World Chinese Economic Summit in 2016, etc.. Mr. Guo received a bachelor's degree in philosophy in 1989 and a master's degree in business administration in 1999, both from Fudan University.

Wang Qunbin, aged 49, is an Executive Director and CEO of the Company. Mr. Wang is the founder of the Group and has been a director of various companies within the Group since 1994. As at the end of the Reporting Period, he has also been a non-executive director of Sinopharm (listed on the Hong Kong Stock Exchange, resigned in March 2019) and Fosun Pharma (listed on the Hong Kong Stock Exchange and the SSE). Mr. Wang was a director of Yuyuan (listed on the SSE) and Henan Lingrui Pharmaceutical Co., Ltd. (listed on the SSE with stock code 600285). Mr. Wang was awarded "Asia Pacific Outstanding Entrepreneur Awards" by Enterprise Asia and "Best Asian Corporate Director" at the Asian Excellence Recognition Awards by *Corporate Governance Asia*, etc., and was named one of "China's 50 Top-performing Corporate Leaders" by *Harvard Business Review*. Mr. Wang received a bachelor's degree in genetic engineering from Fudan University in 1991.

Chen Qiyu, aged 46, is an Executive Director and Co-President of the Company. Mr. Chen joined the Group in 1994 and as at the end of the Reporting Period he has also been an executive director and chairman of Fosun Pharma (listed on the Hong Kong Stock Exchange and the SSE), a director of Dian Diagnostics Group Co., Ltd. (listed on the Growth Enterprise Market Board of the Shenzhen Stock Exchange with stock code 300244, resigned in February 2019), a non-executive director and vice chairman of Sinopharm (listed on the Hong Kong Stock Exchange), a non-executive director of Babytree (listed on the Hong Kong Stock Exchange), a director of Sanyuan Foods (listed on the SSE) and various companies within the Group. Mr. Chen was a director of Maxigen Biotech Inc. (listed on the Taiwan Stock Exchange with stock code 1783). As at the end of the Reporting Period, Mr. Chen has been the chairman of China Medical Pharmaceutical Material Association, a vice president of China Pharmaceutical Innovation and Research Development Association, the chairman of Shanghai BioPharmaceutical Industry Association, the vice council chairman of Shanghai Society of Genetics and a member of the 13th Shanghai Standing Committee of the Chinese People's Political Consultative Conference. Mr. Chen was a member of the 12th Shanghai Standing Committee of the Chinese People's Political Consultative Conference. In 2018, Mr. Chen was awarded "Shanghai Excellent Constructor of Socialism with Chinese Characteristics from Non-public Sector" and "Shanghai Outstanding Entrepreneur 2018". Mr. Chen received a bachelor's degree in genetics from Fudan University in 1993 and an EMBA degree from China Europe International Business School in 2005.

Xu Xiaoliang, aged 45, is an Executive Director and Co-President of the Company. Mr. Xu joined the Group in 1998, and as at the end of the Reporting Period, he has also been the chairman of Yuyuan (listed on the SSE), a non-executive director of Zhaojin Mining Industry Co., Ltd. (listed on the Hong Kong Stock Exchange with stock code 01818), a director of Shanghai Resource Property Consultancy Co., Ltd. (listed on the NEEQ with stock code 833517, "**Resource Property**"), Shanghai Foyo Culture & Entertainment Co., Ltd. (listed on the NEEQ with stock code 831472) and various companies within the Group. Mr. Xu was a non-executive director of Shanghai Zendai Property Limited (listed on the Hong Kong Stock Exchange with stock code 00755,

"**Shanghai Zendai**"). As at the end of the Reporting Period, Mr. Xu has been a deputy to the 15th Shanghai Municipal People's Congress, the co-chairman of Real Estate Association of The Zhejiang Chamber of Commerce, Shanghai, a member of Shanghai Youth Federation and a vice chairman of China Real Estate Chamber of Commerce. Mr. Xu was awarded the "Shanghai 4 May Youth Medal" and "Shanghai Top Ten Youth Business People". Mr. Xu graduated from the Innova Education School of Singapore with a diploma in 1995 and received a master's degree in business administration from the East China Normal University in 2002.

Qin Xuetang, aged 55, is an Executive Director and Senior Vice President of the Company. Mr. Qin is also serving as a director of various overseas companies within the Group. Since joining the Group in 1995, Mr. Qin has been in charge of the legal and internal control affairs of the Company, possessing in-depth knowledge in the area of mergers and acquisitions, as well as corporate governance of listed companies. In addition, Mr. Qin oversees all matters related to the Company's audit, compliance, risk control and information disclosure. Mr. Qin received a bachelor's degree in law in 1985 from the Southwest University of Political Science and Law and was admitted to practice law in the PRC in 1990. Prior to joining the Group, Mr. Qin worked in the Law School of Fudan University.

Wang Can, aged 39, is an Executive Director, Senior Vice President and the Chief Financial Officer (CFO) of the Company. Mr. Wang joined the Group in 2012, and as at the end of the Reporting Period, he has also been a non-executive director of Fosun Pharma (listed on the Hong Kong Stock Exchange and the SSE) and FTG (listed on the Hong Kong Stock Exchange), a director of Shanghai Ganglian E-Commerce Holdings Co., Ltd. (listed on the Shenzhen Stock Exchange with stock code 300226) and various companies within the Group. He once worked as the general manager of Investment Management Support Centre, the co-director of Fosun Technology Innovation Centre, the general manager of Investment Management Department, the deputy CFO and the general manager of Financial Planning & Analysis Department of the Group. Prior to joining the Group, Mr. Wang worked in Kingdee Software (China) Co., Ltd., PricewaterhouseCoopers Zhong Tian LLP, Standard Chartered Bank (China) Limited and Huazhu Group Limited (listed on NASDAQ with stock code HTHT, formerly known as China Lodging Group, Limited). Mr. Wang is a non-practicing member of Chinese Institute of Certified Public Accountants (CICPA) and a member of The Association of International Accountants (AIA) and the Association of Chartered Certified Accountants (ACCA). Mr. Wang graduated from Anhui University in 1997 and received an EMBA degree from China Europe International Business School in 2014.

Gong Ping, aged 43, is an Executive Director and Senior Vice President of the Company. Mr. Gong joined the Group in 2011 and as at the end of the Reporting Period, he has also been the CEO of Fosun Hive Holdings, the chairman of Paris Realty Fund SA (listed on the Euronext Paris with stock code PAR), the vice chairman of Yuyuan (listed on the SSE), a non-executive director of Shanghai Zendai (listed on the Hong Kong Stock Exchange), a director of Resource Property (listed on the NEEQ) and various companies within the Group. As at the end of the Reporting Period, Mr. Gong has been a council member of Shanghai Association for Youth Entrepreneurship and Employment. He used to serve as a senior assistant to president of the Group, and the general manager of Corporate Development Department. Prior to joining the Group, Mr. Gong worked at Pudong branch and the headquarters of Bank of Shanghai as well as the PRC headquarters of Standard Chartered Bank. Mr. Gong also served as a global strategist at the headquarters of Samsung Group in Korea, carrying out special assignments across various sectors including financial services, technology and real estate worldwide. Mr. Gong graduated from Fudan University in 1998 with a bachelor's degree in international finance, and then obtained his master's degree in finance from Fudan University in 2005. Mr. Gong also received his master's degree in business administration from International Institute for Management Development (IMD) in Lausanne, Switzerland in 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Zhang Shengman, aged 61, has been an Independent Non-Executive Director of the Company since December 2006. As at the end of the Reporting Period, Mr. Zhang has also been a non-executive director of Future Land Development Holdings Limited (listed on the Hong Kong Stock Exchange with stock code 01030). Mr. Zhang worked in the PRC Ministry of Finance as a deputy director and vice secretary from 1994 to 1995. From 1994 to 2005, Mr. Zhang served as an executive director for China, vice president and chief secretary, senior vice director, managing director and chairman of the operations committee, the sanctions committee and the corporate committee on fraud and corruption policy of the World Bank. Mr. Zhang joined Citigroup (listed on the New York Stock Exchange with stock code C) in February 2006, and up to May 2016 once served as the chairman of the Public Sector Group, chairman and president of Asia Pacific of Citigroup. From August 2016 to March 2018, Mr. Zhang was a non-executive director of Seazen Holdings Co., Ltd. (listed on the SSE with stock code 601155, formerly known as Future Land Holdings Co., Ltd.). Mr. Zhang received a bachelor's degree in English literature in 1978 from Fudan University and a master's degree in public administration in 1985 from University of the District of Columbia. Mr. Zhang completed the Harvard Advanced Management Program in 1997.

Zhang Huaqiao, aged 55, has been an Independent Non-Executive Director of the Company since March 2012. As at the end of the Reporting Period, Mr. Zhang has also been a non-executive director and chairman of board of China Smartpay Group Holdings Limited (stock code 08325), a non-executive director of Boer Power Holdings Limited (stock code 01685), an independent non-executive director of Zhong An Real Estate Limited (stock code 00672), China Huirong Financial Holdings Limited (stock code 01290), Logan Property Holdings Company Limited (stock code 03380) and Luye Pharma Group Ltd. (stock code 02186), all of which are listed on the Hong Kong Stock Exchange, an independent non-executive director of China Rapid Finance Limited (listed on the New York Stock Exchange with stock code XRF). From July 1986 to January 1989, Mr. Zhang was employed at the People's Bank of China in Beijing and from June 1999 to April 2006, Mr. Zhang worked at the Equities Department of UBS AG, Hong Kong Branch at which he first served as the head of the China research team and later became the co-head of the China research team. Mr. Zhang was the chief operating officer from March 2006 to September 2008 and executive director from May 2006 to September 2008 of Shenzhen Investment Limited (listed on the Hong Kong Stock Exchange with stock code 00604). From September 2008 to June 2011, he was deputy head of China Investment Banking at UBS Securities Asia Limited. Mr. Zhang was an executive director and CEO of Man Sang International Limited (listed on the Hong Kong Stock Exchange with stock code 00938) from September 2011 to April 2012, a director of Nanjing Central Emporium (Group) Stocks Co., Ltd. (listed on the SSE with stock code 600280) from February 2013 to June 2015, an independent non-executive director of Yancoal Australia Ltd. (listed on the Australian Stock Exchange with stock code YAL) from April 2014 to January 2018, Wanda Hotel Development Company Limited (listed on the Hong Kong Stock Exchange with stock code 00169) from September 2014 to May 2018 and Sinopec Oilfield Service Corporation (listed on the SSE with stock code 600871 and on the Hong Kong Stock Exchange with stock code 01033) from February 2015 to June 2018. Mr. Zhang graduated from the Graduate School of the People's Bank of China with a master's degree in economics in 1986; and from the Australian National University with a master's degree in economics in 1991.

David T. Zhang, aged 56, has been an Independent Non-Executive Director of the Company since June 2012. Mr. Zhang has also been a partner of Kirkland & Ellis LLP, a leading international law firm. Admitted to the practice of law in the State of New York, USA and based in Hong Kong, Mr. Zhang specializes in securities offerings and M&A transactions. He has extensive experience representing Chinese issuers and leading investment banks in US initial public offerings, Hong Kong initial public offerings and other Rule 144A and Regulation S offerings of equity, debt and convertible securities. Additionally, Mr. Zhang has represented a number of leading private equity funds, multinational corporations and sovereign wealth funds in connection with their investments and M&A transactions in the Greater China region and Southeast Asia. Mr. Zhang has been rated as a top capital markets attorney by *Chambers Global*, *Legal 500 Asia Pacific*, *IFLR1000* and *Chambers Asia Pacific*. Prior to joining Kirkland & Ellis LLP in August 2011, Mr. Zhang was a partner of Latham & Watkins LLP, a leading international law firm, for eight years. Mr. Zhang graduated from Beijing Foreign Studies University in 1981 and received his J.D. degree from Tulane University Law School in 1991.

Yang Chao, aged 68, has been an Independent Non-Executive Director of the Company since December 2014. Mr. Yang was the chairman of China Life Insurance Company Limited (listed on the Hong Kong Stock Exchange with stock code 02628) from July 2005 to June 2011, the president and secretary of party committee of China Life Insurance (Group) Company from May 2005 to May 2011 and an independent non-executive director of SRE Group Limited (listed on the Hong Kong Stock Exchange with stock code 01207) from November 2013 to December 2015. Mr. Yang, a Senior Economist, has more than 40 years of experience in the insurance and banking industries, and was awarded special allowance by the State Council. Mr. Yang graduated from Shanghai International Studies University and Middlesex University in the United Kingdom, majoring in English and business administration respectively, and received a master's degree in business administration.

Lee Kai-Fu, aged 57, has been an Independent Non-Executive Director of the Company since March 2017. As at the end of the Reporting Period, Dr. Lee has also been the chairman of Sinovation Ventures (Beijing) Enterprise Management Co., Ltd. (listed on the NEEQ with stock code 835966), a co-founder and the managing partner of Sinovation Ventures Development Funds, the chairman and CEO of Innovation Works Limited, a non-executive director of Meitu, Inc. (listed on the Hong Kong Stock Exchange with stock code 01357), an independent director of LightInTheBox Holding Co., Ltd. (listed on the New York Stock Exchange with stock code LITB), an independent non-executive director of Shangri-La Asia Limited (listed on the Hong Kong Stock Exchange with stock code 00069) and Hon Hai Precision Industry Co., Ltd. (listed on the Taiwan Stock Exchange with stock code 2317). Dr. Lee has also been a director of various companies in the internet, artificial intelligence and other industries. From 1988 to 1990, Dr. Lee worked at Carnegie Mellon University, where he served as an assistant professor; between July 1990 and April 1996, Dr. Lee worked at Apple Inc. (listed on NASDAQ with stock code AAPL), serving as a vice-president from December 1995; from July 1998 to July 2005, Dr. Lee was the vice president of Microsoft Corporation (listed on NASDAQ with stock code MSFT); from July 2005 to September 2009, Dr. Lee was the president of Google China of Google Inc. (listed on NASDAQ with stock code GOOGL), and he was responsible for launching the Google China R&D Centre. Dr. Lee received his bachelor of arts degree and Ph.D. in computer science from Columbia University in 1983 and Carnegie Mellon University in 1988, respectively.

COMPANY SECRETARY

Sze Mei Ming, aged 41, has been the Company Secretary of the Company since March 2009. Ms. Sze joined the Group in 2007. Ms. Sze holds a bachelor's degree in Arts from the University of Hong Kong, a bachelor's degree in laws from the University of London and a master's degree in Chinese and Comparative Law from the City University of Hong Kong. Ms. Sze has experience in the company secretarial industry for nearly twenty years and is a fellow member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

The Board is pleased to present its report and the audited financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company's principal business is to create customer-to-maker (C2M) ecosystems in health, happiness and wealth, providing high-quality products and services for families around the world. The Health Ecosystem includes three major segments: Pharmaceutical, Medical Services & Health Management and Health Products; the Happiness Ecosystem includes three major segments: Tourism & Leisure, Fashion and Consumer & Lifestyle while the Wealth Ecosystem includes three major segments: Insurance, Finance and Investment.

BUSINESS REVIEW OF THE GROUP IN 2018

A fair view of the business of the Group in 2018 and a discussion and analysis of the material factors underlying the Group's performance, results and financial position during the year are provided in the sections headed "Business Review" and "Financial Review" under "Management Discussion and Analysis" in this annual report, respectively. Description of the major risks and uncertainties faced by the Group can be found throughout this annual report, particularly in the Directors' Report. Particulars of important events affecting the Group that have occurred since the end of the financial year 2018, can also be found in the above mentioned sections and the Notes to Financial Statements. The outlook of the Group's business is discussed throughout this annual report including the section headed "Letter to Shareholders".

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 December 2018 and the state of affairs of the Group at that date are set out in the financial statements and the accompanying notes of this annual report.

The Board has recommended the payment of a final dividend of HKD0.37 per Share for the year ended 31 December 2018 to the shareholders of the Company whose names appear on the register of members of the Company on 17 June 2019. Subject to approval by the shareholders of the Company at the annual general meeting of the Company to be held on 5 June 2019 (the "**AGM**"), the proposed final dividend is expected to be paid on or around 16 July 2019 to the shareholders of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 31 May 2019 to Wednesday, 5 June 2019, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates and other relevant documents, if any, must be lodged with Computershare Hong Kong Investor Services Limited, the share registrar of the Company, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (the "**Share Registrar**"), for registration no later than 4:30 p.m. on Thursday, 30 May 2019.

The register of members of the Company will also be closed from Thursday, 13 June 2019 to Monday, 17 June 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend to be proposed at the AGM, all share transfer documents accompanied by the relevant share certificates and other relevant documents, if any, must be lodged with the Share Registrar for registration no later than 4:30 p.m. on Wednesday, 12 June 2019.

SUMMARY FINANCIAL INFORMATION

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

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

ISSUED SHARES

Details of movements in the Company's Share during the Reporting Period are set out in note 58 to financial statements.

SUBSIDIARIES

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

BORROWINGS

Particulars of borrowings of the Group are set out in note 42 to financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2018, the Board considered repurchases of Shares will lead to an enhancement of the net asset value per Share and/or earnings per Share, thus the Company repurchased a total of 55,858,500 Shares on the Hong Kong Stock Exchange at an aggregate consideration of HKD824,961,449.28. All the repurchased Shares were cancelled.

Details of the repurchase are summarized as follows:

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share (HKD)	Lowest price paid per Share (HKD)	Total purchase price paid (HKD)
January 2018	1,709,000	19.10	18.20	32,116,700.00
February 2018	8,186,500	16.92	15.14	128,918,549.19
March 2018	2,600,000	17.28	17.00	44,563,540.20
April 2018	3,830,500	17.20	16.64	65,126,430.00
May 2018	611,500	16.80	16.48	10,153,670.01
June 2018	8,362,000	15.24	14.16	122,720,019.69
July 2018	4,260,000	14.24	13.82	59,774,449.85
August 2018	4,514,500	14.56	14.14	64,807,029.95
September 2018	19,876,500	14.24	12.96	272,349,000.38
October 2018	1,908,000	12.84	12.78	24,432,060.01
Total	**55,858,500**	**–**	**–**	**824,961,449.28**

Save as disclosed above, neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2018.

CONVERTIBLE BONDS

On 22 November 2013, the guaranteed convertible bonds due 2018 in an aggregate principal amount of HKD3,875,000,000, bearing interest at the rate of 1.50% per annum were issued by Logo Star Limited, an indirect wholly-owned subsidiary of the Company, and guaranteed by the Company (the "**Convertible Bonds**"). The Convertible Bonds may be convertible into a maximum of 387,500,000 Shares at the initial conversion price of HKD10.00 per Share (subject to adjustment and represented premium of approximately 40.25% (i.e. HKD7.13) on closing price quoted on the Hong Kong Stock Exchange on 22 November 2013) at any time after the 41st day after 22 November 2013 up to the close of business on the 7th day prior to 22 November 2018 or if such Convertible Bonds shall have been called for redemption by Logo Star Limited before 22 November 2018, then up to the close of business on a date no later than seven business days prior to the date fixed for redemption thereof or if notice requiring redemption has been given by the holder of such Convertible Bonds, then up to the close of business on the day prior to the giving of such notice.

The issue of the Convertible Bonds provided strong capital support for the development of the Company's key businesses, enhanced the Company's market presence and competitiveness, and was expected to strengthen the Company's capital base effectively after the full conversion of the Convertible Bonds.

The net proceeds from issue of Convertible Bonds, after deduction of commission and expenses, amounted to approximately HKD3,830 million, which were fully utilized in previous years for working capital, re-financing and investment.

During the Reporting Period, Convertible Bonds with principal amount of HKD97,000,000 was exercised, 9,700,000 Shares were converted at the conversion price of HKD10.00 per share. Hence, the Company announced that on 4 June 2018, all outstanding Convertible Bonds have been fully converted into ordinary shares of the Company in accordance with the terms and conditions of the Convertible Bonds, and accordingly, there was no outstanding Convertible Bond in issue following the aforesaid conversion. The withdrawal of listing became effective upon the close of business on 12 June 2018.

SHARE AWARD SCHEME

The Share Award Scheme was adopted by the Company on 25 March 2015, unless otherwise defined, the capitalized terms set out herein shall have the same meanings as set out in the circular of the Company dated 26 April 2018.

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

On 28 March 2018, the Board resolved to award an aggregate of 5,902,000 award Shares to 70 selected participants under the Share Award Scheme. The award Shares were settled by way of (i) issue and allotment of 5,367,150 Shares pursuant to a specific mandate obtained in the annual general meeting of the Company held on 6 June 2018; and (ii) 534,850 award Shares which were lapsed before vesting under the 2015 Award, 2016 Award and 2017 Award. Subject to the satisfaction of the vesting criteria and conditions of the Share Award Scheme, the New Award Shares shall be transferred from the Trustee, Computershare Hong Kong Trustees Limited to the selected participants upon expiry of the respective vesting period. As at the end of the Reporting Period, the New Award Shares have been fully issued to the Trustee.

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

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

			Number of award Shares				
Name of Director	Date of grant	Vesting period[(1)]	Outstanding as at 1 January 2018	Vested during the Reporting Period	Granted during the Reporting Period	Lapsed/ cancelled during the Reporting Period	Outstanding as at 31 December 2018
Chen Qiyu	28 March 2018	28 March 2019 to 28 March 2021	681,100	317,650	555,000	0	918,450
Xu Xiaoliang	28 March 2018	28 March 2019 to 28 March 2021	660,700	297,250	555,000	0	918,450
Qin Xuetang	28 March 2018	28 March 2019 to 28 March 2021	658,100	321,350	340,000	0	676,750
Wang Can	28 March 2018	28 March 2019 to 28 March 2021	320,950	137,550	310,000	0	493,400
Gong Ping	28 March 2018	28 March 2019 to 28 March 2021	284,100	119,400	240,000	0	404,700
Zhang Shengman	28 March 2018	28 March 2019 to 28 March 2021	61,850	26,500	25,000	0	60,350
Zhang Huaqiao	28 March 2018	28 March 2019 to 28 March 2021	61,850	26,500	25,000	0	60,350
David T. Zhang	28 March 2018	28 March 2019 to 28 March 2021	61,850	26,500	25,000	0	60,350
Yang Chao	28 March 2018	28 March 2019 to 28 March 2021	58,450	23,100	25,000	0	60,350
Lee Kai-Fu	28 March 2018	28 March 2019 to 28 March 2021	35,000	11,550	25,000	0	48,450
Kang Lan[(2)]	28 March 2018	28 March 2019 to 28 March 2021	388,400	186,300	260,000	0	462,100
Sub-total			**3,272,350**	**1,493,650**	**2,385,000**	**0**	**4,163,700**
Other selected participants	28 March 2018	28 March 2019 to 28 March 2021	6,261,450	2,943,200	3,517,000	(386,750)	6,448,500
Total			**9,533,800**	**4,436,850**	**5,902,000**[(3)]	**(386,750)**	**10,612,200**

Notes:

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

Percentage of Award Shares to be Vested	Vesting Date
33%	28 March 2019
33%	28 March 2020
34%	28 March 2021

(2) Ms. Kang Lan resigned as Executive Director with effect from 6 November 2018.

(3) Including the 534,850 Shares which had lapsed before vesting under the 2015 Award, 2016 Award and 2017 Award.

SHARE OPTION SCHEMES

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

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

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

3) The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other schemes of the Company must not exceed 30% (or other percentage as stipulated in the Listing Rules) of the Shares in issue from time to time. Subject to the aforesaid limit, the total number of Shares available for issue under options which may be granted under the New Share Option Scheme and any other schemes of the Company must not, in aggregate, exceed 857,897,014 Shares, being 10% of the issued Shares in issue as at the date of the shareholders' approval of the New Share Option Scheme, unless separate shareholders' approval has been obtained. The total of 857,897,014 Shares available for issue under the New Share Option Scheme representing approximately 10% of the issued Shares as at the end of the Reporting Period.

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

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

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

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

8) Subject to earlier termination by the Company in a general meeting or by the Board, the New Share Option Scheme shall be valid and effective for a period to be determined and notified by the Board to the grantee during which the option may be exercised and in any event shall not be more than 10 years commencing on the date on which the offer in relation to such option is deemed to have been accepted in accordance with the terms of the New Share Option Scheme and expiring on the last day of the ten-year-period. The remaining life of the New Share Option Scheme was up to 5 June 2027.

In order to promote the Company's values of entrepreneurship, encourage value creation, and reward contributions by its core management staff, the Company has decided to grant share options (the "**Options**") under the New Share Option Scheme to the global core management staff and the outstanding employees of the Group (the "**Grantees**") during the Reporting Period, as part of its continuing efforts to develop a multi-layered and long-term incentives mechanism for ongoing management innovations and cultural heritage. The Board announced that on 28 March 2018 (the "**Grant Date**"), subject to the acceptance of relevant Grantees, the Company has granted 51,701,000 Options to subscribe for an aggregate of 51,701,000 Shares under the New Share Option Scheme. The closing price of the Shares, immediately before the Grant Date was HKD17.94 per Share.

As at the end of the Reporting Period, the Company has granted accumulated 219,101,000 options to subscribe for an aggregate of 219,101,000 Shares under the Old Share Option Scheme and the New Share Option Scheme, and 194,312,000 effective options under the Old Share Option Scheme and the New Share Option Scheme were outstanding except for the expired, lapsed or cancelled options. The aggregate fair value of the outstanding options amounted to approximately HKD692,059,000. The details of the valuation model are set out in note 63 to financial statements. The value of options are subject to a number of assumptions and limitations that may be subjective and uncertain.

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

Name of Grantee	Date of grant of the Options	On 1 January 2018	Number of the options: Granted during the Reporting Period	Exercised during the Reporting Period	Expired/ lapsed/ cancelled during the Reporting Period	On 31 December 2018	Exercise period of the options[1]	Exercise price of the Options per Share (HKD)
Chen Qiyu	8 January 2016	10,000,000	–	–	–	10,000,000	8 January 2021 to 7 January 2026	11.53
	4 May 2017	1,500,000	–	–	–	1,500,000	4 May 2022 to 3 May 2027	11.75
Xu Xiaoliang	8 January 2016	10,000,000	–	–	–	10,000,000	8 January 2021 to 7 January 2026	11.53
	4 May 2017	1,500,000		–	–	1,500,000	4 May 2022 to 3 May 2027	11.75
Qin Xuetang	8 January 2016	10,000,000	–	–	–	10,000,000	8 January 2021 to 7 January 2026	11.53
Wang Can	8 January 2016	4,000,000	–	–	–	4,000,000	8 January 2021 to 7 January 2026	11.53
	4 May 2017	4,900,000	–	–	–	4,900,000	4 May 2022 to 3 May 2027	11.75
Gong Ping	8 January 2016	4,000,000	–	–	–	4,000,000	8 January 2021 to 7 January 2026	11.53
	4 May 2017	4,900,000	–	–	–	4,900,000	4 May 2022 to 3 May 2027	11.75
Other Grantees	8 January 2016	44,000,000	–	–	–	44,000,000	8 January 2021 to 7 January 2026	11.53
	4 May 2017	41,700,000	–	–	–	41,700,000	4 May 2022 to 3 May 2027	11.75
Kang Lan[2]	8 January 2016	7,000,000	–	–	–	7,000,000	8 January 2021 to 7 January 2026	11.53
	4 May 2017	1,900,000	–	–	–	1,900,000	4 May 2022 to 3 May 2027	11.75
Total		**145,400,000**	**–**	**–**	**–**	**145,400,000**		

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

			Number of the Options					
Name of Grantee	**Date of grant of the Options**	**On 1 January 2018**	**Granted during the Reporting Period**	**Exercised during the Reporting Period**	**Expired/ lapsed/ cancelled during the Reporting Period**	**On 31 December 2018**	**Exercise period of the Options[3,4]**	**Exercise price of the Options per Share (HKD)**
Global Core Management Staff	28 March 2018	–	27,000,000	–	–	27,000,000	28 March 2023 to 27 March 2028	17.58
Outstanding Employees of the Group	28 March 2018	–	24,701,000	–	(2,789,000)	21,912,000	28 March 2019 to 27 March 2028	17.58
Total		**–**	**51,701,000**	**–**	**(2,789,000)**	**48,912,000**		

Notes:

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

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

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

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

2. Ms. Kang Lan resigned as Executive Director with effect from 6 November 2018.

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

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

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

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

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

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

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

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

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

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

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

SHANGHAI HENLIUS SHARE OPTION INCENTIVE SCHEME

The shareholders of the Company and Fosun Pharma approved the adoption of the Shanghai Henlius Share Option Incentive Scheme on 6 June 2017 and 29 June 2017, respectively. The relevant details of the Shanghai Henlius Share Option Incentive Scheme under the following paragraphs are set out in the circular of the Company dated 19 May 2017 ("**Shanghai Henlius Circular**"), unless otherwise defined, the capitalized terms set out herein shall have the same meanings as set out in the Shanghai Henlius Circular.

The purpose of Shanghai Henlius Share Option Incentive Scheme is to provide the participants of the Shanghai Henlius Share Option Incentive Scheme with the opportunities to acquire interests in Shanghai Henlius, which will encourage the participants to work towards enhancing the values of Shanghai Henlius and in turn benefiting Shanghai Henlius, Fosun Pharma and the Company and their respective shareholders as a whole. The basis of eligibility of the participants, which include employees of Shanghai Henlius and its subsidiaries and other person who made outstanding contribution to Shanghai Henlius, shall be determined by the board of directors of Shanghai Henlius in accordance with the requirements of relevant laws and regulations.

The total number of new option shares which may be issued upon exercise of all share options to be granted under the Shanghai Henlius Share Option Incentive Scheme is 22,750,000 shares, representing approximately 4.80% of the total issued shares of Shanghai Henlius as at the end of the Reporting Period. Unless approved by the shareholders of Shanghai Henlius, Fosun Pharma and the Company, the total number of shares in Shanghai Henlius issued and to be issued upon exercise of the options granted and to be granted under the Shanghai Henlius Share Option Incentive Scheme and any other effective share option scheme(s) (if any) of Shanghai Henlius to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of issued shares of Shanghai Henlius in the same class. No consideration is payable to Shanghai Henlius upon acceptance of the option in accordance with the terms of the Shanghai Henlius Share Option Incentive Scheme. Subject to the adjustment to be made based on the price of shares in Shanghai Henlius of further financing rounds should such price is higher than the exercise price, the exercise price of each share subject to the initial tranche of options to be granted under the Shanghai Henlius Share Option Incentive Scheme shall be RMB9.21 per share, which was determined by the board of directors of Shanghai Henlius based on the market value of the shares of Shanghai Henlius taking account of the incentive effect, which is equivalent to the market price of the shares of Shanghai Henlius that arrived at based on the consideration of the latest financing round of Shanghai Henlius, such consideration was determined based on the assessed value of Shanghai Henlius considering a discounted cash flow model and the negotiation between Shanghai Henlius and the third party investors. The exercise price of the remaining tranche of options will be determined by the board of directors of Shanghai Henlius based on the specific situations thereof on the date of grant in accordance with the terms of Shanghai Henlius Share Option Incentive Scheme. The Shanghai Henlius Share Option Incentive Scheme shall terminate at the end of 10 years from the date of adoption, unless terminated earlier in accordance with the terms of the Shanghai Henlius Share Option Incentive Scheme.

During the Reporting Period, no share option of Shanghai Henlius were granted under the Shanghai Henlius Share Option Incentive Scheme. The termination of the Shanghai Henlius Share Option Incentive Scheme was approved by shareholders of Shanghai Henlius at its general meeting held on 29 August 2018.

PRE-IPO SHARE OPTION SCHEME OF FTG

The shareholders of the Company approved the adoption of the pre-IPO share option scheme of FTG ("**Pre-IPO Share Option Scheme**") on 23 February 2018. The relevant details of the Pre-IPO Share Option Scheme under the following paragraphs are set out in the circular of the Company dated 1 February 2018 ("**FTG Circular**"), unless otherwise defined, the capitalized terms set out herein shall have the same meanings as set out in the FTG Circular.The major terms of the Pre-IPO Share Option Scheme are as follows:

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

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

3) The total number of shares of FTG which may be issued upon exercise of all options to be granted under the Pre-IPO Share Option Scheme and other share option schemes of FTG shall not exceed the Scheme Mandate Limit (being 10% of the number of the relevant class of shares of FTG in issue as of the Adoption Date). The Scheme Mandate Limit shall include the number of shares of FTG which would be issued upon the exercise of all outstanding options by the grantees (to the extent not already exercised) together with the number of shares of FTG which have already been issued pursuant to the earlier exercise of any option granted under the Pre-IPO Share Option Scheme. The total of 100,000,000 shares of FTG available for issue under the Pre-IPO Share Option Scheme representing approximately 8.18% of the issued shares of FTG as of the end of the Reporting Period.

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

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

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

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

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

On 14 December 2018, the shares of FTG were listed and traded on the main board of the Hong Kong Stock Exchange, since then, no further options has been or will be granted under the Pre-IPO Share Option Scheme.

During the Reporting Period, FTG has granted accumulated 45,645,277 options to subscribe for an aggregate of 45,645,277 shares of FTG under the Pre-IPO Share Option Scheme. As of the end of the Reporting Period, 44,555,517 effective options were outstanding except for the expired, lapsed or cancelled options. The aggregate fair value of the options granted amounted to approximately RMB184,620,000. The value of the option of FTG granted was estimated by using binomial model. Details are set out in 2018 Annual Report of FTG. The value of options are subject to a number of assumptions and limitations that may be subjective and uncertain.

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

Name of Grantee	Date of grant of the options	On 1 January 2018	Number of the options: Granted during the Reporting Period	Exercised during the Reporting Period	Expired/ lapsed/ cancelled during the Reporting Period	On 31 December 2018	Exercise period of the options	Exercise price of the options per Share (HKD)
Directors of FTG	23 February 2018	–	20,536,625	–	–	20,536,625	22 February 2019 to 22 February 2026[(1),(2)]	8.43
	19 November 2018	–	810,000	–	–	810,000	18 November 2019 to 18 November 2022[(3)]	15.60
Other Grantees	23 February 2018	–	11,292,132	–	(1,089,760)	10,202,372	28 December 2018 to 28 December 2021[(2)]	8.43
	19 November 2018	–	13,006,520	–	–	13,006,520	18 November 2019 to 18 November 2022[(3)]	15.60
Total		**–**	**45,645,277**	**–**	**(1,089,760)**	**44,555,517**		

Notes:

(1) The Options granted to Mr. Qian Jiannong, one of the directors of FTG, on 23 February 2018 of 20,000,000 shall be vested according to the following period:

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

(2) The Options granted to Mr. Wang Wenping, one of the directors of FTG, and other grantees on 23 February 2018 of 536,625 and 11,292,132, respectively shall be vested according to the following period:

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

(3) The options, being granted to Mr. Wang Wenping, one of the directors of FTG, and other grantees on 19 November 2018 shall be vested according to the following period:

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

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

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

YUYUAN TRANCHE I SHARE OPTION INCENTIVE SCHEME

The shareholders of the Company and Yuyuan approved the adoption of the Yuyuan Tranche I Share Option Incentive Scheme on 27 November 2018 and 31 October 2018, respectively. The relevant details of the Yuyuan Tranche I Share Option Incentive Scheme under the following paragraphs were set out in the circular of the Company dated 9 November 2018 ("**Yuyuan Circular**"), unless otherwise defined, the capitalized terms set out herein shall have the same meanings as set out in the Yuyuan Circular.

The Yuyuan Tranche I Share Option Incentive Scheme is designed to provide the participants with the opportunity to acquire interests in Yuyuan, which will improve the corporate governance structure of Yuyuan and align the interests of the grantees and Yuyuan. The participants of the Yuyuan Tranche I Share Option Incentive Scheme include the director, senior management personnel and core technical staff of Yuyuan. The total number of new Yuyuan shares which may be issued upon exercise of all 4,500,000 options to be granted under the Yuyuan Tranche I Share Option Incentive Scheme is 4,500,000 shares, representing approximately 0.116% of the total issued shares of Yuyuan as at the end of the Reporting Period. The maximum number of Yuyuan shares to be issued to any of the grantees upon exercise of the options granted under the Yuyuan Tranche I Share Option Incentive Scheme does not exceed 1% of total share capital of Yuyuan.

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

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

No payment shall be required to be made by the grantee for the application or acceptance of options under the Yuyuan Tranche I Share Option Incentive Scheme. The exercise price of the options granted under the Yuyuan Tranche I Share Option Incentive Scheme shall be RMB7.21 per Yuyuan share.

Yuyuan completed the grant of 4,500,000 options to the grantees under the Tranche I Share Option Incentive Scheme on 29 November 2018, of which the fair value was RMB10,200,000 calculated by Black-Scholes model. Details are set out in the Yuyuan Circular. The value of the options are subject to a number of assumptions and limitations that may be subjective and uncertain. The closing price immediately before the date of such options were granted was RMB7.33 per share.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the Consolidated Statement of Changes in Equity of this annual report and details of movements in the reserves of the Company during the Reporting Period are set out in note 74 to financial statements.

On 31 December 2018, the Company's reserves available for distribution, calculated in accordance with the provisions of Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to RMB4,371,975,000, of which RMB2,770,863,000 has been proposed as a final dividend for 2018.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

DIRECTORS

The Directors during the Reporting Period were:

Executive Directors[(1)]

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

Independent Non-Executive Directors

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

Note:

(1) Ms. Kang Lan resigned as the Executive Director of the Company with effect from 6 November 2018.

According to Articles 106 and 107 of the Articles of Association, Mr. Guo Guangchang, Mr. Wang Can, Mr. Gong Ping and Mr. David T. Zhang shall retire by rotation at the AGM. All of the above four retiring Directors, being eligible, will offer themselves for re-election at the same meeting.

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

DIRECTORS OF SUBSIDIARIES

As at 31 December 2018, the names of all the directors who serve the subsidiaries of the Company or act as the sole director of subsidiaries of the Company are published on the Company's website.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

All Directors have entered into service contracts with the Company for a term of 3 years from 28 March 2018. None of the Directors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS AND SENIOR MANAGEMENT REMUNERATION

The Remuneration Committee of the Company considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors. 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 and senior management remuneration are set out in note 9 to financial statements.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B of the Listing Rules, the changes in the information of the Directors subsequent to interim report 2018 and up to the end of the Reporting Period are set out below:

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

Name of Director	Company Name	Date of changes	Original position	Current position
Wang Qunbin	Yuyuan	October 2018	Director	–
Kang Lan	the Company	November 2018	Executive Director, Senior Vice President	–
	Shanghai Fosun High Technology (Group) Co., Ltd.	December 2018	Director	–

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

Name of Director	Company Name	Date of changes	Original position	Current position
Chen Qiyu(1)	Babytree	November 2018	Non-executive Director	Non-executive Director
Wang Can(2)	FTG	December 2018	Non-executive Director	Non-executive Director

Notes: (1) Mr. Chen Qiyu was appointed as the non-executive director of Babytree in June 2018 and Babytree was listed on the Hong Kong Stock Exchange in November 2018.

(2) Mr. Wang Can was appointed as the non-executive director of FTG in August 2018 and FTG was listed on the Hong Kong Stock Exchange in December 2018.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2018, 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 2018, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

(1) Long Positions in the Shares, Underlying Shares and Debentures of the Company

Name of Director/chief executive	Class of Shares	Number of Shares	Type of interests	Approximate percentage of Shares in issue
Guo Guangchang	Ordinary	6,044,246,673[(1)]	Corporate	70.72%
Chen Qiyu	Ordinary	16,883,000	Individual	0.20%
Xu Xiaoliang	Ordinary	14,450,000	Individual	0.17%
Qin Xuetang	Ordinary	15,487,640	Individual	0.18%
Wang Can	Ordinary	9,725,000	Individual	0.11%
Gong Ping	Ordinary	9,700,000	Individual	0.11%
Zhang Shengman	Ordinary	305,000	Individual	0.00%
Zhang Huaqiao	Ordinary	405,000	Individual	0.00%
David T. Zhang	Ordinary	105,000	Individual	0.00%
Yang Chao	Ordinary	95,000	Individual	0.00%
Lee Kai-Fu	Ordinary	60,000	Individual	0.00%

(2) Long Positions in the Shares, Underlying Shares and Debentures of the Company's Associated Corporations (Within the Meaning of Part XV of The SFO)

Name of Director/ chief executive	Name of associated corporation	Class of shares	Number of shares/Amount of debentures	Type of interests	Approximate percentage in relevant class of shares/debentures
Guo Guangchang	Fosun Holdings	Ordinary	1	Corporate	100.00%
	Fosun International Holdings	Ordinary	29,000	Individual	85.29%
	Fosun Pharma	A shares[(2)]	114,075	Individual	0.01%
		A shares[(2)]	937,275,290	Corporate	46.60%
		H shares	25,237,500	Corporate	4.57%
	Sisram Med	Ordinary	330,558,800	Corporate	74.76%
	FTG	Ordinary	1,015,389,932	Corporate	83.02%
Wang Qunbin	Fosun International Holdings	Ordinary	5,000	Individual	14.71%
	Fosun Pharma	A shares[(2)]	114,075	Individual	0.01%
Chen Qiyu	Fosun Pharma	A shares[(2)]	114,075	Individual	0.01%
	FTG	Ordinary	1,478	Individual	0.00%
Xu Xiaoliang	FTG	Ordinary	2,328	Individual	0.00%
Qin Xuetang	Fosun Pharma	A shares[(2)]	114,075	Individual	0.01%
	Fortune Star (BVI) Limited	N/A	2,000,000	Individual	0.14%
Wang Can	FTG	Ordinary	829	Individual	0.00%
Gong Ping	FTG	Ordinary	988	Individual	0.00%

Notes:

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

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

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

As at 31 December 2018, so far as was known to the Directors, the persons or entities, other than a Director or chief executive of the Company, who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of the substantial shareholder	Number of Shares directly or indirectly held	Approximate percentage of Shares in issue
Fosun Holdings	6,044,246,673 (2)	70.72%
Fosun International Holdings(1)	6,044,246,673 (2) (3)	70.72%

Notes:

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

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

(3) Mr. Guo Guangchang is the sole director of Fosun Holdings and Fosun International Holdings. Mr. Guo, by virtue of his ownership of shares in Fosun International Holdings as to 85.29%, is deemed or taken to be interested in the Shares owned by Fosun Holdings for the purpose of the SFO.

Save as disclosed above, so far as was known to the Directors, as at 31 December 2018, 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 2018, the Company entered into the following connected transaction:

1. On 28 March 2018, the Board has resolved to award an aggregate of 5,902,000 award shares to 70 selected participants, including Directors and directors of significant subsidiaries of the Company who are connected persons of the Company, under the Share Award Scheme. The award shares will be settled by way of: (i) issue and allotment of 5,367,150 New Award Shares pursuant to a specific mandate obtained in the annual general meeting held on 6 June 2018; and (ii) 534,850 award shares which were lapsed before vesting under the 2015 Award, 2016 Award and 2017 Award. Upon issuance and allotment of the New Award Shares, the Trustee will hold the New Award Shares on trust for the selected participants and such New Award Shares, together with the Existing Award Shares, shall be transferred to the selected participants upon satisfaction of the vesting conditions. The number of award shares granted to each of the selected participants was determined in accordance with their respective contributions to the Group. Pursuant to Rule 14A.12(1)(b) of the Listing Rules, the Trustee is an associate of a connected person of the Company and the issue of the New Award Shares to the Trustee shall constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. Further details about the Share Award Scheme are set out in the section headed "Share Award Scheme" under the Directors' Report in this annual report, the announcement of the Company dated 28 March 2018 and the circular of the Company dated 26 April 2018. The capitalized terms set out in this paragraph shall have the same meanings as defined in the circular of the Company dated 26 April 2018 unless the context otherwise requires.

2. On 4 July 2018, Fosun Venture Capital, an indirect wholly-owned subsidiary of the Company, and Mr. Guo entered into the Transfer Agreement in respect of the transfer of Yuanhong Investment, pursuant to which, Fosun Venture Capital agreed to acquire and Mr. Guo agreed to sell 100% equity interest and the creditor's rights for a loan of approximately RMB3.99 billion to Yuanhong Investment, with a total consideration of approximately RMB4.00 billion. Mr. Guo, as an Executive Director, the Chairman and the ultimate controlling Shareholder of the Company, and is therefore a connected person of the Company as defined under Chapter 14A of the Listing Rules. The capitalized terms set out in this paragraph shall have the same meanings as defined in the announcement of the Company dated 4 July 2018 unless the context otherwise requires.

MATERIAL TRANSACTIONS

For the year ended 31 December 2018, the Company entered into the following material transactions:

1. In December 2017, the Group together with a fund under its management entered into agreements with Asahi Group Holdings, Ltd. to acquire equity interests in Tsingtao Brewery for a consideration of HKD6,617 million. The acquisition was completed on 19 March 2018, upon which the Group and the fund under its management held 243,108,236 H-shares of Tsingtao Brewery in total, representing 37.11% in aggregate of the issued H-shares and 17.99% in aggregate of the total issued shares of Tsingtao Brewery.

2. Yuyuan conducted a major asset reorganization whereby the vendors in the Group sold 24 target companies to Yuyuan for a total consideration of approximately RMB22.36 billion, which will be settled by way of issue of shares by Yuyuan. The transaction was completed in July 2018, upon the completion, the Group held approximately 68.49% equity interest in Yuyuan and therefore Yuyuan became a subsidiary of the Company.

3. In July 2018, the Company submitted an application to the Hong Kong Stock Exchange for the proposed spin-off and separate listing of FTG (formerly known as "Fosun Tourism and Culture Group (Cayman) Company Limited"), a wholly-owned subsidiary of the Company on the Main Board of the Hong Kong Stock Exchange. The Company received the approval from the Hong Kong Stock Exchange on 4 July 2018 that it may proceed with the proposed spin-off. On 31 August 2018, FTG submitted, through its joint sponsors, a listing application (Form A1) to the Hong Kong Stock Exchange. On 14 December 2018, FTG was listed on the Hong Kong Stock Exchange with Stock Code 01992. As of 31 December 2018, the Company held approximately 81.76% equity interest in FTG.

4. On 13 December 2018, Shanghai Henlius, a subsidiary of Fosun Pharma, submitted a listing application (Form A1) to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shanghai Henlius H shares on the Main Board of the Hong Kong Stock Exchange.

NON-COMPETITION UNDERTAKING

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

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

RELATED PARTY TRANSACTIONS

Related party transactions entered by the Group during the Reporting Period are disclosed in note 67 to financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the Reporting Period of the Group are set out in note 72 to financial statements.

ENVIRONMENT POLICY AND THE PERFORMANCE

The Company actively fulfils social responsibility, protects and cares for the environment, makes good use and cherishes resources, adopts more environment-friendly design and technology, enhances the sense of environmental protection among employees, cooperative partners and customers, and strives to minimize the impact of the Company's businesses on the environment.

The Company published the "Fosun Group Environment, Health, Safety & Quality Policy" in 2012 and further published an update policy in 2019, and made undertakings that the policy will be fully implemented in companies within the Group. The EHSQ performance of various enterprises will be enhanced through supervision at the group level and self-management by the enterprises. Details are set out in the section "Environmental, Social and Governance Report" in this annual report.

RELATIONSHIP WITH ITS EMPLOYEES, CUSTOMERS, SUPPLIERS AND INVESTORS

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

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

MAJOR RISKS AND RESPONSIVE MEASURES

The Group adopts a prudent attitude in the course of investment and operation, and minimizes the costs of risks for the Group and dynamically manages the risk exposure through a scientific investment decision-making process, a stringent pre-investment assessment and post-investment management system. As the Group increases global investments, particularly the investment in the financial sector, the Group has further strengthened risk management and control at the group level in 2018 and improved the enterprise risk management system in the aspects of, among other things, organization structure, management system and workflow to enhance the risk management standards. Nevertheless, the Group is still fully aware of the risks and uncertainties faced in its operations, such as:

1. Strategic Risk

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

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

2. Market Risk

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

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

3. Credit Risk

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

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

4. Liquidity Risk

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

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

5. Insurance Risk

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

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

6. Compliance Risk

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

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

7. Operation Risk

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

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

8. Reputation Risk

Reputation risk refers to the risk of losses resulting from the stakeholders' negative evaluation on the corporation consequent to its own business operations or external events. The Group has established a reputation risk management mechanism comprising pre-event reputation risk alert, responsive measures to risk in progress, post-event risk review and restoration of reputation.

9. Capital Management

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

10. Risk Contagion

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

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

FUTURE DEVELOPMENT OF THE GROUP

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

AUDITORS

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

On Behalf of the Board

Guo Guangchang
Chairman

26 March 2019

ABOUT THIS REPORT

This environmental, social and governance report aims to illustrate the Group's policies, performance and measures during the Reporting Period on environment, employment, health and safety, development and training, labor standards, supply chain management, product liability, anti-corruption and community investment in an objective and balanced manner, and covers the main businesses operated by the Group and its important portfolio companies, so as to comply with Environmental, Social and Governance Reporting Guide, Appendix 27 of the Listing Rules.

This report shall be read in conjunction with the section "Corporate Governance Report" of this annual report.

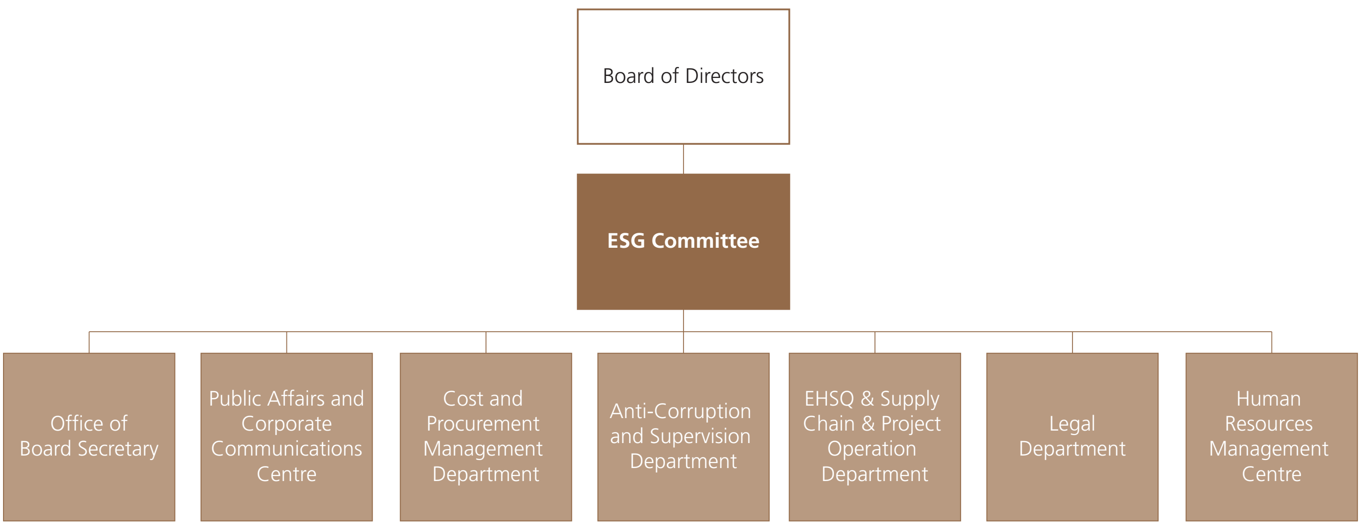
ROLE OF THE BOARD

The Board is committed to promoting the long-term and sustainable development of the Group's operations and delivering the value of sustainable development for all stakeholders. The Board undertakes responsibility for the strategies and reporting on the environment, society and governance, and is liable for evaluating and determining the Company's risks in relation to the environment, society and governance as well as formulating strategies and bearable risk levels for the Company.

STRUCTURE OF ENVIRONMENT, SOCIETY AND GOVERNANCE

The Company set up the ESG Committee in March 2019. The committee is responsible for assisting the Board in directing and supervising the Group's development and implementation of its work on environment, society and governance, which includes corporate social responsibility, environmental protection, philanthropic and community investment.

During the Reporting Period, each of the Office of Board Secretary, Public Affairs and Corporate Communications Centre, Cost and Procurement Management Department, Anti-Corruption and Supervision Department, EHSQ & Supply Chain & Project Operation Department (formerly known as Environment, Health, Safety & Quality Supervision Department), Legal Department, and Human Resources Management Centre and other relevant departments performed its function, communicated with each other on matters in connection with environment, society and governance, collected data and prepared reports, in order to better implement and refine the Group's strategies and actions on environment, society and governance.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRATEGY

The Group, deeply rooted in China, builds a happiness ecosystem to bring health, happiness and wealth to the world's one billion families. "Creating happier lives for families worldwide" is the mission of Fosun. The Group upholds the environmental, social and governance spirit in its business rules and business operations. In making business decisions, investment decisions in particular, the Group remains its commitment to environment, society and governance and dedicates to promoting environmental, social and governance practices being in line with the interests of all stakeholders, with a view to creating value for all stakeholders and the society.

STAKEHOLDER COMMUNICATION AND MATERIALITY ASSESSMENT

Stakeholders play a very important role in the Group's decision-making process. Through various channels such as forums, charitable activities, complaints, performance evaluation, internal notifications, interviews, reporting emails, meetings, feedback, contact groups, etc., the Group maintains an ongoing communication with its stakeholders, including communities, suppliers, employees, shareholders, potential investors, clients and the media, to identify concerns and interest demand of stakeholders.

In view of the extensive business coverage of the Group, the environmental, social and governance aspects that stakeholders believe material and relevant are different. This report will elaborate the Group's policies and actions at the environmental and social levels in terms of social responsibility, supply chain management, anti-corruption and supervision, environment, health, safety and quality, privacy protection and human resources, to demonstrate how the Group benefits all stakeholders through its operations.

SOCIAL RESPONSIBILITY OF FOSUN

Since its incorporation, the Group has been fulfilling deep-down its corporate social responsibilities by upholding the values of "Self-improvement, Teamwork, Performance and Contribution to Society" and working tirelessly to serve the society, the people and the nation.

Founded in November 2012, Fosun Foundation is a corporate foundation and receives the majority of its donation from the Group and its portfolio companies. Fosun Foundation's projects include: disaster relief; poverty alleviation; culture, education and young entrepreneurs and youth employment; and other corporate social responsibility ("**CSR**") causes. In recent years, Fosun Foundation mainly focuses on areas such as culture, education and healthcare. In 2018, Fosun Foundation made donations to more than 40 CSR projects, with the amount of donation totalling at over RMB135 million.

Since 2015, Fosun Foundation has been expanding its CSR projects overseas. CSR projects were carried out successively in New York, Lisbon, and Berlin, etc. Fosun Foundation has also established relevant organizations in Hong Kong and United States. Fosun Foundation consolidated public recognition of Fosun as a leading global citizen with the interest of the community at heart.

Fosun Foundation's 6th anniversary was celebrated in the week of 26 November to 7 December 2018. Fosun Foundation, together with ONE Fosun, initiated the community service week named "FOSUN FOR LOVE" and called for participation within its global network. The week was centred around four themes: be grateful, stay disciplined, humble and cherish every day. Over 40 Fosun's portfolio companies across 50 cities in 8 countries held in total more than 60 events in which more than 30,000 Fosun employees were involved. Over the past six years, Fosun CSR's saplings have been growing steadily and contributing their own strength. Up to now, the accumulative donation has exceeded RMB339 million, contributing more than 40 CSR projects every year, covering 50 countries around the world and benefiting more than 50 million people.

Major CSR projects:

Rural Doctors Poverty Alleviation Program

The Rural Doctors poverty alleviation program set off ceremony took place on 4 April 2018. 18 full-time program staffs, under the guidance of Fosun global partners, were assigned to 24 poverty-stricken counties in 12 different provinces, cities and autonomous areas in mid-western China. They will be serving on the site for the poverty alleviation project. On 1 August 2018, the "Health by Heart—Rural Doctors Poverty Alleviation" conference was held at Shanghai Bund Finance Center, aiming at discussing critical matters and exchanging ideas on the project, and confirmed the "Five One Plan". As at the end of the Reporting Period, number of poverty-stricken counties involved increased from 24 to 37. The project basically operates as assigning staff to support on-site poverty alleviation. Fosun Foundation selected 38 on-site members from 21 companies and assigned them to the 37 counties. With the support of the local governments, the project is implemented properly with quality.

In 2018, remarkable progress has been made in promoting public awareness, and advocating the society when implementing the "Five One Plan". The program provided assistance to 4,083 village clinics in the 37 counties. It also offered help to 10,659 rural doctors and approximately 2 million households in need. The total donation provided was worth nearly RMB30 million. So far, nearly 100 medias have featured the Rural Doctors poverty alleviation program. The program has obtained a great level of public exposure, the articles were viewed more than 50 million times and the videos achieved more than one million views. In addition, the on-site members live in the local community, assist in the daily work of rural doctors and deploy resources with Fosun that help connect with the local communities and the rural doctors and maintain the team of rural doctors.

Fosun Foundation Art Center

In 2018, Fosun Foundation Art Center completed its second year of operation since its commencement. This shiny pearl on the bund of Huangpu River had brought forth an unique cultural and arts experience to Shanghai.

From 25 March to 3 June 2018, Fosun Foundation Art Center presented Tomás Saraceno's Aerographics. It was the first exhibit of Tomás Saraceno, who masters science, architecture, and art. Fosun Foundation Art Center collected the most remarkable work from artists who have utopian envisions of the world in the future. From 28 April to 12 May 2018, the Center invited Robin Peckham, editor of LEAP and curator, and held *A World in a Grain of Sand: Mapping Shapes and Sites for Social Geometries*, featuring 40 middle-aged and young artists from all over the world. From 3 July to 26 August 2018, the Center held China-Portugal Contemporary art exhibition-*saudade: Unmemorable Place in Time,* it's the first exhibit using the concept of "One Belt One Road" since the opening of the Center. The exhibit featured about 100 art works from 12 Chinese and Portuguese artists, covering a wide variety of elements that include paintings, handicrafts, videos, and photography. It was the first in kind in China that presented a systemic comparison and academic categorization of Chinese and Portuguese contemporary art. From 8 September to 18 October 2018, Fosun Foundation Art Center used advanced photography works to present the development of photography equipment and techniques from several perspectives, interpreting the unique culture and historic significance that photography art holds. The exhibit consisted of three units: *Collecting the Contemporary: Video and Photography from the Fosun Foundation* (2010-2018), Photography works by Annette Kelm, and *Fifty, Fifty* shown in the ANNEX Space. From 7 November 2018 to 13 Janurary 2019, Fosun Foundation Art Center held Cindy Sherman's first exhibit in China. Cindy Sherman is known for the style called "make-up selfie", the style is mostly applied to shoot performative selfie portraits, that revolved conventional photography which empharised on documentation, which creates more possibilities for photography art.

Besides the five major exhibits, the Fosun Foundation Art Center insisted on fulfilling its educational obligations. It has been promoting public education by carrying out educational sessions to satisfy a wide range of needs of the public. During the period of time, Fosun Foundation Art Center held 54 public education events, including public art education weekend activities, 12 creative art class sessions for parents and children, 2 special events, and 1 career boot camp and children's game manuals. In addition, Fosun Foundation Art Center provided guide services free of charge 61 times at weekend.

Artesunate Helps Malaria Treatment in Africa

On 5 October 2015, the Karolinska Institute in Sweden announced that the 2015 Nobel Prize in Physiology or Medicine was awarded to Chinese pharmacologist Tu Youyou and others for their achievements in the treatment of parasite diseases. Tu Youyou was honored for the pioneered discovery of artemisinin by a team of Chinese scientists under her lead, which created a new method for malaria treatment.

In malaria treatment, Fosun Pharma has injectable artesunate Artesun®, a proprietary innovative drug with full intellectual property rights. According to incomplete statistics, by the end of 2018 over 20 million patients around the world with severe malaria were benefited from treatment by injectable artesunate Artesun® of Fosun Pharma. Malaria morbidity and mortality continue to decline in Africa. Malaria mortality rate has reduced by 29% in all age groups worldwide, while the malaria mortality rate of children under five years old has reduced by 35%. The worldwide use of injectable artesunate Artesun® can save additional approximately 100,000 lives, most of whom are African children each year.

In the past ten years, Fosun Pharma actively participated in the Chinese government's program in assisting African in fighting against malaria. Fosun Pharma had organized seminar sessions on Malaria Control for Developing Countries for the 10th consecutive time, Pharmaceutical Quality Management for Developing Countries and Minister-level on Pharmaceutical Supervicion and Management for Developing Countries for several consecutive time, covering more than 50 countries. 148 batches of foreign aid projects (antimalarial drugs) initiated by the Ministry of Commerce of the PRC were duly delivered. At the same time, the injectable artesunate as well as artesunate and amodiaquine hydrochloride tablets, etc. have long been the key innovative drugs in the Chinese government's assistance programmes to Africa. On 18 August 2018, Fosun Pharma through Fosun Foundation held the Anti-malaria Medication Donation Ceremony for the Ministry of Health of Zambia during the High-Level Meeting on China-Africa Health Cooperation Conference, the total value was more than USD240,000.

As an official member of the Roll Back Malaria initiative advocated by the World Health Organization, Fosun Pharma is committed to raising the awareness of malaria prevention among the local population in Africa, reducing the morbidity of malaria, and ultimately realising the target of a malaria-free world.

Sing for Hope

On 2 October 2018 (New York time), nominated by the well-known New York charity organization"Sing for Hope", the Company was awarded "2018 Best Businesses Partnering with the Arts" in America by Business Committee for the Arts (BCA), the most influential public art committee of the United States.

Since 2016, about 60 colorful hand-made pianos have appeared in one of the New York classic landmarks owned by Fosun 28 Liberty plaza every summer. A tour of these pianos in five major districts of New York provide chances for tourists and citizens to enjoy music. These second-hand pianos, carefully drawn by artists, will eventually be donated to public schools in New York where public music education is scarce, benefiting more than 15,000 students in New York City.

Tai Chi Adjuvant Therapy

Fosun Foundation has long been supporting the promotion of the Tai Chi culture through hosting CSR programs like Tai Chi adjuvant therapy program for Parkinson's disease and sharing with the public the latest progress of Tai Chi adjuvant therapy for Parkinson's disease. Since 2015, Fosun Foundation has supported the scientific research on "sports therapy for Parkinson's disease", and successfully conducted fifteen free Tai Chi classes, more than 300 patients with the Parkinson's disease (PD) participate in total.

As at the end of 2018, the Tai Chi adjuvant therapy program for Parkinson's disease had been expanded to 4 cities (Shanghai, Beijing, Chengdu and Ningbo). On 8 April 2018, Fosun Foundation collaborated with Ningbo No.2 Hospital and organized the "Tai Chi Anti-Parkinson's Disease" event. More than 70 Parkinson's Disease patients signed up for the event. 10 April 2018, one day before the World's Parkinson's Day, Fosun Foundation collaborated with Shanghai Ruijin Hospital and distributed the *Guidance of Tai Chi as A Complementary Treatment to The Parkinson's Disease* to the patients. Fosun Foundation will further mobilize its resources and promote the Tai Chi activities to more communities in 2019, so as to improve public health across China.

Protechting Start-ups Acceleration Program

Protechting Start-ups Acceleration Program is jointly initiated and organized by Fosun and One Fosun portfolio companies. At the beginning of 2016, Fosun used Lisbon as the location for its innovative incubator, upholding the principle of "innovation is about people", and together with Fidelidade, deepened their cooperation with European start-up incubators in fields such as medical healthcare, insurance innovation, and fintech. Fosun utilized its local and overseas resources to organize trainings in marketing, financing, human resources, investment, and big data. Fosun hopes that professional trainings would help their start-ups to grow. Fosun also hopes that global cooperation and partnership would help China achieve its industrial transformation and upgrading.

Building upon the success of the first two Protechting Start-ups Acceleration Programs, Fosun further incubated "Protechting 3.0" in 2018. Working along with all members of the Fosun family, Fosun forged the cradle for cultivating "Unicorns", assisted more youth in various realms of entrepreneurship and innovation. Since the launch off in February 2018 in Lisbon, Protechting 3.0 has launched roadshows in the six most innovative cities in the world: Brussel, Frankfurt, London, Macao, Lisbon, and Shanghai. Protechting 3.0 received applications of 235 youth entrepreneurship teams from 33 countries. 21 teams successfully went through the multiple rounds of screening to qualify for the Bootcamp. On 8 November 2018, the three finalists of the program were announced at the Web Summit. With the generous support of Fosun Foundation, the three finalist teams started their roadshow in China. They presented their business plans in Shanghai, Zhuhai, and Beijing from the 7th to the 13th in December 2018, with the hope to identify potential investors and further opportunities. In the meantime, the three teams had conversations with Mr. Wang Qunbin, CEO of the Company, about youth entrepreneurship and had discussions with eight Fosun investment teams. They were also invited as representatives to be present at the Fosun CSR night on 8 December 2018.

After three years of development since its debut as a Fosun CSR brand, protechting shows Fosun's and Chinese enterprises' determination in taking on more global social responsibility. The program supported 487 start-ups from 42 countries near areas covered by the "One Belt One Road" Initiative. Protechting was awarded "The Third 'Value Co-Creation' Outstanding Corporate Social Responsibility Practices in China", "2018 Chinese Corporate Best Practice of Realizing Sustainable Development Goals" by United Nation Global Compact China network, and "2018 Belt and Road CSR Innovation Case".

For its next step, "Protechting" will be expanded to, among others, Macau, Brazil, UK and the United States, so as aim to become a world-class youth entrepreneurship innovation program.

Pramerica-Fosun Spirit of Community Awards

Pramerica-Fosun Spirit of Community Awards originated from Pramerica Spirit of Community Awards. The awards were community services awards entirely based on voluntary community services for the youth in the United States. It aims to identify and recognize outstanding teenage volunteers who made outstanding contribution to communities. By rewarding honors to attract and encourage more young people to devote to the greater public good. Over the past twenty years, Pramerica Community Awards have awarded nearly 120 thousand global excellent young volunteers, from various countries including Japan, South Korea, Ireland, India, and Brazil.

In 2013, Fosun Foundation in joint effort with Prudential Financial, Inc., had launched the "Pramerica-Fosun Spirit of Community Awards" in Chinese mainland. As of today, the "Pramerica-Fosun Spirit of Community Awards" has been successfully held for the fifth consecutive years. The competition had received approximately 2,800 effective applications and granted awards to approximately 225 teenage volunteers for their outstanding contributions to social welfare. The programme managed to significantly advance the development of youth voluntary activities in the PRC and has become one of the most prestigious awards in youth social responsibility.

The 2018 Pramerica-Fosun Spirit of Community Awards Ceremony was held at Fosun Foundation Art Center on 17 March 2018. 15 young volunteers were awarded "Star Volunteer". Two of them were awarded "Philanthropy Ambassador" and gold medals respectively. They will be invited to attend the Prudent International Ceremony in Washington D.C., the United States, with outstanding volunteers from all over the world.

Supporting and Developing Local Farming: a Unique Partnership with Agrisud

Finding that in some cases local supply was inadequate to meet its villagers' demand for fresh produce, Club Med decided to help local communities to strengthen more sustainable and more environmentally friendly agricultural production network, thereby playing an active role in the local.

Therefore, this decision led to a partnership with the Non-Government Organization Agrisud, signed in late 2008, to enable local producers to supply Club Med villages, and to guide them towards more sustainable land use, based on the principles of agro-ecology.

This program has been launched in Senegal, Brazil, Morroco, and Indonesia. It will be launched in Mauritius and China. Benefitted from the program, over 150 tons of fresh vegetables and fruits have been supplied to Club Med Resorts and have benefited more than 2,500 people.

Fosun and the Hong Kong University of Science and Technology Jointly Organized "Fosun Young Fellowship Program"

Following the success of "Fosun-HKUST MBA Technopreneur Program" co-organized by Fosun and the Hong Kong University of Science and Technology ("**HKUST**") last year, Fosun this year has further cooperated with HKUST in jointly launching the"Fosun Young Fellowship Program".

In the "Fosun Young Fellowship Program", Fosun will provide outstanding HKUST students with full-time, paid internships that last for three to six months, allowing them to gain work experience in the businesses of health, happiness and wealth across different regions. HKUST will assist Fosun in promoting the program, and in recruiting and nominating suitable students. Fosun and its portfolio companies will shortlist students for interview. Selected students will embark on the internship in Fosun or its portfolio companies. Students will then become "Fosun Young Fellow" upon completion of their internships and will be entitled to "Fosun Young Fellowship Scholarship".

The goal of the program is aligned with Fosun's mission of "creating C2M ecosystems in health, happiness and wealth through technology and innovation, and providing high-quality products and services for families around the world". On one hand, the program provides young talents in Hong Kong with internships and career opportunities and makes them a better fit for the workforce. On the other hand, the program can assist in building talents pipeline for Fosun and its portfolio companies.

商界展關懷
caringcompany 2016-19
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

有心企業
HEART TO HEART COMPANY
2016-2019

Fosun Fulfils Corporate Social Responsibility by Participating in Voluntary Work in Hong Kong

As a renowned non-state-owned Chinese company listed in Hong Kong, the Company has always been focusing on the sustainable development for the interests of its shareholders, investors, media, community and other stakeholders. This year, Fosun received the "Caring Company" logo from The Hong Kong Council of Social Service in recognition of its long-term commitment to promoting corporate social responsibility and its continued efforts in three aspects, namely "Caring for the Community", "Caring for the Employees" and "Caring for the Environment".

During 2018, Fosun fulfilled its corporate social responsibility by participating in the charitable work of The Hong Kong Federation of Youth Groups ("**HKFYG**"). For instance, Fosun participated in the "Heart to Heart Project" organized by The HKFYG and became one of the "Heart to Heart Companies". Through sponsoring Hong Kong teenagers and schools to take part in voluntary activities in the neighbourhood, Fosun promoted the values that a company should give back to society and serve the community.

In December 2018, the Company and The Hong Kong Federation of Youth Groups – Jockey Club Ping Shek Youth S.P.O.T. jointly conducted a campaign named "Giving Wishes and Gifts to Neighbourhoods". Employees (and their families) of Fosun's portfolio companies in Hong Kong, including Peak Reinsurance and Fosun Hani Securities, formed small groups to visit nearly 30 elderly families and home alone elderly in Ping Shek Estate in Choi Hung, a public housing estate with a history of 50 years in Hong Kong. The groups delivered gift packages and expressed their care about vulnerable groups in society, spreading the concept of "FOSUN FOR LOVE" to people from all walks of life.

In addition, Fosun sponsored HKFYG's community project "Neighbourhood First", and organized a Lunar New Year reunion dinner for the neighbourhood to let the elderly who lived alone, low-income families, families which were living on Comprehensive Social Security Assistance and physically challenged people feel cared for during the festive season. This is one of Fosun's ways to express its care for the underprivileged community. Meanwhile, Fosun also gave its support to HKFYG's Neighbourhood Rice Giving Scheme. It organized some of its staff members into groups of volunteers who assisted in delivering rice as economic aid to the people living in elderly care centres of public housing estates on a number of weekends.

Fosun participated in Standard Chartered Hong Kong Marathon 2018

On 21 January 2018, employees of the Company and its portfolio companies in Hong Kong, including Peak Reinsurance and Fosun Hani Securities, formed a ONE Fosun team to participate in an annual sports event "Standard Chartered Hong Kong Marathon 2018" as a way to actively support the harmonious development of the local communities.

Fosun also raised funds for the Hong Kong Paralympic Committee & Sports Association for the Physically Disabled and Orbis, which is an international non-profit medical education organization, by participating in the Standard Chartered Marathon. The move was aimed at promoting sports among disabled people in Hong Kong and at arousing public awareness of the plight of the visually impaired.

SUPPLY CHAIN MANAGEMENT

The overall strategy for procurement management of the Group is: accommodation, evolution, cost reduction, efficiency enhancement. Accommodation and evolution are strategic measures whereas cost reduction and efficiency enhancement are strategic goals. The basic principles of the Group for procurement practices are: openness, fairness and impartiality. The basic principles of the Group for selection of suppliers are: meeting the technical and business requirements and winning the bid at the lowest price.

The "Procurement White Paper" on group procurement management policy and procedure executed by the Group from 2017 to the present includes: "Basic Guidelines for Procurement Management", "Basic Guidelines for Supplier Management", "Management Measures for Strategic Procurement", "Procurement Management Assessment and Red, Yellow and Green Light Management Measures", "Management Measures For Procurement System" and "Procurement-related Complaints Handling Management Regulations". In order to achieve the further standardization, systematization, sharing of procurement, transparency and informationization management of the Group, the Group upgraded "Procurement White Paper" by recompiling "Basic Guidelines for Procurement Management", "Basic Guidelines for Supplier Management" and "Management Measures for Strategic Procurement" in 2018.

Onelinkplus (www.onelinkplus.com) constructed the Risk Alert Management System and Supplier Management System, as well as the Supply-Chain Collaboration System, in addition to the continuous iteration of the procurement bidding platform in 2018, and put them into the actual business scenario, to enable the Group to realize the digital transformation of the extended supply chain, and to help the Group to reduce cost and improve efficiency. Up to now, Onelinkplus has covered nearly 300 member companies and formed a large database of over 30,000 suppliers. It targets to achieve a full closed loop of procurement supply chain processes in 2019. That will empower the supply chain management of the Group and its portfolio companies more transparent, smart and prominent. Through solid post-investment management and industry operations, it will serve the overall strategic goals of the Group more efficiently.

ANTI-CORRUPTION AND SUPERVISION

In the year of 2013, the Company formally established the Anti-Corruption and Supervision Department which specializes in investigation, handling and prevention of cases of malpractices of staff such as corruption, abuse of power or dereliction of duty. The main mission of this department is to investigate and handle malpractices and control risks in an independent, impartial and keen manner. The Anti-Corruption and Supervision Department of the Company has established a professional investigation team with extensive work experience in public security economic investigations and procuratorate anti-corruption investigations which are able to discover, investigate, handle major corruption cases of the Group and core enterprises and transfer the cases to judicial organs.

The Company adopts a zero tolerance policy for bribery, embezzlement and other corruption acts of all staff. By means of the centralized purchasing platform, "Fosun Anti-Corruption", the official Wechat public account and other channels to publicize extensively the way to report any incident of corruption, the Company supervises the integrity and diligence of its staff. We have various regulations and systems for staff integrity, the protection and reward procedures of the informants and witness, and internal investigation procedures which include: "Incorruptible Working Regulations for Employees", "Management Measures for Cash Gifts and Gifts Received during Business Activities", "Regulations regarding Personal Matters Reporting for Key Position Cadres", "Measures for the Protection and Reward of the Informants and Witness", "Several Provisions on Anti-corruption and Supervision Line Case Investigation and Punishment", "Evaluation Measures for Anti-corruption and Supervision Line's Performance", "Guideline for Tender Activities Regulation and Supervision", "Regulations for Anti-corruption Inspection", "Management Measures for Anti-corruption and Supervision Lines", "Anti-corruption Assessment and Red, Yellow and Green Light Management Measures", etc.

The Company strictly complies with the laws and regulations of the PRC and other countries in which its investment is located, including laws and regulations such as prevention of bribery, extortion, fraud and money laundering, and has various internal control systems to ensure such compliance in operations.

Preventive measures: First, publish online the code of conduct on anti-corruption, incorporate it into the Staff Handbook and publicize extensively the reporting methods and the results of punishing relevant staff through "Fosun Anti-Corruption", the official Wechat public account and other channels, expanding the influence of anti-corruption investigation within the Group; second, seriously punish the fraudulent employees and maintain the high pressure of investigation regarding the fraudulent behavior, promoting the atmosphere of anti-corruption and creating a culture of anti-corruption in the Group and all core enterprises that all corruption cases will be investigated; furthermore, actively participate in the activities of China Enterprise Anti-fraud Alliance and bring dishonest staff into the Alliance's blacklist, increasing the social costs of acts without good faith.

Reporting procedure: Anti-corruption supervision telephone numbers and mail boxes are published on the centralized purchasing platform, "Fosun Anti-Corruption", the official Wechat public account and in the process of each tender and subsidiary inspection to receive internal and external report information, and designated staff are assigned to collect, assess and investigate each piece of report information.

Implementation and monitoring methods: (1) Anti-corruption institution construction: establish an Anti-Corruption and Supervision Department, form a professional investigation team, and conduct performance appraisals on departments of subsidiaries exercising the functions of anti-corruption and supervision and their responsible persons; (2) fraud case investigation and punishment: conduct professional investigation on key fraud cases or fraud risks of the Group and its other portfolio companies through receiving whistleblowing reports or handing over, anti-corruption inspection, sampling inspection, etc. and transfer alleged criminal cases to a judicial organ; and (3) operation risk management and control: identify, rectify and prevent relevant operation risks in the process of investigating and punishing fraud cases, restore economic losses while punishing the responsible persons and block the relevant anti-corruption and management loopholes.

ENVIRONMENT, HEALTH, SAFETY AND QUALITY

I. Policies and Guidelines

"Self-improvement, Teamwork, Performance and Contribution to Society" constitutes the cultural values of the Group. We have always regarded environmental protection, occupational health, production safety and quality management ("**EHS&Q**") as the important parts of our corporate social responsibility and incorporated them in the Group's strategy for sustainable development. The "Fosun Group Environment, Health, Safety & Quality Policy", which was issued jointly by the Chairman and Executive Directors of the Company, has been fully implemented in all companies under the Group since 2012 and was renewed in February 2019.

Our commitments reflect the Group's insistence on the following aspects:

1. To comply with environmental protection laws and regulations and government emission standards, and continuously improve management and adopt advanced technologies during the life cycle of an enterprise operations to reduce air emission, wastewater, solid waste, and greenhouse gases, and strive to minimize the impact on the environment;

2. To make good use of and cherish resources, improve production technology to use natural resources efficiently, carry out energy conservation and emission reduction, and continue to adopt more environmentally friendly raw materials;

3. To reduce the impact of production and operation on natural resources, protect the environment of mining area, and actively carry out geological disasters and environmental governance in the mines;

4. To provide employees with a safe working place and protect employees and contractors' employees from occupational injuries;

5. To provide customers with safe products and services and strive for excellence; and

6. To actively adopt international advanced management concepts and methods such as Lean Six Sigma to promote the overall improvement of operations.

The Group's environment, health, safety and quality policy is as follows:

To ensure the implementation of the policy, the Group set up the Environment, Health, Safety & Quality Supervision Department in 2012 to supervise the implementation of EHS&Q by each member company to inspect and ensure the legal, compliant, efficient and safe production of all member companies. The member companies responded positively, getting involved and improving the EHS&Q governance structure.

The Group issued the Regulations of Shanghai Fosun High Technology (Group) Co., Ltd. on the Line Management of Environment, Health, Safety & Quality. In 2018, together with the Human Resources Management Centre, the Group clearly stated that the year-end performance appraisal of the heads of the business segments and core member companies would be linked to the environmental performance of the companies, urging the implementation of a regional responsibility system. The Group holds the EHS&Q line annual meeting each year to carry out the summary and planning of EHS&Q management. The picture shows that the Company's CEO Wang Qunbin was delivering a speech at the line meeting. He stressed that the Group would endeavour to: 1. adopt world-class EHS&Q management standards; 2. implement full coverage of EHS&Q management, including full coverage before and after investment, full coverage of regions and full coverage of industries; 3. accelerate the construction of a professional EHS&Q team in member companies; 4. establish and improve the EHS&Q reward and punishment mechanism for all member companies.

II. Responsible Investment

The Group joined the United Nations ("**UN**") Global Compact in July 2014, which formally established our global commitment to sustainable development. In order to actualize the sustainable development goals, the Group and its member companies have actively focused on and implemented responsible investments. For example:

H&A

Since 1995, Prime Value's ethical funds issued by H&A have been investing in corporate stocks and bonds that meet H&A's ethical, social and environmental standards, excluding companies that violate human rights, participate in weapons production or trading, accelerate climate change, use socially controversial technologies, or participate in risky activities. To boost contribution to ethical and responsible investment, the Principles of Responsible Investment (PRI) was signed by H&A.

PEAK REINSURANCE

Peak Reinsurance is a signatory to the Principles for Sustainable Insurance (PSI) of United Nations Environment Programme Finance Initiative (UNEPFI). In the investment process, Peak Reinsurance is committed to promoting the integration of PSI and business decisions and excluding companies that have a negative impact on the climate from the investment portfolio.

The Group and its member companies pay special attention to investment and development opportunities in the areas of clean energy and clean technology. To date, our green investment practices include but not limited to:

BESINO ENVIRONMENT

Besino Environment, which specializes in industrial wastewater and municipal sewage treatment and municipal water supply fields, managed 10 industrial wastewater and sewage treatment plants and 2 waterworks in China by the end of 2018. In 2018, Besino Environment recorded 412,694,500 tons in wastewater treatment volume, 55,764.13 tons in chemical oxygen demand (COD) removal, 6,745.91 tons in ammonia nitrogen treatment volume, and 56,207.17 tons in suspended solids removal. Two subsidiaries in Hefei participated in the Chaohu Lake treatment project and provided excellent water source for Chaohu, with the effluent water quality reaching the standard for Class IV surface water under GB3838-2002 Surface Water Environmental Quality Standard. In 2018, Besino Environment supplied water for 100,000 households. Wangxiaoying Sewage Treatment Plant, a subsidiary of Besino Environment, will complete the installation of a 10.8 MW photovoltaic power generation system in June 2019.

CN-NL WASTE SOLUTION CO., LTD. ("**CN-NL WASTE SOLUTION**")

CN-NL Waste Solution specializes in providing urban and rural intelligent environmental hygiene solutions, and has been engaged in the investment, construction and operation of waste cleaning, collection and transportation, and disposal projects. CN-NL Waste Solution's environmental hygiene integration project covers 22 provinces, municipalities and autonomous regions across the country, serving nearly 100 million people. In 2018, the amount of garbage collection and transportation was 31 million tons.

YUNNAN FEIERTED ENVIRONMENTAL PROTECTION TECHNOLOGY CO., LTD. ("**FEIERTED**")

Feierted mainly researches and produces carriers for exhaust gas treatment, particle traps and purification devices, and it has met advanced world standards in this regard. Feierted proactively participates in car renovation projects in various regions. In 2018, it treated exhaust gas for more than 20,000 cars at home and abroad.

TIANJIN JEVE ENERGIES CO., LTD. ("**JEVE**")

JEVE, a national high-tech enterprise, mainly provides ternary power batteries for new energy passenger vehicles. With a leading R&D capability in China, JEVE has filed 168 patents in China, including 91 invention patents, covering multiple areas such as key materials, battery design, battery manufacturing processes, and battery equipment.

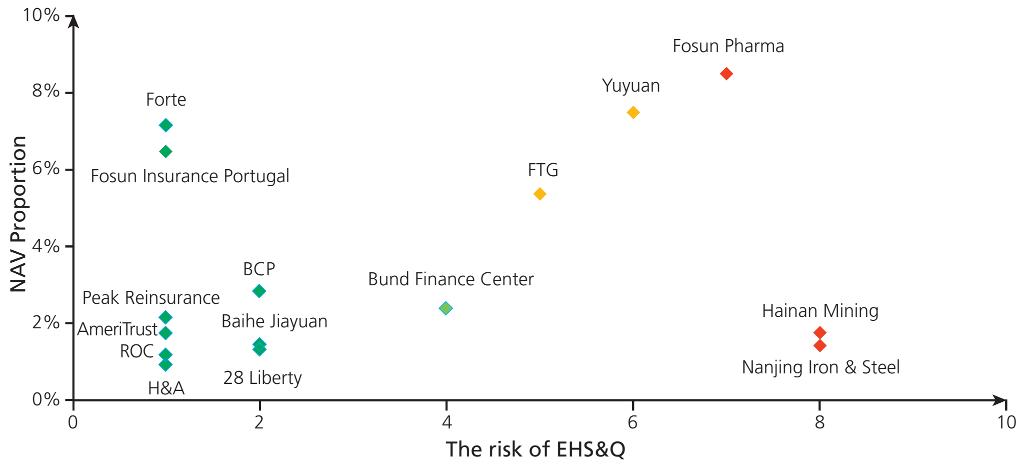
KOLLER

Koller specializes in the design and production of lightweight end products and molds for automotive sector using carbon fiber and other composites. It provides the automotive industry with solutions that reduce body weight, thereby reducing energy consumption and achieving energy saving and greenhouse gas ("**GHG**") emission reduction.

In terms of investment decision-making and risk control, the Group adheres to value investment and insists on not investing in companies that are not committed to good quality and whose related industries are at odds with the green development strategy of the country. In 2013, the Group issued the "Guidelines on EHS&Q Due Diligence of Investment Projects of Shanghai Fosun High Technology (Group) Co., Ltd." (《上海復星高科技(集團)有限公司投資項目環境健康安全質量盡職調查指引》) and the "Manual of Fosun Group EHS Management System" (《復星集團EHS管理體系手冊). Through the pre-investment due diligence on the EHS&Q of target company and investment decision-making, the post-investment EHS&Q management and consulting services, exit-phase EHS&Q checks and other measures, the Group ensures that EHS&Q risk control and management pervades the entire investment and business activities.

III. Selection of Disclosure Scope

In terms of the disclosure of EHS&Q information, we first calculate the proportion of the net asset value (NAV) of the investee companies to the net asset value of the Group and controlled companies and joint ventures with a proportion of more than 1% are selected out. Then we determine the EHS&Q risk values of such controlled companies from four dimensions, i.e. environment, health, safety and quality. By comprehensively analyzing the proportion of net assets and the EHS&Q risk value, we develop an EHS&Q risk management matrix map and select high- and medium-risk member companies in the chart to disclose significant EHS&Q information. The companies being selected include: Fosun Pharma of the Health Ecosystem, FTG and Yuyuan of the Happiness Ecosystem, and Nanjing Iron & Steel and Hainan Mining of the Wealth Ecosystem.



EHS&Q Risk Management Matrix

Note: Given that Yuyuan completed its material assets reorganization in 2018, and the management risk of real estate projects under construction is transferred to Yuyuan, the EHS&Q risk value of Yuyuan increases while that of Forte is correspondingly reduced.

IV. Environmental Protection

Sticking to the principle of sustainable development, the Group supervises and guides its member companies to mitigate the impact of production and business activities on the environment and the human body by reducing the emissions of solid waste, wastewater and atmospheric pollutants, effectively utilising resources, and at the same time seeking opportunities to recycle wastes. In 2018, there were no major environmental pollution incidents in the member companies of the Group. In addition, the Group has established and implemented the management framework system for environmental protection, occupational health and safety production ("**EHS**") to systematize and standardize the environmental protection of member companies on a regular basis every year. Companies under the Group are encouraged and promoted to obtain environmental management system certification. As of the end of 2018, 26 member companies have obtained environmental management system certification.

In terms of environmental protection, we select Fosun Pharma of the Health Ecosystem and Nanjing Iron & Steel and Hainan Mining of the Wealth Ecosystem, which have higher environmental risks in the EHS&Q risk management matrix, to disclose their summary of significant information.

1 HEALTH ECOSYSTEM – FOSUN PHARMA

Fosun Pharma has always complied with the environmental protection policy of "implementing the strategies for sustainable developments of both environment and society, by preventing contaminants and pollutions, saving energies, reducing emission, protecting ecological diversity, and building environment-friendly communities", and positively responded to the blue sky protection campaign put forward by the Ministry of Ecology and Environment of the PRC. During the Reporting Period, it imposed more demanding and stricter requirements and made more detailed efforts to strengthen environmental protection in the production and operation of member companies, alleviated the negative impact of production and operation activities on the environment, and sped up the upgrading of existing environmental protection facilities to meet the increasingly stringent environmental requirements of the country and resolutely put an end to major environmental incidents in operation.

During the Reporting Period, Fosun Pharma continued to enhance the internal control of wastewater, exhaust gas and industrial waste (general industrial solid waste & hazardous waste) generated during the production and operation of member companies to ensure continuous and stable compliance with the relevant national, industry and local standards. In addition, it strictly implemented the "three-simultaneity" principle, which requires simultaneous construction and operation of pollution prevention facilities, to ensure that the incremental of pollutant emissions due to new projects is minimized, thereby fulfilling its commitment for sustainable developments of both environment and enterprise economy.

The environmental pollutants discharged by Fosun Pharma are as follows:

Items		2018	2017	2016
Wastewater	Total amount of wastewater (10,000 tons)	**756.5**	731.6	678.5
	COD (ton)	**847**	841	490
	NH_3-N (ton)	**254**	486	60.6
Exhaust gas	NOx (ton)	**251**	239	466
	SOx (ton)	**279**	245	485
Solid waste*	Total amount of solid waste (10,000 tons)	**8.6**	8.9	8.1
	Total amount of hazardous waste (ton)	**2,683**	2,397	1,627
	Total amount of non-hazardous waste (10,000 tons)	**8.3**	8.7	7.9

* As the solid waste classification in China is different from that of outside China, the table only discloses member companies' solid wastes in China.

(1) Wastewater management

Compared with 2017, Fosun Pharma's total discharge of wastewater rose by 249,000 tons or 3.4% in 2018; that of COD rose by 5.5 tons or 0.7%; and that of NH_3-N slumped 232.3 tons or 47.8%. Due to the difference of the consolidation standards of member companies Gland Pharma and Hengsheng Hospital, their total discharge of wastewater rose by 387,391 tons in 2018 from the previous year, and that of COD rose by 15.5 tons from the previous year, both in terms of consolidation.

During the Reporting Period, Fosun Pharma strengthened wastewater management from two aspects: on one hand, it strictly required member companies to ensure stable operation of wastewater treatment facilities and maintain continuous up-to-standard discharge; on the other hand, for member companies with insufficient wastewater treatment capacity, it actively increased hardware input of wastewater treatment facilities by adding new wastewater treatment facilities or upgrading existing wastewater treatment facilities. Member companies, such as Wanbang, Chongqing Yao Pharmaceutical Co., Ltd. ("**Yao Pharma**"), Guilin Pharmaceutical Co., Ltd. ("**Guilin Pharma**"), Hunan Dongting Pharmaceutical Co., Ltd. ("**Dongting Pharma**"), and Suqian Zhongwu Hospital Co., Ltd., all upgraded the existing wastewater treatment facilities during the Reporting Period. After the above five enterprises upgraded their wastewater treatment facilities, the total amount of COD decreased by approximately 4.5 tons compared with 2017. Another member company Shine Star (Hubei) Biological Engineering Co., Ltd. ("**Shine Star**") re-optimised the operation of the internal wastewater treatment facilities of the enterprise after the release of a higher standard on ammonia nitrogen pipes emission in the wastewater treatment plant of the park, which improved the NH_3-N removal capacity and thereby cutting the NH_3-N emission by an estimation of 230 tons.

(2) Air pollutant emissions

Compared with 2017, Fosun Pharma's total emissions of air pollutant NOx rose by 11.92 tons or 5.0% and that of SO_2 rose by 33.53 tons or 13.7% in 2018. The increment mainly came from the production growth of member company Shine Star which reported an increase of 22.73 tons and 39.16 tons in the emission of NOx and SO_2 respectively. During the Reporting Period, Fosun Pharma's non-methane hydrocarbon was 18.11 tons and was emitted in an organized way, which is disclosed for the first time by the Group.

To cooperate with the nation's three-year action for the blue sky protection campaign, the member companies of the pharmaceutical sector affiliated to Fosun Pharma have proactively responded to the requirements of environmental authorities at national and local levels to promote their respective volatile organic compounds (VOCs) treatment projects and installation of applicable environmental facilities. A number of member companies, such as Xuzhou Wanbang Jinqiao Pharmaceutical Co., Ltd., Guilin Pharma, Dongting Pharma, Shanghai Zhaohui Pharmaceutical Co., Ltd., and Shine Star, accelerated their engagement with mature VOCs treatment facility constructors in the market and set about starting or building VOCs emission reduction and treatment facilities, investing RMB37 million in the equipment construction necessary for VOCs emission reduction projects.

(3) Solid waste management

Compared with 2017, the total amount of solid waste in Fosun Pharma's domestic enterprises dropped 3,171 tons or 3.6% in 2018. Among the solid waste of 2018, the total amount of hazardous waste was 2,683 tons, of which 2,538.6 tons were incinerated, 28.7 tons were buried, and 115.9 tons were treated in other ways including storage for disposal. For industrial solid waste, 72,700 tons of wastes were reused as resources, and the proportion of reusable wastes accounted for 93.6% of the total industrial solid waste. For packaging materials, some member companies reduced emissions to the environment by negotiating recycling with suppliers.

2 WEALTH ECOSYSTEM – NANJING IRON & STEEL

In 2018, Nanjing Iron & Steel upheld the principle of sustainable development and followed out its environment protection policy that takes stable up-to-standard emission as the bottom line and ultra-low emission as the target and underlines the implementation of the three-year plan for environmental improvement. It strictly implements the three-level environmental supervision system, strengthens the daily management of environmental protection facilities, speeds up the pace of pollution control, and continuously reduces pollutant emissions and improves the environment of the plant, making unremitting efforts to make itself a ecological urban steel mill. Nanjing Iron & Steel strictly abides by national and local environmental laws and regulations and fulfills social responsibilities on its own initiative. In 2018, with the joint efforts of all employees, Nanjing Iron & Steel successfully achieved its annual environmental protection goal: a standard-reaching rate of 100% in supervisory monitoring.

In 2018, Nanjing Iron & Steel carried out 50 projects on environmental technology upgrading and environmental facility renovation, with its investment in under-construction environmental protection projects amounting to RMB1.5 billion. To achieve ultra-low emissions and cooperate with the nation's blue sky protection campaign, it focused on the promotion of desulfurization, denitrification, dust control, and raised dust control projects.

Desulfurization and denitrification project:

- Three coke oven gas-based desulfurization and denitration devices were built and put into use, reducing SO_2 emissions by 500 tons and NOx emissions by 2,000 tons per year;
- The Ironmaking Division optimised the fuel structure from the source and replaced the sintered fuel with low-nitrogen semi-coke;
- The construction of the 180-sintering denitration project was started, and the project is scheduled to be put into use in April 2019. After the project is put into use, the NOx emissions will be cut by 2,000 tons/year.

Dust-control project:

- The "electric precipitator to bag filter" retrofitting projects for the No. 4 and No. 5 sintering machines were completed and put into use, and the emission concentration after transformation was lowered to less than 10 mg/m^3 (the special emission limit stipulated in Emission Standard of Air Pollutants for Sintering and Pelletizing of Iron and Steel Industry (GB28662-2012) was 20 mg/m^3);
- 15 production plants all replaced the ordinary bags with high-efficiency membrane filter bags.

Raised dust control project:

- The retrofitting project on using pneumatic transmission for dust removing and collecting in 38 sites of the first ironmaking plant, the first steelmaking plant, the coking plant, and other plants was completed and put into use;
- The construction of the sealed blending material yard shelter of the second raw material factory, the sintering ring cooler project, the ingredient area sealing project, and the lime kiln raw material sealing project were completed and put into use;
- The reconstruction project for the disposal of refining steel slag of the first steelmaking plant and the second steelmaking plant and fuel plant coal silos was started and is scheduled to be completed in May 2019.

Through continuous environmental transformation every year, the emission of each pollutant factor per ton of steel of Nanjing Iron & Steel has gradually gone down for successive years, and all of the factors are lower than the Grade I Benchmark Value of the National Evaluation Index of Cleaner Production in the Steel Industry (國家鋼鐵行業清潔生產評價指標I級基準值). The wastewater and waste gas emissions of Nanjing Iron & Steel are as follows:

		2018		2017		2016		Grade I Benchmark Value of the National Evaluation Index of Cleaner Production in the Steel Industry
Classification	Pollutant factor	**Total emissions (ton)**	**The emission per ton of steel (kg/ton of steel)**	Total emissions (ton)	The emission per ton of steel (kg/ton of steel)	Total emissions (ton)	The emission per ton of steel (kg/ton of steel)	The emission per ton of steel (kg/ton of steel)
Waste gas*	NO_x	**7,440.6**	**0.740**	8,555.4	0.869	9,213.4	1.023	≤0.9
	SO_2	**2,805.5**	**0.279**	2,923.6	0.297	3,602.5	0.400	≤0.8
	Organized emissions of particulate matter	**4,389.7**	**0.44**	4,475.2	0.45	4,401.8	0.49	≤0.6
Wastewater	COD	**69.1**	**0.006**	153.3	0.016	153.6	0.017	≤0.06
	NH_3-N	**2.27**	**0.0002**	4.47	0.0005	5.30	0.0006	≤0.006

* *The Environmental Protection Tax Law of the PRC* came into force on 1 January 2018. The law incorporates unorganized emissions of particulate matter into the environmental pollutant collection category of air pollutants. Therefore, the Group requested Nanjing Iron & Steel to calculate and report the unorganized emissions of particulate matter in 2018. In 2018, Nanjing Iron & Steel's total unorganized emissions of particulate matter were 10,111.37 tons, and its total unorganized emissions of particulate matter per ton of steel was 1.006 kg.

In 2018, Nanjing Iron & Steel standardized and refined its management of general industrial solid waste and hazardous waste. It upgraded and renovated the hazardous waste storage sites of all production units with high standards; it carried out special investigations on general industrial solid waste, enhanced inspection of solid waste compliance of subsidiaries, conducted standardized inspection and rectification of storage places and record ledgers, and extended the inspection to downstream sales companies; through source control, it strengthened daily management of equipment, and reasonably extended the replacement cycle to lessen the generation of general solid waste and hazardous waste; through end use, it properly treated the solid waste generated and re-used resource solid waste in production to lower the amount of solid waste disposal.

THE AMOUNT OF COMPREHENSIVE UTILIZATION AND DISPOSAL OF SOLID WASTES IN 2016-2018

	Way of Disposal	2018	2017	2016
General industrial solid waste (10,000 tons)	Comprehensive Utilization	**520.96**	651.00	485.80
Hazardous waste (ton)*	Amount of standardized disposal	**3,230**	3,581	3,773

* In the year of 2018, 17,535 tons of electric furnace dust was produced and was comprehensively utilised by Nanjing Iron & Steel.

In 2018, through the continuous improvement of environmental protection management, environmental protection technology improvement and facility renovation, Nanjing Iron & Steel ensured up-to-standard emissions of various pollutants and achieved its annual environmental protection goal of a standard-reaching rate of 100% in supervisory monitoring. In addition, it successfully passed the "Looking Back" inspection, the "Unannounced Inspection", the "Waste Clearance Action" inspection, and the "Special Inspection on Black and Odorous Water" from central-government environmental protection inspection authorities, as well as the "Cross Inspection on Law Enforcement in Eight Cities of Jiangsu Province."

3 WEALTH ECOSYSTEM – HAINAN MINING

As a mining company that mines natural resources, Hainan Mining is always serious about geological hazards and environmental governance, and it has invested financial and material resources for geological disasters prevention and environmental governance over the years. In 2018, it invested RMB15.58 million for wastewater treatment, exhaust gas treatment and ecological restoration. Of the total amount, RMB1.08 million was used for mine land reclamation. By planting nearly 300,000 trees of Hainan's local varieties in the stope and slag yards, the company reclaimed a mine area of approximately 13.78 hectares. With its discharge of wastewater, exhaust gas, noise and solid waste being all up to the standard and all hazardous wastes being disposed of as required, the company did not received any environmental penalties. Hainan Mining's pollutant discharge indicators are as follows:

		2018	2017	2016
Annual Output	Finished iron ore (10,000 tons)	**212.79**	400.29	290.58
Wastewater	COD (ton)	**53.91**	35.03	36.41
	COD emission intensity (ton/10,000 tons)	**0.25**	0.09	0.13
	NH_3-N (ton)	**1.46**	1.37	1.21
	NH_3-N emission intensity (ton/10,000 tons)	**0.007**	0.003	0.004
	SS (ton)	**65.61**	24.95	26.81
	SS emission intensity (ton/10,000 tons)	**0.31**	0.06	0.09
Solid waste	The total amount of hazardous waste (ton)	**12.46**	23.5	23.3
	Hazardous waste intensity (ton/10,000 tons)	**0.06**	0.06	0.08

In 2018, the amount and intensity of COD, NH_3-N and SS emitted by Hainan Mining were both on the rise, which were mainly attributed to the following reasons:

① Open-pit mining was completely converted to underground mining in 2018. As a result, there was more dust in the beneficiation process, and the water consumption of the water washing process increased, which in turn led to an increase in the amount of discharged wastewater;

② In 2018, typhoons and heavy rains occurred more frequently. Pollutants (including large amounts of COD, NH_3-N and SS) in surrounding farms and orchards were washed into the Hongqi tailing pond through heavy rain.

V Climate Changes Addressing and Resource Protection

(I) Addressing climate changes

With intensified climate changes, the sea-level rise, upgraded extreme weather events, and GHG emission hitting a record high, climate change has become one of the biggest challenges for human being. In response to climate changes, the Group joined the UN Global Compact in July 2014 and made a global commitment in pursuing sustainable development. Hence, the Group has participated in and boosted the realization of UN's sustainable development goals both at the global and local level. As one of the members of the Paulson Institute CEO Council, the Group joined the "Race to Zero" initiative initiated by the Paulson Institute. In 2017, the Group started to draft and implement a low-carbon strategy, and selected five companies from its own business segments to first conduct carbon emission data collection and comparative analysis. The Group extended the scope of pilot by incorporating Wanbang of Fosun Pharma and another nine affiliated companies in 2018 and plans to establish the GHG monitoring, reporting and verification (MRV) platform in 2019 to expand the coverage of GHG emission statistics to the whole Group. Hence, this part is disclosed with the EHS&Q risk management Matrix and the scope of the pilot program.

The pilot companies planed and implemented initiatives to cut GHG emissions based on their characteristics:

- In recent two years, Guilin Pharma set up an energy management panel, specified its evaluation mechanism on energy-saving, and conducted a series of technical transformation activities to improve the energy measurement system, realize the transition from coal to natural gas and optimise key energy-using equipment;
- Wanbang and nine affiliated companies plan to launch a photovoltaic power generation program in the next five years and complete at least five emission reduction measures each year;

- Club Med manages energy through Tech Care, its global environmental monitoring system, and has taken many measures to lessen its impact on the climate including ecology architecture, renewable energy, transportation and eco-certification;
- In 2018, Nanjing Iron & Steel invested RMB50 million in energy-saving transformation and will launch a photovoltaic power generation project in 2019;
- With a green design, the Bund Finance Center won LEED Gold Award and China Green Building Three Star Certificate and is operated with its energy-saving design.

Pilot companies	Year	Direct GHG emission (Tonnes of CO_2e)	Energy indirect GHG emission (Tonnes of CO_2e)	Total GHG emission (Tonnes of CO_2e)	GHG emissions intensity
Guilin Pharma	2016	30,890.9	14,707.7	45,598.6	0.83 (Tonnes of CO_2e/RMB10,000 output value)
	2017	21,014.0	15,950.4	36,964.4	0.46 (Tonnes of CO_2e/RMB10,000 output value)
	2018	**13,253.9**	**14,923.4**	**28,177.3**	**0.32** (Tonnes of CO_2e/RMB10,000 output value)
Wanbang	2016	3,923.9	52,658.9	56,582.8	0.31 (Tonnes of CO_2e/RMB10,000 output value)
	2017	3,119.4	57,431.9	60,551.3	0.27 (Tonnes of CO_2e/RMB10,000 output value)
	2018	**5,028.2**	**66,590.6**	**71,618.8**	**0.27** (Tonnes of CO_2e/RMB10,000 output value)
Club Med	2016	55,566	92,457	148,022	Carbon intensity par THD: 14.5 $kgCO_2e$; Carbon intensity per Hotel Day Capacity: 11.5 $kgCO_2e$
	2017	53,057	89,701	142,758	Carbon intensity par THD: 13.4 $kgCO_2e$; Carbon intensity per Hotel Day Capacity: 12.1 $kgCO_2e$
	2018	**52,121**	**93,880**	**146,000**	Carbon intensity par THD: **12.8** $kgCO_2e$; Carbon intensity per Hotel Day Capacity: **11.6** $kgCO_2e$
Hainan Mining	2016	12,400	69,118	81,518	0.0281 Tonnes of CO_2e/tons of finished iron ore output
	2017	11,280	99,738	111,018	0.0277 Tonnes of CO_2e/tons of finished iron ore output
	2018	**11,075**	**92,557**	**103,632**	**0.0487** Tonnes of CO_2e/tons of finished iron ore output
Bund Finance Center	2016	148.4	4,386.4	4,534.8	
	2017	952.7	14,822.5	15,775.2	
	2018	**1,970.3**	**15,606.8**	**17,577.1**	

Notes:

1. For pilot companies in China, GHG emissions and GHG emissions intensity are calculated based on the "Guide of Accounting and Report of Greenhouse Gas Emissions" released by China, with a reporting period from 1 January to 31 December of a calendar year. For companies outside China, GHG emissions and GHG emissions intensity are calculated based on the "GHG Protocol" released by

the World Resources Institute. The reporting period of Club Med is from 1 November of the year N-1 to 31 October of the year N. The GHG under calculation this time are the six GHGs stipulated in the "Kyoto Protocol," namely, carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulfur hexafluoride (SF_6).

2. The increase in GHG emissions and GHG emissions intensity of Hainan Mining in 2018 was mainly due to its production model shifting from open-pit mining to underground mining.

3. As the Bund Finance Center is still available for leasing and some buildings were still under decoration in 2018, it is unable to calculate the GHG emissions intensity reasonably, so the figure was not disclosed for the time being. The growing trend of Bund Finance Center's GHG emissions was mainly due to the rise in renting rate.

(II) Resource protection

In terms of resource protection, we selected enterprises with high resource consumption, namely Fosun Pharma, FTG, Yuyuan, Nanjing Iron & Steel and Hainan Mining, to disclose their summary of significant information. The aforementioned member companies didn't have any issue in sourcing water.

1 HEALTH ECOSYSTEM – FOSUN PHARMA

Fosun Pharma has always committed to the efficient utilization of social resources and adheres to the principle of maximizing output with the minimum social resources. It focuses on natural resources conservation and social resources saving during production and operation and never seek short-term profits for the company at the cost of social and natural resources, and makes all efforts to ensure a harmonious relationship with the environment in the whole industrial chain of business operation.

The following statistics is about Fosun Pharma's consumption of water resources and energy in 2018 compared with previous two years:

	2018	2017	2016
Total electricity consumption (MWh)	**655,108.9**	513,272.1	478,175.2
Total consumption of other energy sources (GJ)	**5,394,870**	4,648,903 (restated)	3,860,500 (restated)
Comprehensive energy consumption (GJ)	**7,753,262**	6,496,683 (restated)	5,581,931 (restated)
Comprehensive energy consumption intensity (GJ/RMB10,000 output value)	**3.11**	3.51 (restated)	4.43 (restated)
Total water consumption (10,000 m^3)	**995.9**	951.6	876.9
Water consumption intensity (m^3/RMB10,000 output value)	**3.99**	5.14	5.99

Note: The translation of energy coefficients calculated by Joule or times is based on the Appendix A to General Rules of Comprehensive Energy Consumption GB/T 2589-2008 (《綜合能耗計算通則》GB/T 2589-2008). Data of 2016 and 2017 were also restated on the same base.

(1) Energy use and consumption

In 2018, Fosun Pharma's comprehensive energy consumption amounted to 7,753,262GJ, an increase of 1,256,579GJ or 19.3% from 2017. The comprehensive energy consumption intensity was 3.11GJ/RMB10,000 output value, which reduced by 0.4GJ/RMB10,000 output value as compared with 2017.

(2) Use of water resources

In 2018, Fosun Pharma's total water consumption reached 9,959,000 tons, an increase of 4.7% from 2017, which was mainly due to the addition of new companies to Fosun Pharma and increased capacity of some companies. Fosun Pharma attaches great importance to the impact of water resource consumption on the environment and has taken various of water-saving measures, such as upgrading water saving instruments, reusing reclaimed water, concentrated water and condensed water, improving production and cleaning process, and increasing chilled water units. As a result, Fosun Pharma saved 179,000 m^3 of water, accounting for 1.79% of the total water consumption for the year.

(3) Use of packaging materials

Fosun Pharma directly and/or indirectly consumes various packaging materials during product manufacturing, transportation and sales as well as providing medical services. The top three packaging materials by nature and actual consumption are papers, glasses and plastics.

Adhering to the principles of "controlling from source, optimizing layout, reducing energy consumption and pollutant discharge", Fosun Pharma has been actively promoting reduction in use of packaging materials and taken measures mainly including (but not limited to):

- To intervene from the source of product packaging to reduce excessive and unnecessary packaging;
- To conduct classification management of packaging materials from unpacking of incoming materials and reuse some recyclable packaging materials internally;
- Some member companies partner with upstream and downstream clients, replacing disposable material box with recyclable boxes, to reduce the consumption of recyclable boxes during material transportation.

2 HAPPINESS ECOSYSTEM – FTG

Club Med, which accounts for the largest proportion in FTG's assets, is used as an example to disclose FTG's resource consumption.

(1) Energy Management

Club Med aims to reduce carbon intensity linked to the energy use of buildings. In 2018, 17% of electricity consumed came from renewable sources (EDF green certificates and hydropower produced in the village) and in choosing the renewable energy equipment, Club Med focused on already mature and high-yield technologies.

- 4% of the villages were equipped with photovoltaic panels (6,000 m^2) and 28% of villages were equipped with solar thermal panels (about 3,000 m^2) corresponding on average to about 20% of needs in sanitary hot water.
- 23% of villages had refrigeration heat recovery units (26% in 2017).
- Heat pumps were installed in 30% of villages (15% in 2017).

(2) Water Management

To control water consumption, Club Med has taken the following actions:

Reusing recycled water, curbing watering needs. Due to the fact that the operations are often in far-flung locations, from very early on Club Med has frequently had to "produce" its own water by drilling wells or through desalination (seawater or brackish groundwater). Water recycling is a common practice in the villages, especially those with green spaces where virtually all treated water is reused for irrigation. 39% of villages (excluding ski resorts) recycle their water for irrigation, 50% of villages (excluding ski resorts) use their own or purchased recycled water for irrigation.

Implementation of Efficient Equipment. Village facilities and equipment have been designed to control water consumption (flow regulators on taps, pressure reducers, water-saving flushing, centralized irrigation management systems, drip irrigation, etc.). In addition, maintenance work is performed regularly at all villages, such as repairing leaks in the water supply etc.

3 HAPPINESS ECOSYSTEM – YUYUAN

In 2018, Yuyuan completed a major assets reorganization and the real estate development projects under its management are committed to the concept of green design and green building. Yuyuan has incorporated the concept of environmental protection and health into the project development process. At the same time, as a global enterprise, Yuyuan's overseas projects also strive to perform energy conservation in buildings according to the requirements under the European and American laws and regulations and of the markets. Yuyuan's new green buildings in 2018 are as follows:

Project name	Total GFA (10,000 m^2)	Functionality	Green design certification level
Beijing Tongzhou IX-05 Project	21.3	Commercial, office	Beijing Two Star Green Building (北京市綠建二星), LEED Silver Certification standards (Pre-certification)
Beijing Tongzhou IX-08 Project	18	Commercial, office	Beijing Two Star Green Building, LEED Silver Certification standards (Pre-certification)
Wuhan Hanzheng Street T1/T2 Towers	124	Commercial, office, residential apartment	LEED Gold Certification (Pre-certification)
Jinan CBD Project	54.71	Commercial, office, residential apartment	A1-Grade and Thee-Star Green Office Building (A1超甲辦公樓綠建三星) (Pre-certification) Other Two-Star Green Buildings (Pre-certification)

In the operation course of its own commercial and office buildings, Yuyuan has actively and effectively managed water and electricity, recorded monthly data on consumption of water, electricity and gas, and strived to seek energy conservation and consumption reduction to minimize energy consumption and environmental impact. In 2018, Yuyuan's total investment in energy saving, water conservation and environmental protection reached RMB4.53 million.

In the process of real estate development, Yuyuan has actively reduced the impact on the surrounding environment, diminished the waste of resources and adopted measures to save energy and reduce consumption. Taking the construction management of the south and north plots of the southern headquarters as an example, the actions taken for energy conservation, water conservation, and resource recycling include (but not limited to):

- Reuse of templates and recycling of short tube materials can reduce waste;
- LED energy-saving lamps provide the lighting for the construction of the buildings;
- Pump the water accumulated in the basement for reuse;
- Install atomized spray system and washing equipment for slag vehicles, use mist cannon trucks, and be equipped with online PM2.5 monitor to monitor the dustproof effect in real time.

4 WEALTH ECOSYSTEM – NANJING IRON & STEEL

Nanjing Iron & Steel signed a carbon emission reduction purchase agreement with the World Bank, which was the first project in the steel industry of the "carbon financing" of the World Bank. The contract term of the project spans from 2010 to 2019, which is divided into 10 phases. At present, eight phases of inspections and contract performance have been completed.

Nanjing Iron & Steel cherishes fossil energy and water resources. In 2018, it carried out a lot of energy saving and water conservation work to further reduce energy consumption and water consumption. It invested RMB50 million in energy-saving renovation. Its annual quantity of energy saving is about 30,000 tons of standard coal, and the energy consumption per ton of steel continues to decrease. In order to reduce the dependence on fossil energy, from 2017 to 2018, Nanjing Iron & Steel conducted the on-site investigation and the preliminary design for a photovoltaic power generation project which will be developed in 2019. It made some breakthroughs in the specific technology of water-saving, and has achieved an annual saving quantity of 890,000 tons of industrial clean water and 16.11 million tons of circulating water. The water consumption per ton of steel decreased by 0.6 tons compared with that over the same period of last year. All of its indicators are superior to Grade I benchmark value of the national evaluation index of cleaner production in the steel industry.

The completed work of water conservation and energy saving includes (but not limited to):

Water conservation projects

- The production plants reconstructed the underground pipe network to the overhead pipe network, reduce water leakage on the site, eliminate the discharge of the cooling water, and the length of the pipeline replaced during the year reached about 5,000 meters;
- Reduce the amount of the reused water and fresh water by strengthening source water reduction and internal drainage quality control.

Energy saving projects

- The upgrading of the fuel plant's cooling tower turbine; the second sintering plant's frequency conversion transformation and annular cooling and air leakage control; the upgrading of electrode automatic adjustment system of the third steelmaking plant's electric furnace; the spraying on the 50,000 kw No.2 furnace; the phase transformation of No.3 furnace in the power plant; the air leakage repair of the first sintering plant's annular cooler; the third steelmaking plant's water bag capping; the small bar factory's frequency conversion transformation; the upgrading of the induced draft fan on the strip steel plant's heating furnace; the restructuring of oxygen production and low-pressure oxygen-enrichment and other projects.

The water consumption and energy consumption indicators of Nanjing Iron & Steel are as follows:

Indicator name		**2018**	2017	2016	Grade I Benchmark Value of the National Evaluation Index of Cleaner Production in the Steel Industry
Water consumption	Fresh water consumption per ton of steel (m^3/t of steel)	**1.95**	2.57	3.15	≤3.5
Energy consumption	Comparable energy consumption (ton of standard coal/t of steel)	**0.489**	0.5080	0.5274	–

Through unremitting efforts, Nanjing Iron & Steel won the title of "Green Factory" at the national level in 2018, and its No. 2 Converter of the First Steelmaking Plant and No.5 Blast Furnace of No.2 Ironmaking Plant respectively won the titles of champion furnace and winner furnace in the "National Energy Saving and Consumption Reduction Competition for Key Large Energy-consuming Steel Production Equipment", and Nanjing Iron & Steel became the "National Energy Saving and Emission Reduction Demonstration Base in the Metallurgical Industry" and the first "Pilot Unit for the National Circular Economy Standardization" in the steel industry of China.

5 WEALTH ECOSYSTEM – HAINAN MINING

Hainan Mining continued to make efforts in energy saving and emission reduction, and divided the target amount of energy saving and consumption reduction so that each factory and workshop took a share. Hainan Mining actively carried out comprehensive projects of water resources utilization. Its resource use and energy consumption situations are as follows:

Resources use, energy consumption	**2018**	2017	2016
Annual output: Finished iron ore output (10,000 tons)	**212.79**	400.29	290.58
Industrial electricity consumption (MWh)	**175,600**	189,220	87,190
Industrial electricity consumption intensity (kWh/t)	**82.52**	47.27	30.01
Gasoline (ton)	**137.15**	198.74	240.63
Gasoline consumption intensity (ton/10,000 tons)	**0.64**	0.50	0.83
Diesel (ton)	**3,388.69**	3,394.38	3,709.91
Diesel consumption intensity (ton/10,000 tons)	**15.93**	8.48	12.77
Water consumption (ton)	**439**	332	210
Water consumption intensity (ton/10,000 tons)	**2.06**	0.83	0.72
Recycled water utilization rate	**89.6%**	91.8%	91.5%

The energy consumption by Hainan Mining mainly came from industrial electricity consumption. In 2018, the industrial electricity intensity increased compared with that of the previous two years, and the main reason was that the production model of Hainan Mining was changed completely from open-pit mining to underground mining in 2018.

VI Health and Safety Management

The Group regards health and safety management as a top priority and has set a goal of "zero occupational disease" and "zero occupational death". A safety production responsibility policy has been formulated, which clarifies the punishment mechanism of production accident, implements "the person in charge is responsible" and "regional responsibility system". The objects of punishment include the top management of the Group, the top management of the business segments, and the top management of the core holding companies, and the persons in charge of the production plants, and such punishments shall be strictly supervised and implemented by the EHSQ & Supply Chain & Project Operation Department of the Group. In order to ensure the legal and compliance operations of companies under the Group, effectively reduce and eliminate the risk for EHS, and deliver on the Group's commitment of social responsibilities with respect to EHS, the Group launched the "Manual of Fosun Group EHS Management System" and the framework standards for evaluating the system in 2013. This system is based on the occupational health and safety management system, environmental management system and national safety production standards, including 5 major parts, namely systemic management elements, environment, safety, occupational hygiene, firefighting and loss prevention. According to the assessment score of each item, the actual management status of the EHS management level, equipment, technology and personnel operations of the enterprises under the Group are classified into 5 score levels (0-1.5, 1.6-2.5, 2.6-3.5, 3.6-4.5, 4.5-5) based on which a quantified assessment will be conducted. Enterprises with relatively low scores (less than 1.5) will be classified as "red light" enterprises and brought under close supervision. At the same time, linking the audit results with the economic evaluation of the leaders of the units under review, it effectively ensures that the EHS management standard system is effectively implemented in companies under the Group. While actively implementing the EHS management system framework standards, the Group also actively encourages its subsidiaries to obtain the occupational health and safety management system certification and national safety production standardization certification. As of the end of the Reporting Period, 26 enterprises had obtained the occupational health and safety management system certification, and 31 enterprises had obtained the Grade II national standardization certification of safety production. During the Reporting Period, the Group strictly abided by the relevant laws and regulations such as "Safe Production Law of PRC" (中華人民共和國安全生產法), "Prevention and Control of Occupational Diseases Law of PRC" (中華人民共和國職業病防治法), "Labor Law of PRC" (中華人民共和國勞動法), etc.

Based on the original regulations of environment, health, safety & quality management, the Group has formulated the new environmental, health and safety assessment rules for enterprises, business departments and functional teams, which will be officially implemented in 2019:

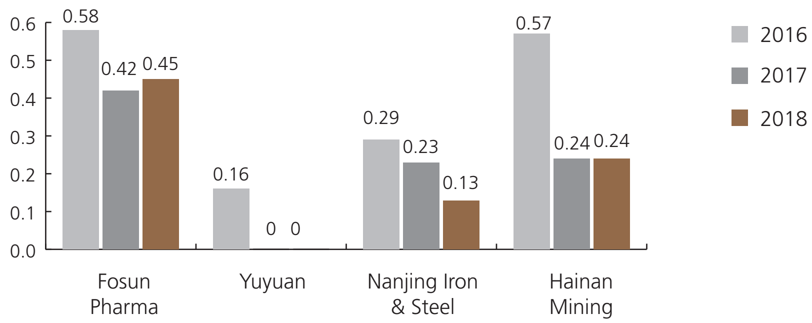
(1) If there are any incidents of safety and quality, environmental pollution, violations of the disciplines, and negative media reports, having a bad impact on the Group, or the relevant enterprises, business departments and functional teams fail to properly process the crisis events, their scores will be deducted by the Board upon assessment and review according to the severity of the consequences, and the deduction range is 1 -10 points; if the consequences are severe, their annual performance bonus for the current year can be cancelled.

(2) If the partners committing major violations such as major casualty accident, major equipment accidents, major fire accidents are punished by the regulatory or judicial authorities, their performance for the current year will be zero.

The Group is committed to providing employees with a safe and comfortable working environment. In order to link up with the international safety performance indicator system, the Group issued the "Management Procedures for Occupational Health, Safety and Environmental Protection Performance Indicators under the Fosun Group Special Safety and Environmental Protection Standards" in September 2016, requiring all companies under it to report EHS performance indicators such as lost-time accidents and fatalities and the frequency of lost-time injuries, and established the online reporting system to further enhance and refine the EHS management.

In 2018, the Group did not have any full-time employees who died due to work. From the overall trend, the lost-time injury rate in all segments also showed a declining trend year by year, and was under better control. In the past three years, the lost-time injury rates of full-time employees of the Group's major invested companies, namely Fosun Pharma, Nanjing Iron & Steel, Hainan Mining, and Yuyuan, were as follows:

Total lost-time injury rate (1 million of working hours)



Note: The formula for calculation of the total lost-time injury rate (1 million of working hours) of the Group is as follows: The total lost-time injury rate (1 million of working hours) = (Number of lost-time injury accidents/the total number of actual working hours) ×1,000,000

The Group attaches great importance to the rectification of potential hazards in safe production, and conducts supervision over and audit of the safety costs of enterprises in high-risk industry to ensure that enough spending is to be made.

Safety Production Investment (RMB)*	2018	2017	2016
Fosun Pharma	**38.43 million**	39.2 million	31.6 million
Nanjing Iron & Steel	**74.0 million**	33.0 million	30.0 million
Hainan Mining	**12.3 million**	9.9 million	10.2 million

* Yuyuan provided expenses for its real estate projects to carry out safe and civilized construction measures fee in strict accordance with national standards and required its contractors to provide expenses for safety measures according to the Interim Measures for the Financial Management of Safe Production Expenses of Enterprises in High-risk Industries (Cai Qi [2006] No. 478).

In terms of occupational health and safety, the Group selects Nanjing Iron & Steel, Hainan Mining and Yuyuan with high occupational health and safety risks in the EHS&Q risk management matrix for summary disclosure of important information.

1 WEALTH ECOSYSTEM – NANJING IRON & STEEL

Nanjing Iron & Steel puts the health and safety of its employees first, makes efforts to firmly establish the awareness of danger, adheres to safety hazard checks, keeps the bottom line preventing major accidents, and sets up the goals with zero casualty accident, zero major production accident, zero major equipment accident, zero major traffic accident, zero major fire and explosion accident and zero major poisoning accident. In 2018, Nanjing Iron & Steel revised the "Safety Responsibility Policy for All Employees" and formulated the "Measures for Economic Assessment and Investigation of Safety Management Responsibility" which clearly states the safety performance assessment, and the results of such assessment are one of the important contents for evaluating the performance of the production management and are related to the granting of bonus. Nanjing Iron & Steel insists on taking the Group's EHS management system as its starting point, continues its investment in occupational health and safety, and adheres to the implementation of intrinsic safety management and major hidden danger solution.

(1) Safety culture construction

Nanjing Iron & Steel establishes the EHS culture with "management emphasis and employee participation". Focusing on the theme of "fully implementing the main production safety responsibility of an enterprise", Nanjing Iron & Steel conducted a large number of safety, emergency and occupational health activities such as "Safe Production Month", "Safety Help Day", "Safety Star" rating, and "Emergency Skills Competition", "Ankang Cup", "Sharing One Safety Accident Each Day", Safety Hazard "Exposure Platform", safety Oath, etc., and completed extensive publicity of the aforesaid activities. In addition, safety training was carried out at different levels, and a total of more than ten thousand trainees were involved in the training throughout the year, including management personnel, full-time safety officers, hazardous chemicals management personnel, special operating personnel, related parties and migrant workers. Nanjing Iron & Steel ensured that the certificate-taking employment rate is 100% and the safety training rate is 100%.

(2) Take safety control measures

In order to discover and solve the hidden safety dangers from the source, Nanjing Iron & Steel invested RMB60 million in the rectification of safety hazard, and organized several internal and external professional third-party organizations to assess the position risk and evaluate the safety situation, and formulated risk reduction and control measures based on the assessment findings. All observations and minor non-compliance have been corrected.

- Nanjing Iron & Steel took special management measures such as gas management, molten metal management, limited space operation management, fire operation management, and management of major hazardous source warehouse areas for high-risk operations;

- Nanjing Iron & Steel strictly implemented the three-level spot check system for special equipment, and carried out special inspections of special equipment such as lifting machinery, elevators, pressure vessels and pressure pipes, and the pass rate of special equipment in inspection is 100%;

- Nanjing Iron & Steel conducted 156 site emergency response trainings and drills throughout the year, and revised and improved the emergency plans, including 28 comprehensive plans, 30 special plans, and 88 on-site response plans;

- Nanjing Iron & Steel conducted lots of mechanical protection transformations, and used robots to replace personnel in hazardous areas for operations, which reduced human-machine contact and lowered the risk of mechanical injury, and used intelligent technology and IOTs means to discover and eliminate unsafe human behavior and the unsafe state of the objects, thereby improving the level of safety management.

(3) Safety supervision

Nanjing Iron & Steel strictly conducted the safety supervision performance evaluation and focused on the implementation of safety management control of high-risk operation projects on the monthly basis. In the middle and at the end of the year, the Safety, Energy and Environment Department of Nanjing Iron & Steel respectively conducted comprehensive audits of environment, health and safety for 4 business divisions and 24 production plants during 50 days. In November 2018, the Group's EHSQ & Supply Chain & Project Operation Department respectively conducted audits of environment, health and safety in the middle bar plant and the bar material plant and the Second Ironmaking Plant of Nanjing Iron & Steel. The safety supervision provided a strong guarantee for the safety management of Nanjing Iron & Steel.

(4) Safety management of related parties

Nanjing Iron & Steel attaches great importance to the safety management of related parties and considers the safety of relevant parties as important as that of full-time employees.

- Nanjing Iron & Steel formulated management systems for related parties, of which the "Measures for Integrated Management of Labor Service and Outsourced Personnel" requires "consistency in eight aspects", i.e. keeping consistency in appraisal and accountability, personnel management, technical training, operating standards, work requirements, safety activities, pre-work meetings, and violations punishment for related parties and full-time employees; while the "System of Review on Dangerous Operation Scheme and Construction Permit Approval" requires strengthening the review of the safety conditions before construction, and prohibits unqualified projects from construction;

- Nanjing Iron & Steel assessed the performance of related parties, safety being one of the KPIs, and ceased to renew contracts with the parties at the bottom of the assessment list;

- Nanjing Iron & Steel controlled the operation of relevant parties in the whole process, strengthened the fixed-point monitoring of dangerous operations and performed inspections by regions and specialties;

- Nanjing Iron & Steel increased the safety awareness and safety management capability of related parties, and carried out special safety training and exams for the leaders, project managers and safety production management personnel of units engaged in labor service, construction, outsourced maintenance, transportation maintenance, and specialized operations, as well as refractory material suppliers, supervision companies.

(5) Safety management performance

Each production plant of Nanjing Iron & Steel continued to work on safety production standardization, and 23 production plants of 8 units have obtained the Grade II national standardization certification of safety production. In 2018, Nanjing Iron & Steel successfully passed 23 safety inspections with high intensity and at high frequency by relevant authorities at the national, provincial and municipal levels. Nanjing Iron & Steel had no major safety hazards and no obsolete or backward technology. In 2018, no full-time employee died due to work, and the deaths of related parties has dropped to one person.

(6) Occupational health management

Nanjing Iron & Steel puts emphasis on the health of employees, and its work on occupational health management is as follows:

- Nanjing Iron & Steel prevented occupational diseases in the very beginning. It has invested RMB14.04 million to purchase personal protective equipments for employees throughout the year, and carried out "three synchronization system", i.e. using occupational disease prevention facilities in all new, modified and expanded projects with occupational disease hazards;

- The occupational hazards of Nanjing Iron & Steel are mainly dust and noise. In 2018, a series of occupational hazard control measures were launched, including (but not limited to): the lime dust treatment project for the Second Sintering Plant, the No. 2 fuel dust removal, expansion and reconstruction project for the First Sintering Plant, the integrated noise control project for the Second Ironmaking, etc.;

- To enhance the occupational health awareness of all employees, the senior management and occupational health management personnel of Nanjing Iron & Steel and related parties were strictly required to receive training and obtain certificates through examination. Each plant conducted trainings for ordinary employees, and thus a total of 7,223 full-time employees and 9,050 employees of related parties were trained;

- In 2018, it invested RMB2.3 million for occupational health surveillance, and strengthened the occupational health management of employees from related parties, and issued the "Notice on Further Strengthening the Occupational Disease Prevention and Occupational Health Monitoring of Labor Services and Cooperative Units". All employees who exposed to occupational hazards received annual occupational health checks. The occupational health check involved 6,371 full-time employees and 12,207 employees from related parties. The results showed that there were no occupational diseases, and 29 of them who had occupational contraindications have been transferred to other positions in time;

- It was awarded the title of "2017 Advanced Unit for Prevention and Control of Occupational Diseases in Jiangsu Province" issued by Jiangsu Provincial Centre for Disease Control and Prevention.

Personal protective equipment training


Safety training

2 WEALTH ECOSYSTEM – HAINAN MINING

Hainan Mining values safety production and occupational disease prevention and has set a goal of "zeros in five aspects": zero accidental death, zero serious injury, zero major equipment accident, zero major fire accident, and zero new occupational disease, and identified the requirements of "100% in five aspects": 100% of the accidents reporting rate, 100% of the rate of special operators with certificates, 100% of the pass rate of new employees' safety training, 100% of the rectification rate of general hidden peril, and 100% of the signing rate of safety responsibility certificate by all employees and related parties. On 29 December 2017, the President of Hainan Mining and 11 executives of its second-level units (departments) signed the "2018 Safe Production Responsibility Certificate", which decomposed the safety assessment indicators, specified the responsible person for safety production, and linked the safety rewards and punishments with the results of safety assessment on responsible persons, and implemented the "one-vote veto" system in various evaluations for advanced performance. In 2018, Hainan Mining changed its organizational structure, and at the same time completely sorted out the original rules and regulations on safety and environmental protection, among which 51 rules and regulations have been revised and improved. A total of RMB12.28 million was invested in safety production and occupational health management throughout the year.

(1) Safety culture construction

- Hainan Mining intensified EHS trainings and expanded the trainees to the principal heads, safety management personnel, new recruits, transferees from other positions, team leaders and post operators of Hainan Mining and its second-level units, and 4,205 person-times were trained throughout the year;

- Hainan Mining launched activities such as "Safety Production Month", "Zero Incident in 100 Days", "Ankang Cup" Competition, "Safe Production Law" Publicity Week, "Safety Knowledge Competition", "Job Safety Skills Competition", "Creating Safety Production Excellent Team" and other activities.

(2) Take safety control measures

- Hainan Mining carried out company-wide hazard (harmful) factor identification and risk assessment, classified the identification unit of the entire production system according to the characteristics of the production process and operation mode, screened and identified various hazard (harmful) factors in each position and each production link in an all-round and careful way, and firmly and effectively promoted the construction of the company's dual prevention mechanism;

- Hainan Mining implemented safety projects such as flood control projects, flood control ditch cleaning, slope protection projects, and stope backfilling works.

(3) Safety supervision

The senior management of Hainan Mining leads a team to conduct an inspection every half a year. The safety and environment department carries out special inspections every month and daily safety inspections. Each unit conducts monthly inspections led by leaders, and the company's special group conducts semiannual inspections, quarterly inspections and temporary inspections. In the meanwhile, it will strengthen the internal audit of the EHS system.

(4) Safety management performance

The goal of "zero accidental death, zero serious injury, zero major equipment accident, and zero major fire accident" was reached. There were 2 minor injuries in 2018, one injury fewer than 2017.

(5) Occupation health management

- The main occupational hazard factors of Hainan Mining are dust and noise. The company has put an annual investment of RMB2.75 million to strengthen the occupational hazard detection of workplaces, actively improved the working environment of employees, and built new facilities such as soundproof rooms, dust collectors, device for wet operation and airtight covers to reduce the exposure of personnel to noise, dust and other harmful factors;

- Hainan Mining launched the publicity week of "The Law on Prevention and Control of Occupational Diseases", and disseminated relevant knowledge on occupational disease prevention and treatment to employees;

- All employees exposed to occupational hazards accepted the annual occupational health check. It has arranged for a total of 2,553 employees and off-the-job employees who are and were exposed to occupational hazards to have occupational health checks. There was no new occupational disease case found in 2018.

3 HAPPINESS ECOSYSTEM – YUYUAN

Yuyuan attaches great importance to EHS management on its real estate construction projects, and makes efforts to firmly establish the awareness of danger, adheres to safety hazard checks, and keep the bottom line, i.e. no deaths and major fire accidents. In 2018, the responsible personnel of real estate construction at all levels signed the "Safety Responsibility Agreement", and continuously improved the EHS management system and guidelines for safe and civilized construction operations. On the basis of the original EHS system and guidelines, the "Safety Management System for General Contracting", "Guidelines for Safe and Civilized Construction Operations", "Details on the Use of Safe and Civilized Construction Measures Fee" and "Guidelines for Construction of Smart Sites" have been added.

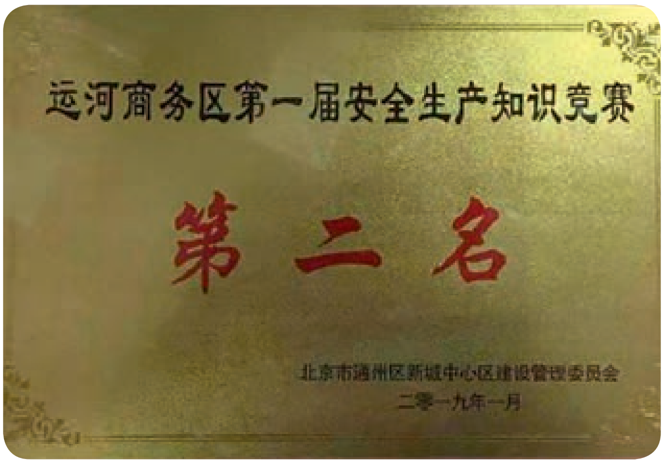
(1) Safety culture construction

A life-cycle EHS culture has been built up. A large number of safety, emergency and occupational health activities have been carried out, such as "Safety Production Month", "119 Fire Service Day", "Excellent Teams and Individuals on Safety Production" and other activities. It has organized standard safety operations training, deep foundation works training and other safety trainings to ensure 100% safety training rate.

(2) Safety control

In addition to the internal operational safety inspections on a year, a quarter, a month, and a week basis, a third-party professional organization was engaged to evaluate the safety status of the project site, general contracting safety scheme, and supervision safety measures. Moreover, intelligent means were adopted for safety management, which developed risk reduction and control measures through comprehensive inspection and multi-dimensional assessment to reduce potential hazards.

safety production standardized site award



safety production knowledge competition award

(3) Key safety supervision of high-risk large projects in multiple businesses

For a construction project with an area of more than 200,000 square meters involving multiple businesses, such as: Wuhan East District, Chengdu Financial Island, Chongqing Jiefangbei, Guangzhou South Headquarters and other commercial complexes, super towers, Grade A office buildings, etc., Yuyuan analyzed 56 major security risk nodes in different engineering stages, and formulated safety management and control measures according to the phases of earth excavation, pile foundation enclosing, main body, second structure, installation, decoration and landscaping, so as to achieve the goal of no major safety accidents throughout the year.

(4) Safety management of related parties

Yuyuan pre-checked the safety qualifications and capabilities of related parties to ensure that the rate of related parties' employment with certificate is 100%. The contract also expressly set out the safety standards, the investment of safety measures, and the work contents and responsibilities at different stages for the related parties, so that EHS control was integrated into the project life cycle.

(5) Safety management performance

As of the end of 2018, there were no casualties. In 2018, the Tongzhou Canal 06 plot in Beijing was awarded the "Site of Standardized Safety Production of National Construction Project" issued by the Construction Safety Branch of China Construction Industry Association. Shanghai Songting 6-2 Project was on the list of Shanghai Safety and Civilization Site, and Chengdu Financial Island Phase II was recognized as the Standardized Site in Sichuan Province in 2018.

(6) Occupation health management

Yuyuan pays attention to the occupational health of the on-site employees, and specifies the details and standards of personal protective equipment necessary for occupational health in the contract's safety measures. In addition, the welders, workers of internal and external walls and other positions involving occupational hazards are provided with pre-post occupational health training and receive hazard notification.

VII. Product Liability

1 QUALITY EMPOWERMENT – PROMOTE LEAN SIX SIGMA PROJECT

The Group issued a document in March 2017 to formally establish the Lean Six Sigma Management Promotion Committee and working group, and selected Fosun Pharma, Nanjing Iron & Steel, Hainan Mining and other enterprises to conduct pilot projects. In 2018, the Group has carried out a total of 494 Lean Six Sigma projects and generated direct economic benefits of more than RMB193.6 million (based on the results of financial audits for related business entities). Indirect benefits to the Group include all-round improvement of performance, certain breakthroughs in lean production, lean supply chain, lean marketing and lean design of new factories. It has also trained a group of Lean Six Sigma management talents for the Group, adding 10 black belts and 147 green belts.

2 QUALITY MANAGEMENT

In order to implement the grand strategy of "Centred around family, deeply rooted in china, innovating a global happiness ecosystem" and strengthen the product quality and safety management of the Group's member enterprises, the Group updated the "Implementation Rules for Major Quality Accident Reporting of Fosun Group" (復星集團重大質量事故上報實施細則) in 2016, and issued the "Fosun Group's Guidelines on the Establishment of Product Recall System of Member Companies" (復星集團關於各企業建立產品召回制度的指引) in 2017. The Group requires that a management system must be established for products in those industries for which the state has issued product management measures, such as medicines, food, medical equipment, children's products, etc., as well as the iron and steel and clothing industries. Each member company has established and improved their own product management systems in compliance with product management measures practiced in relevant countries or industries and according to the Group's above product management system guidelines. The Group established the Customer Service and Product Quality Supervision Department in 2018 and issued the "Regulations on Global Customer Service and Product Quality Supervision Management" (全球客戶服務與產品質量監督管理規定) to further promote the Group's user experience and product strength. During the Reporting Period, the Group strictly abided by relevant laws and regulations such as the "Product Quality Law of PRC" (中華人民共和國產品質量法) and the "Food Safety Law of PRC" (中華人民共和國食品安全法), etc.

Quality investigation and surprise checks are conducted to drive member companies to improve their quality management system. Measures taken include but not limited to incoming stock examination, production process control, finished product check and logistics monitoring. Key quality indicators of each company are established after taking into account the characteristics of that company and are tracked on a monthly basis. In 2018, the quality management of member companies of the Group achieved good results, especially in terms of quality system establishment and certification, supplier management, product safety mechanisms, quality and safety training, user complaint/return goods handling, customer satisfaction, etc. In terms of quality management, we selected companies with high quality risk in the EHS&Q risk management and control matrix diagram, namely, Fosun Pharma of Health Ecosystem, Nanjing Iron & Steel of Wealth Ecosystem, Yuyuan and FTG of Happiness Ecosystem as representatives to elaborate.

HEALTH ECOSYSTEM – FOSUN PHARMA

(1) Provide quality products and services

In 2018, Fosun Pharma's domestic pharmaceutical member companies were sampled 458 times by the government regulators and no nonconformity reports were reported. In 2018, no products of member companies were officially declared as unqualified products. In 2018, 11 member companies engaging in medical devices in China accepted and passed a total of 37 inspections of various authorities. Shanghai Fosun Pharmaceutical Industrial Development Company Limited successfully obtained the supplementary approvals for the applications for meloxicam tablets in January 2018, and officially became the first pilot company in Shanghai to obtain the MAH approval.

(2) The establishment and certification of quality system

In 2018, Fosun Pharma's domestic pharmaceutical member companies accepted a total of 102 official inspections and successfully passed 101 times. Among them, the GMP certificate of Chongqing Pharmaceutical Industry Research Institute Co., Ltd.'s aripiprazole bulk drug was revoked. Then it has completed the rectification work, and gained the GMP certification once again in March 2019. At the of the end of 2018, a total of 70 preparation production lines and 60 active pharmaceutical ingredient (API) products of Fosun Pharma's domestic pharmaceutical subsidiaries received China 2010 GMP certification with a total of 50 certificates.

With the implementation of internationalization strategy of Fosun Pharma, its subsidiaries significantly step up the pace of internationalization. As of the end of the Reporting Period, 11 APIs of Fosun Pharma's domestic pharmaceutical subsidiaries have gained the certification from the national regulatory authorities in various countries such as the FDA of United States, European Union, Japan's Ministry of Health, Labor and Welfare (MHLW) and Germany's Federal Ministry of Health. 1 solid oral dosage production line, 3 injection production lines and 5 APIs of Guilin Pharma passed the inspection for WHO-PQ Certification. 1 solid oral drug production line of Yao Pharma received the certification from Health Canada and the FDA of the United States. Among them, Gland Pharma, an overseas member company of Fosun Pharma in India was recognized by the world's major regulatory market regulators in 2018, including the US FDA, EU EMA, UK MHRA, Japan PDMA, Australia TGA, Germany BGV, Brazil ANVISA, passed various inspections for GMP Certification for a total of 12 times.

(3) Supplier management

All subsidiaries of Fosun Pharma have formulated their supplier management procedures and established the supplier quality annual review system, and perform various supplier audits (such as on-site quality audits, questionnaire audits and phone audits) prior to determining a qualified supplier based on the principles of fair bidding, procurement through tender and quality as first priority, to ensure the quality and safety of drugs from the source.

(4) Product safety mechanism

Fosun Pharma values quality risk management throughout the life cycle of its products and has strict quality and safety management mechanisms in place in terms of product R&D, clinical trial, technical transfer, production and manufacturing, marketing and sales, etc. to ensure the safety in the process of R&D, production, sales, recall or market withdrawal of medicinal products and medical devices. Fosun Pharma cares about medication safety for patients and values the strict monitoring and reporting of adverse drug reactions as well. In 2018, Fosun Pharma continued to strictly implement the "Adverse Drug Reaction Reporting and Monitoring Management System" and asked each of its pharmaceutical member companies to report adverse drug reactions as soon as they become aware of the adverse drug reactions. Pharmaceutical subsidiaries implement "zero-reporting" management for adverse reactions according to the requirements of the adverse reaction monitoring procedures of Fosun Pharma. That is, pharmaceutical member companies shall submit the adverse reaction information sheet to the Group in the beginning of every month even if there is no adverse reaction. For new or serious adverse reactions, reporting must be completed within prescribed period, and pharmaceutical subsidiaries are required to report to the management department of the Group within prescribed period to ensure that all information of adverse drug reactions are collected and handled in a timely manner. Fosun Pharma also conducts intensive monitoring on key products and requires the pharmaceutical member companies to take proactive measures to minimize the incidence rate of adverse reactions.

In 2018, Fosun Pharma deployed a life-cycle of pharmacovigilance management. From the development of new drugs to the marketing of drugs, it has established a comprehensive pharmacovigilance system with reference to international standards. From the aspects of organizational construction, process system construction, drug alert data management system construction and quality system construction, the functions of pharmacovigilance operations, scientific support to pharmacological alert, pharmacovigilance compliance and education have been improved.

In 2018, in strict accordance with the requirements of the "Adverse Drug Reaction Reporting and Monitoring Management Measures" of China, the pharmaceutical member companies of Fosun Pharma have collected adverse drug reactions information and have reported all the information in a timely manner. There were no adverse reactions events or deaths caused by drugs with quality defects. A total of 65 adverse drug reactions events collected voluntarily by Fosun Pharma were truthfully reported online to the national adverse reaction database and properly handled.

(5) Quality training

Fosun Pharma focused on quality training. In order to continuously enhance the standards for quality management systems, facilitate the employees to absorb the latest quality ideas, and consolidate standard operating procedures, Fosun Pharma has further promoted the awareness of corporate compliance operations through internal training and external training on introduction of regulations. Key production quality managers are sent to attend professional forums and trainings on specific topics such as risk management, production, change of techniques, verification and change management of sterile preparations on the one hand, and all staff within these enterprises participate in management training on the 2010 GMP and training of standard operation procedure on the other hand. In addition, Fosun Pharma also invited pharmaceutical industry experts to jointly organize the Aseptic Technology Forum and Data Reliability Technology Forum, and organized EU regulations training. In 2018, each person in pharmaceutical member companies received more than 44 hours of quality training on average, increased by 9 hours per person compared with 2017.

(6) Handling of users' complaints and returned goods

On the basis of the customer complaint system of member companies, in 2018, the headquarters of Fosun Pharma also established a customer complaints & consultation system. In 2018, the domestic pharmaceutical member companies of Fosun Pharma received a total of 25 complaints related to product quality, a decrease by 49% as compared with 2017; the device member companies of Fosun Pharma received a total of 281 complaints related to product quality. All of the complaints were replied to and handled.

WEALTH ECOSYSTEM – NANJING IRON & STEEL

(1) Provide quality products and services

In 2018, Nanjing Iron & Steel received random checks 6 times made by the state or provincial government, and 17 products, including bearing steel, hot-rolled reinforcing steel, spring steel, and bridge steel, passed the inspections with a sampling pass rate of 100%.

In 2018, the patent application of Nanjing Iron & Steel broke the historical record, with 257 domestic patent applications, 26 PCT foreign patent applications, and 118 authorized patents. For the first time, the number of patents exceeded the thousand mark, reaching 1,011.

In 2018, two products of alloy structural steel round bar for cold-wearing and cold-rolled steel wire rods won the "Quality Products of Metallurgical Industry"; one product of nickel alloy steel plates for low-temperature pressure vessels won the "Double Hundred Brand" of high-end manufacturing in Jiangsu Province and the "100 Best Names of Famous Brand Products of Jiangsu, Zhejiang, Anhui, Jiangxi and Shanghai"; the four products of high-strength wear-resistant steel plates for construction machinery and hot-rolled ribbed steel bars for reinforced concrete have won Jiangsu famous brand products.

(2) Establishment and certification of quality system

In 2018, Nanjing Iron & Steel successfully carried out 292 steel product (26 types) certifications. In 2018, steel plate and steel long products of Nanjing Iron & Steel passed the second-party certification and review of 62 well-known domestic and foreign enterprises, of which acid-resistant pipeline steel has been certified by Saudi Aramco after efforts of 8 years, becoming the first certified steel company in China.

Description of relevant system certifications in 2018 are as follows:

- Successfully passed the ISO9001:2015 new version of the quality system conversion certification;
- Successfully passed the IATF16949:2016 new version of the quality system conversion certification;
- Established and operated ISO/TS 22163:2017 railway industry management system.

(3) Supplier management

Nanjing Iron & Steel conducted system audits on key stages of workflow such as raw material procurement from suppliers, production process control, and ex-factory inspection to improve and optimize suppliers' quality and process control capabilities. In 2018, Nanjing Iron & Steel added 78 new suppliers and conducted a total of 89 reviews over suppliers. Of these, 78 were for the access approval of suppliers, and the pass rate was 97.4%. The suppliers were reviewed by second party for 11 times and the pass rate was 100%.

(4) Quality training

Nanjing Iron & Steel formulated and improved the "Employee Education and Training Management Measures" (《員工教育培訓管理辦法》) and other systems and established a complete employee training system. The company stresses quality training and focuses on aspects including quality (including systems), quality awareness, and job skills. In the whole year of 2018, there were more than 6,990 person-times of quality training, more than 1,620 person-times of quality management training, and more than 130 person-times of internal auditors training. Through the theory test, certificate obtaining, and organizers' evaluation of training, etc., the training effect is evaluated to ensure that the training achieves the desired effect, and complete the annual quality goals.

(5) Handling of users' complaints and returned goods

Nanjing Iron & Steel has established the concept of "customer first, product first", established and strengthened pre-sales and after-sales service management on the basis of the original information platform, so that user management runs through the entire sales process, and regulates the life cycle of user service. Nanjing Iron & Steel has set up a third-party customer complaints platform to collect users' complaints, suggestions, questions and appeals, and makes effective responses to them without letting users feel that the company tries to pass the buck. Relevant persons in charge respond to users' complaints as they receive such complaints, and handle them within 24 hours in principle. The relevant management department will reply for users' surveys, visits, consultations, complaints, and handling results and will centralizedly close such cases.

In 2018, the products quality of the company was steadily improved and there were no major complaints from customers throughout the year. The amount of compensation for quality objection per ton steel was RMB0.58/ton lower than the target. Users generally believed that Nanjing Iron & Steel's technical support and service work was timely and satisfied with the complaint processing results.

(6) Increased customer satisfaction

The company conducts two customer satisfaction surveys each year, covering domestic and foreign strategic and key customers. In the whole year of 2018, the overall customer satisfaction score was 94.53, which was 0.54% higher than that of the last year. In the past three years, the composite satisfaction score was 94.2, and a customer satisfaction survey report was formed. The company analyzes the problems occurred in the survey, prepared a rectification analysis report, organizes related units to implement rectification and give feedbacks, and reviews the rectification to form a closed-loop management.

HAPPINESS ECOSYSTEM – YUYUAN

The Yuyuan real estate quality management implements the awareness of "quality is benefit". By introducing an external third-party quality quarterly inspection system, it is horizontally connected with the external parties, finds gaps, finds pain points, moves management priorities forward, and engages in post-management to ex ante control. Quality control runs through the entire construction process. It implements the large operation management system, according to the characteristics of the project, focuses on quality control, plans ahead, and formulates plans; before the process construction, the sample guides, the sample passes, and is fully rolled out.

In 2018, the Yuyuan real estate business has won various awards. For example, Shanghai Songting 6-2 Project won the "Quality Structure Award in 2018 of Shanghai"; Changsha Xingguang Tiandi was recognized as "Excellent, Safe, Civilized, and Standardized Site in Construction, Quality, and Management" by the Quality Supervision Station and Security Inspection Station under the Changsha Municipal Housing Construction Committee; Beijing Tongzhou 06 plot won the "National Safe Production Standardized Site (formerly National AAA Grade Safety and Civilization Site)", and the AC Building won the "Beijing Structure "Great Wall Cup" Gold Award", while BD Building won the "Beijing Structure "Great Wall Cup" Silver Award".

The Forte Financial Island project focuses on finance and builds the first "Hive City" project of Yuyuan in the southwestern region. The Forte Financial Island, located at the core of Chengdu Financial City, is surrounded by Chengdu's mother river Jinjiang. It is the only CBD island in China. The businesses cover Super A, Grade A office building, apartment, hotel, commerce, performing arts, residential property, kindergarten. The project has won the provincial high-quality structure, Sichuan Province observation site of quality and safety standardization, and outstanding projects of construction quality and safety in Chengdu high-tech zone.

HAPPINESS ECOSYSTEM - FTG

FTG places a high priority on product and service excellence for the customers of FTG. To fulfill product responsibility, FTG clearly communicates with, build capacity in and receive vigorous support from employees, customers and supply chain.

The quality and reliability of sales information is an essential condition of a relationship of trust between a company and its customers, especially when it comes to products involved in vacations.

In light of this, and of its strong brand awareness and reputation, FTG relies on a specific process managed by marketing department, and on the various departments, including the legal department, to ensure that promotional materials are reliable and do not contain exaggerated promises. This includes making sure that the terms and conditions of sale provided for products and services are clear, complete, reliable and comply fully with all applicable tourism legislation and regulations.

For service quality, FTG gathered feedback via "GM Feedback", thereafter, customer service department in France handles customer feedback, monitors and manages quality, and provides operations staff with monthly feedback reports. Concerning the "GM Feedback", in 2018 the rate of "very satisfied" from the Club Med customer is slightly above comparing with 2017. Furthermore, the "Quali-Signs" quality standards are in all villages and compliance with these standards is managed through staff training and various forms of monitoring.

PRIVACY PROTECTION

To support the goal of products capability building, industry operation and value creation, one of the Group's key missions is to strictly protect user data and all other sensitive information and prevent them from leakage. After considering products and services in a comprehensive manner, the Group has incorporated applicable regulatory laws and regulations for privacy protection into its internal compliance policies and strictly adheres to them. In 2018, the Group did not receive any complaints from regulators about infringement of customer privacy and information leakage.

The Group regularly provides employees with compliance training on privacy and user data protection to emphasize the importance of privacy and user data, enhance employee privacy awareness and establish a privacy-protected corporate culture.

The Group is committed to the continuous improvement of its rules and regulations in respect to customers' personal data collection and protection, regular review of its privacy policies, and assurance that its products and services are free from any risk or threat of infringement of privacy or leakage of user data in the course of providing them.

HUMAN RESOURCES

As of 31 December 2018, the Group had approximately 70,000 employees.

During the year of 2018, guided by the ambition of making a difference by serving families worldwide, and surrounded by the strategic initiatives of Fosun to provide high-quality products and services for families around the world while rooted in China by innovating C2M happiness ecosystems in health, happiness and wealth, Fosun Human Resources Division focused on consolidating the soil of Fosun's cultural values constantly, deepening the industrial depth and lifting the operational capabilities from the perspectives of organizational structure and talents continuously. We aim to build an organization equipped with both industry operations and industrial investment capabilities and to promote organizational evolution to be more agile, more efficient and more dynamic combined with management innovation and smart technology innovation.

We concentrate on the global talent layout, and strive to build up an elite talent acquisition team to enhance the talent introduction ability of Fosun's family. We aim to continuously expand talent pool, focusing on high-potential talents from various industries with operational capabilities, and be equipped with sufficient reserves of talents. Joined with enterprises from Fosun's family, we hold global campus recruitment, actively promote the brand of ONE Fosun and strengthen Fosun's employment value proposition (EVP), and attract fresh talents from all fields worldwide.

With the upgrading of the organizational structure of the enterprise, we keep strengthening the industrial depth of organization and talents, optimizing the advantages of the industrial groups, adjusting the talent structure timely and enhancing the talent efficiency; we promote mutual empowerment between the Group and its member companies, focus on high-potential talents with outstanding performances, provide them with more promotion and development opportunities, actively develop the full potentials of employees, and provide opportunities for rotation in a timely manner. At the same time, we continue to promote multi-dimensional, multi-partnership and deep-rooted "partnership model" and various supporting measures.

Focusing on industrial depth and coordinating with the organizational structure upgrade, we design and optimize various incentive systems through comprehensive review of short-, medium-, and long-term incentive mechanism. According to different characteristics of each industrial group, we actively explore innovative tools and ideas to improve the accuracy of incentive mechanism. Innovative, simplified and efficient incentives are used to enhance the implementation of various incentive mechanisms.

Fulfilment of the Commitment to Employees

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

Employee Caring and Services

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

EMPLOYEE CARING

Fosun has established different schemes for various employee groups. Centring on the Group's happiness ecosystem, employees' families may also participate in various warm-hearted activities of the Company. We have adopted the incentive and benefit schemes tailored for our core talents, outstanding performers and young high-potential employees. We fully utilize the Group's own resources so that employees and their families can access to all types of internal products, services and related resources more conveniently while at lower costs.

Fosun pays great attention to staff's health management, keeps on innovating the health management model. In addition to covering the annual physical examination of all employees, Fosun also encourages employees to participate in fitness activities such as Tai Chi and dance, conducts health lectures, and strengthens employee health awareness. Integrating rich medical and insurance resources within the Group, we create a variety of health services. By introducing advanced technology companies within the Group, we organize employees to experience the latest black technology in health in the first time, and provide online consultation and online appointments for medical examination, etc.

Fosun also cares about both the physical and mental health of female employees and provides extra care to them. The Group expresses its appreciation to female employees on Women's Day every year. We also organize lectures regularly on women's health and prevention of occupational diseases, etc..

We have been striving to provide diverse forms of care to employees and their families, including all-round care for the growth of the "Children of Fosun Employees" and enrich family life of our employees. We prepare gifts for "Children of Fosun Employees" on Children's Day every year, organize various activities from time to time and invite employees and their families to participate, hoping to help our employees and their families to enjoy happy lives.

EMPLOYEE SERVICES

We use the internet and various innovative technologies to provide better services to employees. We continue to optimize and innovate the methods of benefit distribution and dissemination, such as announcing employee benefits through our own mobile application so that our employees can easily find various remuneration benefits and human resources policies on our self-developed mobile application platform. We distribute employee benefits through the mobile application platform which also allows users to recharge value online and pay for meals.

We have full-time employee service positions within our Global Human Resources Shared Service Centre, assisting employees in applying for various certificates, such as employment permits/residence permits for overseas staff, permits for introduction of high caliber employees from other provinces or cities/residence certificates for employees from other cities, settlement of registered permanent residence of college graduates and collective residence affiliation so as to save time and efforts spent by employees on applying for these certificates, which effectively supported the introduction of excellent talents.

To drive the Group's globalization and meet the demands of our diverse employees, we studied and formulated exclusive welfare policies and systems according to the laws, regulations and market practices of different countries and regions. Meanwhile, we also introduced induction courses and the "Buddy" program to help expatriate staff to quickly understand and integrate into our corporate culture.

Employee Learning and Development

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

CULTURAL PROMOTION

We enhance the promotion and unified understanding of the Group's corporate culture and values through continuous training and the exchange of views among our portfolio enterprises. Meanwhile, we also work with external consulting firms, institutes and universities to integrate our internal and external training materials and resources, in attempt to promote our corporate brand. In addition, the Group has developed a unified mechanism regarding "soft culture". It effectively bridges the gap between the diverse talents with different cultural backgrounds, and realizes harmonious relationships among the members of Fosun's big family.

STRATEGY INTERPRETATION

The Group focuses on its development strategy to solve practical issues, assists the staff in understanding the key strategies of the Group by sharing cases of innovation and best practices in order to better implement our strategies extensively and in a well-coordinated manner.

CAREER DEVELOPMENT

In accordance with the development strategy and the human resources planning requirements of the Group and taking into account the characteristics of its own development, we have established talent development and professional talent training programs for different talents. We design development paths for our employees in a scientific and rational manner that matches different development goals. We further design training courses based on the quality of capabilities and occupational requirements to help employees grow rapidly.

Learning and Development Cases

TALENT ECHELON TRAINING PROGRAM

The training program was organized for employees with high potentials at all levels internally in accordance with the Group's development strategy and planning, which is an important way for Fosun to train investment experts and potential business leaders. With the form of interactive project learning as the main theme, the high-potential talent training program brought students under different plans together to form project teams and improve the comprehensive ability of employees through real project cases to precipitate and accumulate business experience.

PROFESSIONAL TALENT TRAINING

While devising various professional and specialized trainings, we focus on investment, insurance, finance, risk control, human resources and other areas with the aim of honing the employees' business ability and adaptability to "learn from practice".

INVESTMENT CASE REVIEW

The think tank of Fosun has typical cases reviewed from work and exceptional cases of outstanding performance of high-caliber employees who share their work experience with others. It focuses on three targets: firstly, to improve the staff's investment and management capability by conducting internal training and sharing experience with investment teams; secondly, to gradually develop tools or methods that Fosun should have possessed in investment practice based on the experience related to many cases of investments and thirdly, to progressively refine the learning-and-growth model of our core investment members through a series of case studies.

LEARNING AND DEVELOPMENT OF ENTIRE STAFF

The Group offers a variety of learning and development programs to staff, in addition to specially-designed programs for specific personnel.

- ***Luncheon Session***
  According to its strategic focus, the Group held 42 luncheon sessions in 2018 inviting Directors, Fosun's global partners and some enterprisers to share the corporate strategies, hot topics on investment, internet and best practices. The sessions helped the employees to have a deeper understanding on the Group's strategy, have their horizon broadened and their knowledge enriched. More than 3,337 employees attended the sessions.

- ***Mobile Learning Platform***
  We built an anytime, anywhere and unobstructed learning platform by utilizing fragmented time. In 2018, we introduced and internally transformed a total of more than 58 mini courses covering skill-training classes in a variety of areas such as investment, finance and soft skills, which provided a convenient online learning platform for employees at the group level, employees of enterprises under incubation and employees of some portfolio companies.

- ***Post-90s Fresh Talk***
  As a young company, Fosun has also set up a showcase stage for post-90s employees who were invited to introduce emerging things in the current industry such as various interesting and cutting-edge topics like parenting education, hot issues, films and television industry analysis, and bitcoin etc., 7 episodes were released in Season 3 in 2018.

Employment and Labour Standards

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

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

Employee Incentive

The Group always implements the incentive principles of value creation, performance orientation, profit and loss sharing, and clear rewards and punishments. We constantly review and optimize the existing incentive system and policies, and encourage employees to work towards strategy implementation and achieve self-development through the multi-level and full-coverage remuneration system. At the same time, according to the business characteristics, strategic requirements and development stages of different industrial groups, various incentive tools are combined to empower the business and motivate the team.

Human Resources Intelligent Innovation

Guided by the strategy of technology leading and keep innovating, the Group's Human Resources Management Centre, using various internet technologies, is committed to providing basic facilities, data sharing and analysis capabilities on organization mechanisms, talents and data within the entire group: create human resources big data platform, and through intelligent innovation, create value for human resources information sharing and integration of the Group and its member companies; for the core portfolio enterprises as the pilot, by quickly breaking through technical bottlenecks and reducing management costs, we have greatly enhanced internal operational efficiency, and have innovated human resources product design to help member companies enhance the level of human resources informatization.

AWARDS RECEIVED BY THE GROUP IN 2018

2018.1	The Company was acclaimed as "2017 The Best Investment Management Company in Asia" by the well-known British financial magazine *Global Banking & Finance Review*.
	The Company received the highest accolade "Golden Hong Kong Stock Award 2017" by Zhitongcaijing.com ("智通財經") and www.10jqka.com.cn ("同花順財經").
2018.3	The Company was awarded the "Best Cash Management Solution Award" under the Triple A "Best Treasury, Trade, Supply Chain and Risk Management Awards 2018" category by the renowned international financial magazine *The Asset*.
2018.4	The Company was awarded one of the "100 Most Attractive Stock-Connect HKEX-listed Companies for Institutional Investors" by the Yuediaoyan platform and the Hong Kong Stock Exchange.
2018.5	The Company's 2018 corporate video "Welcome Home" was awarded the Gold prize of the QUESTAR Awards under the "Internal Communications" category by MerComm, Inc., an internationally renowned multimedia communications institution.
2018.6	The Company was ranked No.416 on "Forbes Global 2000" by the United States magazine *Forbes*.
2018.7	The Company was awarded as "Asia's Honored Company (Industrial)" in "2018 All-Asia Executive Team" ranking organized by the United States authoritative financial magazine, *Institutional Investor*.
	The Company was ranked No.89 on "China's Fortune 500" by *Fortune China*.
2018.8	The Company was awarded "Top 50 Boards of Directors in China for 2018" by *Fortune China*.
2018.9	Shanghai Fosun High Technology (Group) Co., Ltd. was awarded "Organization Award of 2017 Shanghai Society of the Guangcai Program" co-organized by the United Front Work Department of the Shanghai Committee of the Chinese Communist Party, Shanghai Federation of Industry and Commerce, and Shanghai Society for the Promotion of the Guangcai Program. (This award recognized the contribution of private enterprises in addressing poverty alleviation and development in Western China)
2018.11	The Company received "2018 Distinguished Listed Companies" award at "2018 Listed Companies Distinguished Award" from TVB Finance and Information Channel.
	The Company was ranked No.25 on "The Future 50" by *Fortune*.
	The Company was awarded the "Gold Award" and "Best Investor Relations Team Award" at "The Corporate Awards 2018" from *The Asset*, a renowned international financial magazine.
2018.12	The Company's Protechting Program was awarded the "Sustainable Development 2018 Enterprise Best Practice" prize by the Chinese Network of the United Nations Global Compact (UNGC).
	The Company was awarded the "Most Valuable Listed Companies" at "2018 Golden Lion Award Hong Kong Listed Companies Value List" organized by "Sina Finance".
	The Company was awarded the "Most Influential Chinese Global Brand of the Year" by PR Newswire, the world's leading media communication technology and data analytics company.

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

Opinion

We have audited the consolidated financial statements of Fosun International Limited (the "Company") and its subsidiaries (the "Group") set out on pages 125 to 320, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

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

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

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of investment properties	
As at 31 December 2018, the carrying amount of investment properties, which are stated at fair value, amounted to approximately RMB46,568 million. Management engages external valuers to assist with its determination of the fair values of all investment properties and the Group's policy is that property valuations are performed by external valuers on a regular basis. The valuation of the investment properties is highly dependent on estimates and assumptions, such as estimated rental, capitalisation rates, occupancy rates and market knowledge. The use of different estimates and assumptions could result in significantly different fair values. The Group's disclosures about the fair value measurement of investment properties are included in note 2.4 and note 3 estimation uncertainty (iv), which specify the policies regarding the fair value measurement of investment properties and note 14 which specifically explains the fair value hierarchy and valuation techniques and the key inputs to the valuation of investment properties.	Amongst our audit procedures, we considered the objectivity, independence and expertise of the external valuers. We involved internal valuation specialists to assist us in evaluating the valuation techniques and assessing the underlying assumptions for selected samples, which included reference to the leasing contracts, external market rents and historical information of occupancy rates, and in respect of the capitalisation rates, our internal specialists assisted us in checking to the market data applied by real estate industry analysis, etc. We also assessed the adequacy of the disclosures on the fair value measurement of investment properties.

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

Key audit matter	How our audit addressed the key audit matter
Classification and measurement of financial assets under HKFRS 9 and amendments to HKFRS 4 issued in January 2017	
The classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristic test (sole payments of principal and interest ("SPPI") on the principal amount outstanding or not) and the Group's business model for managing them. As at 31 December 2018, the carrying value of financial assets at fair value through other comprehensive income ("OCI"), financial assets at fair value through profit or loss and financial assets at amortised costs amounted to RMB85,794 million, RMB49,016 million and RMB20,123 million, respectively. This matter was significant to our audit as significant judgements were involved in the SPPI test and the determination of the business models. The Group also applied the overlay approach for designated eligible financial assets according to amendments to HKFRS 4 issued in January 2017. Under the overlay approach, the Group reclassified between profit or loss and OCI an amount that results in the profit or loss for the year for the designated financial assets being the same as if the Group had applied HKAS 39 to the designated financial assets. The carrying value as at 31 December 2018 of financial assets applying the overlay approach amounted to RMB11,121 million. As a result, the management carried out impairment tests on these financial assets at the end of the year under the overlay approach as if HKAS 39 were applied and impairment losses are recognised when objective evidence of impairment exists. The matter is significant to our audit because significant management estimates are involved in the impairment tests. The Group's disclosures about the classification and measurement under HKFRS 9 and amendments to HKFRS 4 issued in January 2017 are included in note 2.4, note 3 judgements (v) and estimation uncertainty (iii), notes 23,24,25 and 26, in which details of the financial assets, the impairment loss recognised in the current year and the impact of the overlay approach are disclosed.	In our audit, we obtained an understanding of and evaluated the internal controls over the SPPI testing and business model assessment performed by the Group. We evaluated the design of the SPPI testing logic and re-performed the SPPI testing on a sampling basis by examining the contracts of these financial instruments. We evaluated the appropriateness of the business model assessment for these financial instruments and reviewed the supporting evidence on a sampling basis. We understood and evaluated the internal controls on identifying and designating eligible financial assets under the overlay approach and the Group's impairment tests process as if HKAS 39 were applied to those assets. We selected samples to test the eligibility of the financial assets applying the overlay approach. We assessed the significant estimations and rationale used by management in evaluating the objective evidence of impairment for such financial assets and we performed independent tests by analysing the observable data that came to our attention to evaluate if there was any objective evidence of impairment. We examined the impairment tests performed by management in determining the amount of impairment losses when there was objective evidence of impairment. We also assessed the adequacy of the disclosures on the classification and measurement of the financial assets and the impact of the overlay approach.

To the members of Fosun International Limited

(Incorporated in Hong Kong with limited liability)

Key audit matter	**How our audit addressed the key audit matter**
Valuation of insurance contract liabilities	
The Group had significant insurance contract liabilities (including current and non-current portions) stated at RMB57,352 million as at 31 December 2018. The valuation of insurance contract liabilities relies on significant judgement over uncertain future outcomes, mainly including the timing and ultimate settlement of long-term policyholder liabilities. Actuarial models are used to support the calculation of insurance contract liabilities. The complexity of the models may give rise to errors as a result of inadequate/incomplete data or the design or application of the models. Assumptions used in the valuation, such as investment return, discount rate, mortality, morbidity, expense, and lapse are set up by applying significant judgements. The Group's disclosures about the valuation for insurance contract liabilities are included in note 2.4 and note 3 estimation uncertainty (xiv) which specifically explain the methodologies and assumptions used in the valuation and notes 49, 50 and 52 which disclose the details of the insurance contract liabilities recognised as at 31 December 2018.	In our audit, we performed audit procedures on the underlying data used in the valuation of some specific liabilities to source documentation. By applying our industry knowledge and experience, we compared the methodology, models and assumptions used against recognised actuarial practices. We involved our internal actuarial specialists to assist us in performing the following procedures in this area which among others included: assessing the design and testing the operating effectiveness of internal controls over the technical areas including management's determination and approval process for setting of assumptions, actuarial analyses including estimated versus actual results and experience studies; assessing the assumptions by reference to the historical experience, business expectation of the Group, and the market practices; reviewing the methodology and assumptions used on management's liability adequacy testing which is a test performed to check whether the liabilities are adequate as compared to the expected future contractual obligations and assessing the impact of change in estimation to be in line with the changes in assumptions adopted by the Group. We also assessed the adequacy of the disclosures of the valuation for insurance contract liabilities.
Business combination	
During the year of 2018, the Group completed certain business combination transactions with third parties. Management, assisted by the external valuers, evaluated the fair values of identifiable assets acquired and liabilities assumed and completed the purchase price allocation. This matter was significant to our audit because the fair value determination in the accounting for business combination relied on significant management estimation in respect of fair value assessments. Related disclosures about the business combination are included in note 2.4, note 3 estimation uncertainty (xv) and note 61(a) acquisition of subsidiaries to the consolidated financial statements.	Our audit procedures included, among others, obtaining and reading the purchase agreements and examining the payment of considerations. We assessed the objectivity, independence and competence of the external appraisers engaged by the Group to perform the valuation. We also involved our internal valuation specialists to assist us in evaluating the valuation methodologies adopted and the assumptions used, in particular, expected future cashflows, estimated market rentals of comparable properties, discount rate and etc., in the valuation of the identifiable assets and liabilities of the acquired subsidiaries against historical trends and market data. In the case of gain on bargain purchase, we checked management's reassessment of the purchase price allocation to see whether the identifiable assets acquired and liabilities assumed had been properly identified and measured. In addition, we further assessed the adequacy of the disclosures of business combinations in the consolidated financial statements.

To the members of Fosun International Limited
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Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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To the members of Fosun International Limited
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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants

Hong Kong
26 March 2019

Consolidated Statement of Profit or Loss

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	6	**109,351,641**	88,025,169
Cost of sales		**(67,728,602)**	(55,874,895)
Gross profit		**41,623,039**	32,150,274
Other income and gains	6	**19,728,897**	24,529,078
Selling and distribution expenses		**(17,955,596)**	(13,167,869)
Administrative expenses		**(18,054,175)**	(13,472,924)
Other expenses		**(4,817,639)**	(5,997,454)
Finance costs	7	**(7,230,418)**	(5,583,752)
Amount reported in profit or loss applying the overlay approach	24	**2,742,521**	–
Share of profits of:			
Joint ventures		**1,779,707**	1,492,552
Associates		**4,178,234**	3,021,090
PROFIT BEFORE TAX	8	**21,994,570**	22,970,995
Tax	10	**(4,985,054)**	(6,174,962)
PROFIT FOR THE YEAR		**17,009,516**	16,796,033
Attributable to:			
Owners of the parent		**13,406,403**	13,161,275
Non-controlling interests		**3,603,113**	3,634,758
		17,009,516	16,796,033
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the year (RMB)	12	**1.57**	1.53
Diluted			
– For profit for the year (RMB)	12	**1.56**	1.53

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
PROFIT FOR THE YEAR		**17,009,516**	16,796,033
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		–	10,156,055
Reclassification adjustments for gains/(losses) included in the consolidated statement of profit or loss			
– gain on disposal		–	(11,759,548)
– impairment loss		–	369,522
– gain on disposal of a subsidiary		–	(173,092)
Income tax effect	*30*	–	(1,090,261)
		–	(2,497,324)
Financial assets designated under the overlay approach:			
Amount reported in other comprehensive loss applying the overlay approach		**(2,742,521)**	–
Income tax effect		**696,174**	–
		(2,046,347)	–
Debt investments at fair value through other comprehensive income:			
Changes in fair value		**(2,210,134)**	–
Changes in allowance for expected credit losses		**88,863**	–
Reclassification adjustments for gains on disposal included in the consolidated statement of profit or loss		**(721,212)**	–
Income tax effect		**640,981**	–
		(2,201,502)	–
Change in other life insurance contract liabilities due to potential losses/(gains) on financial assets		**228,727**	(453,588)
Income tax effect		**21,147**	133,809
		249,874	(319,779)
Fair value adjustments of hedging instruments in cash flow hedges		**117,717**	(29,724)
Income tax effect		**132**	(1,769)
		117,849	(31,493)
Fair value adjustments of hedging of a net investment in a foreign operation		**(782,588)**	(1,126,495)
Income tax effect		**26,503**	5,095
		(756,085)	(1,121,400)

	Notes	2018 RMB'000	2017 RMB'000
OTHER COMPREHENSIVE INCOME/(LOSS) *(continued)*			
Share of other comprehensive (loss)/income of joint ventures		**(13,232)**	27,826
Share of other comprehensive loss of associates		**(117,201)**	(93,794)
Exchange differences:			
Reclassification adjustments for a foreign operation disposed of during the year		**–**	(20,812)
Exchange differences on translation of foreign operations		**171,172**	612,609
		171,172	591,797
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(4,595,472)**	(3,444,167)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Revaluation (loss)/gain upon transfer from owner-occupied property to investment property	*14*	**(3,616)**	359
Income tax effect	*30*	**(747)**	–
		(4,363)	359
Actuarial reserve relating to employee benefits		**(3,155)**	23,619
Income tax effect		**3,536**	(1,316)
		381	22,303
Equity investments designated at fair value through other comprehensive income:			
Change in fair value		**(3,507,342)**	–
Income tax effect		**749,404**	–
		(2,757,938)	–
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods		**(2,761,920)**	22,662
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(7,357,392)**	(3,421,505)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**9,652,124**	13,374,528
Attributable to:			
Owners of the parent		**6,990,090**	10,113,610
Non-controlling interests		**2,662,034**	3,260,918
		9,652,124	13,374,528

Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**36,310,360**	25,413,153
Investment properties	14	**46,567,826**	32,438,435
Prepaid land lease payments	15	**3,427,895**	2,359,772
Exploration and evaluation assets	16	**403,267**	174,935
Mining rights	17	**548,186**	542,180
Oil and gas assets	18	**1,498,223**	957,612
Intangible assets	19	**19,084,808**	10,880,302
Goodwill	20	**19,092,279**	15,203,443
Investments in joint ventures	21	**24,891,895**	20,418,447
Investments in associates	22	**84,084,130**	61,721,901
Available-for-sale investments	23	**–**	111,575,761
Financial assets at fair value through profit or loss	24	**15,171,503**	–
Equity investments designated at fair value through other comprehensive income	23	**1,579,915**	–
Debt investments at fair value through other comprehensive income	25	**63,516,255**	–
Debt investments at amortised cost	26	**15,765,478**	–
Properties under development	27	**11,660,816**	22,850,114
Loans receivable	26	**–**	2,393,352
Due from related companies	28	**809,991**	–
Prepayments, other receivables and other assets	29	**4,221,889**	3,072,337
Deferred tax assets	30	**6,311,021**	3,852,666
Inventories	31	**86,070**	188,918
Policyholder account assets in respect of unit-linked contracts	32	**139,328**	858,734
Insurance and reinsurance debtors	33	**123,697**	152,094
Reinsurers' share of insurance contract provisions	34	**4,794,300**	4,630,070
Term deposits	35	**410,812**	964,496
Placements with and loans to banks and other financial institutions		**78,473**	117,035
Loans and advances to customers	36	**653,693**	2,543,362
Derivative financial instruments	37	**290,585**	363,961
Finance lease receivables	38	**515,373**	599,046
Total non-current assets		**362,038,068**	324,272,126

	Notes	2018 RMB'000	2017 RMB'000
CURRENT ASSETS			
Cash and bank	35	**105,905,697**	81,651,571
Investments at fair value through profit or loss	24	**–**	17,158,173
Financial assets at fair value through profit or loss	24	**33,844,295**	–
Equity investments designated at fair value through other comprehensive income	23	**65,203**	–
Debt investments at fair value through other comprehensive income	25	**20,632,910**	–
Debt investments at amortised cost	26	**4,357,878**	–
Derivative financial instruments	37	**861,043**	1,122,387
Trade and notes receivables	39	**7,755,027**	6,349,958
Contract assets and other assets	40	**99,030**	–
Prepayments, other receivables and other assets	29	**16,842,348**	14,081,682
Inventories	31	**6,650,594**	4,182,799
Completed properties for sale		**14,313,790**	8,343,896
Properties under development	27	**27,860,035**	18,517,485
Loans receivable	26	**–**	982,891
Due from related companies	28	**14,557,412**	12,309,468
Available-for-sale investments	23	**–**	25,116,703
Policyholder account assets in respect of unit-linked contracts	32	**176,822**	511,285
Insurance and reinsurance debtors	33	**13,041,130**	8,932,147
Reinsurers' share of insurance contract provisions	34	**3,298,322**	2,170,922
Placements with and loans to banks and other financial institutions		**39,327**	345
Loans and advances to customers	36	**4,629,621**	3,803,068
Finance lease receivables	38	**1,880,575**	1,749,081
		276,811,059	206,983,861
Assets of a disposal group classified as held for sale	41	**34,711**	2,532,067
Total current assets		**276,845,770**	209,515,928

	Notes	2018 RMB'000	2017 RMB'000
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*42*	**67,740,818**	58,027,951
Convertible bonds	*43*	**–**	81,428
Contract liabilities	*44*	**22,112,767**	–
Trade and notes payables	*45*	**14,105,942**	12,368,277
Accrued liabilities and other payables	*46*	**27,466,126**	41,911,579
Tax payable		**7,315,529**	6,419,801
Finance lease payables	*47*	**88,827**	68,323
Deposits from customers	*48*	**41,714,245**	34,971,708
Due to the holding company	*28*	**2,289,988**	769,062
Due to related companies	*28*	**5,508,089**	3,922,928
Derivative financial instruments	*37*	**1,102,562**	1,065,674
Accounts payable to brokerage clients		**85,051**	40,967
Unearned premium provisions	*49*	**6,684,319**	5,845,267
Provision for outstanding claims	*50*	**15,740,723**	13,325,966
Provision for unexpired risks		**286,538**	384,049
Financial liabilities for unit-linked contracts	*51*	**144,102**	351,138
Investment contract liabilities	*51*	**7,593,473**	5,856,188
Other life insurance contract liabilities	*52*	**1,674,062**	1,475,431
Insurance and reinsurance creditors	*53*	**8,380,093**	4,896,620
Financial liabilities at fair value through profit or loss	*54*	**1,825,082**	–
Due to banks and other financial institutions	*55*	**1,557,878**	1,101,553
Placements from banks and other financial institutions		**140,119**	268,165
		233,556,333	193,152,075
Liabilities directly associated with the assets classified as held for sale	*41*	**4,156**	204,047
Total current liabilities		**233,560,489**	193,356,122
NET CURRENT ASSETS		**43,285,281**	16,159,806
TOTAL ASSETS LESS CURRENT LIABILITIES		**405,323,349**	340,431,932

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*42*	**118,399,533**	92,347,113
Finance lease payables	*47*	**477,578**	268,911
Deposits from customers	*48*	**70,625**	105,859
Derivative financial instruments	*37*	**528,816**	689,354
Deferred income	*56*	**966,959**	894,450
Other long term payables	*57*	**10,585,968**	5,968,071
Deferred tax liabilities	*30*	**15,067,449**	10,326,318
Provision for outstanding claims	*50*	**18,152,768**	18,291,386
Financial liabilities for unit-linked contracts	*51*	**172,040**	1,018,881
Investment contract liabilities	*51*	**64,796,552**	59,649,260
Other life insurance contract liabilities	*52*	**14,813,332**	13,862,939
Insurance and reinsurance creditors	*53*	**141,169**	142,034
Contract liabilities	*44*	**252,710**	–
Due to banks and other financial institutions	*55*	**456,827**	455,075
Total non-current liabilities		**244,882,326**	204,019,651
Net assets		**160,441,023**	136,412,281
EQUITY			
Equity attributable to owners of the parent			
Share capital	*58*	**36,660,729**	36,485,351
Treasury shares		**(139,226)**	(108,757)
Equity component of convertible bonds		**–**	18,054
Other reserves		**72,007,335**	64,566,106
		108,528,838	100,960,754
Non-controlling interests		**51,912,185**	35,451,527
Total equity		**160,441,023**	136,412,281

Guo Guangchang
Director

Wang Can
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 58)	Treasury shares RMB'000	Other deficits RMB'000 (note 59(a))	Statutory surplus reserve RMB'000 (note 59(b))	Available-for-sale investment revaluation reserve/ Fair value reserve RMB'000	Other reserve RMB'000	Convertible bonds RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2017	36,485,351	(108,757)	(443,540)	7,406,761	5,718,058	1,017,528	18,054	51,622,339	(755,040)	100,960,754	35,451,527	136,412,281
Impact of adopting HKFRS 9 (note 2.2)	–	–	–	–	(1,194,223)	–	–	1,116,013	–	(78,210)	(10,999)	(89,209)
Impact of adopting HKFRS 15 (note 2.2)	–	–	–	–	–	–	–	32,094	–	32,094	–	32,094
At 1 January 2018 (restated)	36,485,351	(108,757)	(443,540)	7,406,761	4,523,835	1,017,528	18,054	52,770,446	(755,040)	100,914,638	35,440,528	136,355,166
Profit for the year	–	–	–	–	–	–	–	13,406,403	–	13,406,403	3,603,113	17,009,516
Other comprehensive income/(loss) for the year:												
Financial assets at fair value through other comprehensive income												
Changes in fair value, net of tax	–	–	–	–	(2,759,651)	–	–	–	–	(2,759,651)	1,713	(2,757,938)
Financial assets designated under the overlay approach												
Amount recorded in other comprehensive loss applying the overlay approach, net of tax	–	–	–	–	(1,555,320)	–	–	–	–	(1,555,320)	(491,027)	(2,046,347)
Debt investments at fair value through other comprehensive income												
Losses on fair value adjustment, net of tax	–	–	–	–	(1,448,544)	–	–	–	–	(1,448,544)	(279,289)	(1,727,833)
Changes in allowance for expected credit losses	–	–	–	–	80,524	–	–	–	–	80,524	–	80,524
Reclassification adjustments for gains on disposal included in the consolidated statement of profit or loss	–	–	–	–	(549,866)	–	–	–	–	(549,866)	(4,327)	(554,193)
Share of other comprehensive loss of associates	–	–	–	–	(61,880)	–	–	–	–	(61,880)	(55,321)	(117,201)
Share of other comprehensive loss of joint ventures	–	–	–	–	(13,232)	–	–	–	–	(13,232)	–	(13,232)
Change in other life insurance contract liabilities due to potential gains on financial assets, net of tax	–	–	–	–	–	211,376	–	–	–	211,376	38,498	249,874
Fair value adjustments of hedging instruments in cash flow hedges, net of tax	–	–	–	–	–	113,614	–	–	–	113,614	4,235	117,849
Fair value adjustments of hedging of a net investment in a foreign operation, net of tax	–	–	–	–	–	(701,165)	–	–	–	(701,165)	(54,920)	(756,085)
Revaluation loss upon transfer from owner-occupied property to investment property, net of tax	–	–	–	–	–	(1,320)	–	–	–	(1,320)	(3,043)	(4,363)
Actuarial reserve relating to employee benefits, net of tax	–	–	–	–	–	(599)	–	–	–	(599)	980	381
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	269,750	269,750	(98,578)	171,172
Total comprehensive income for the year	–	–	–	–	(6,307,969)	(378,094)	–	13,406,403	269,750	6,990,090	2,662,034	9,652,124

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 58)	Treasury shares RMB'000	Other deficits RMB'000 (note 59(a))	Statutory surplus reserve RMB'000 (note 59(b))	Available-for-sale investment revaluation reserve/ Fair value reserve RMB'000	Other reserve RMB'000	Convertible bonds RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Acquisition of subsidiaries (note 61(a))	–	–	–	–	–	–	–	–	–	–	9,156,573	9,156,573
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	1,499,472	1,499,472
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(1,460,424)	(1,460,424)
Final 2017 dividend declared	–	–	–	–	–	–	–	(2,511,948)	–	(2,511,948)	–	(2,511,948)
Transfer from retained profits	–	–	–	1,749,937	–	–	–	(1,749,937)	–	–	–	–
Share of other reserve of associates	–	–	–	–	–	(142,727)	–	–	–	(142,727)	(839,498)	(982,225)
Share of other reserve of joint ventures	–	–	–	–	–	2,204	–	–	–	2,204	–	2,204
Deemed disposal of partial interests in subsidiaries without losing control	–	–	–	–	–	5,350,114	–	–	–	5,350,114	8,186,914	13,537,028
Disposal of partial interests in subsidiaries without losing control	–	–	–	–	–	20,182	–	–	–	20,182	63,553	83,735
Fair value adjustment on the share redemption option granted to non-controlling shareholders of subsidiaries	–	–	–	–	–	(903,688)	–	–	–	(903,688)	(681,544)	(1,585,232)
Equity-settled share-based payments of the Company (note 63)**	75,970	(30,469)	–	–	–	123,314	–	–	–	168,815	–	168,815
Equity-settled share-based payment of subsidiaries	–	–	–	–	–	102,224	–	–	–	102,224	122,697	224,921
Deemed acquisition of additional interests in subsidiaries	–	–	–	–	–	(174,179)	–	–	–	(174,179)	(723,853)	(898,032)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	(668,675)	–	–	–	(668,675)	(1,494,467)	(2,163,142)
Disposal of subsidiaries (note 61(b))	–	–	–	–	–	–	–	–	–	–	(19,800)	(19,800)
Conversion of convertible bonds to ordinary shares	99,408	–	–	–	–	–	(18,054)	–	–	81,354	–	81,354
Re-purchase of shares	–	–	–	–	–	–	–	(699,566)	–	(699,566)	–	(699,566)
At 31 December 2018	36,660,729	(139,226)	(443,540)*	9,156,698*	(1,784,134)*	4,348,203*	–	61,215,398*	(485,290)*	108,528,838	51,912,185	160,441,023

* These reserve accounts comprise the consolidated other reserves of RMB72,007,335,000 (31 December 2017: RMB64,566,106,000) in the consolidated statement of financial position.

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

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 58)	Treasury shares RMB'000	Other deficits RMB'000 (note 59(a))	Statutory surplus reserve RMB'000 (note 59(b))	Available-for-sale investment revaluation reserve RMB'000	Other reserve RMB'000	Convertible bonds RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	36,157,089	(93,008)	(443,540)	6,359,899	7,567,180	2,278,620	68,674	41,481,920	(1,009,835)	92,366,999	30,506,829	122,873,828
Profit for the year	–	–	–	–	–	–	–	13,161,275	–	13,161,275	3,634,758	16,796,033
Other comprehensive income for the year:												
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	6,511,658	–	–	–	–	6,511,658	1,123,695	7,635,353
Reclassification adjustments for gains/(losses) included in the consolidated statement of profit or loss												
– gain on disposal, net of tax	–	–	–	–	(8,393,447)	–	–	–	–	(8,393,447)	(1,827,658)	(10,221,105)
– impairment loss, net of tax	–	–	–	–	213,205	–	–	–	–	213,205	48,315	261,520
– gain on disposal of a subsidiary	–	–	–	–	(173,092)	–	–	–	–	(173,092)	–	(173,092)
Share of other comprehensive income/(loss) of associates	–	–	–	–	(35,272)	–	–	–	1,983	(33,289)	(60,505)	(93,794)
Fair value adjustments of hedging instruments in cash flow hedges, net of tax	–	–	–	–	–	(29,646)	–	–	–	(29,646)	(1,847)	(31,493)
Fair value adjustments of hedging of a net investment in a foreign operation, net of tax	–	–	–	–	–	(1,169,591)	–	–	–	(1,169,591)	48,191	(1,121,400)
Revaluation gain upon transfer from owner-occupied property to investment property, net of tax	–	–	–	–	–	305	–	–	–	305	54	359
Actuarial reserve relating to employee benefits, net of tax	–	–	–	–	–	17,406	–	–	–	17,406	4,897	22,303
Share of other comprehensive income of joint ventures	–	–	–	–	27,826	–	–	–	–	27,826	–	27,826
Change in other life insurance contract liabilities due to potential gains on financial assets, net of tax	–	–	–	–	–	(271,812)	–	–	–	(271,812)	(47,967)	(319,779)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	252,812	252,812	338,985	591,797
Total comprehensive income for the year	–	–	–	–	(1,849,122)	(1,453,338)	–	13,161,275	254,795	10,113,610	3,260,918	13,374,528

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 58)	Treasury shares RMB'000	Other deficits RMB'000 (note 59(a))	Statutory surplus reserve RMB'000 (note 59(b))	Available-for-sale investment revaluation reserve RMB'000	Other reserve RMB'000	Convertible bonds RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Acquisition of subsidiaries (note 61(a))	–	–	–	–	–	–	–	–	–	–	1,986,954	1,986,954
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	369,986	369,986
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(1,116,949)	(1,116,949)
Final 2016 dividend declared	–	–	–	–	–	–	–	(1,613,959)	–	(1,613,959)	–	(1,613,959)
Transfer from retained profits	–	–	–	1,046,862	–	–	–	(1,046,862)	–	–	–	–
Share of other reserve of associates	–	–	–	–	–	(50,280)	–	–	–	(50,280)	(55,638)	(105,918)
Share of other reserve of joint ventures	–	–	–	–	–	(1,322)	–	–	–	(1,322)	–	(1,322)
Deemed disposal of partial interests in subsidiaries without losing control	–	–	–	–	–	898,732	–	–	–	898,732	2,925,255	3,823,987
Fair value adjustment on the share redemption option granted to non-controlling shareholders of a subsidiary	–	–	–	–	–	(335,279)	–	–	–	(335,279)	(1,524,968)	(1,860,247)
Equity-settled share-based payments of the Company (note 63)**	50,033	(15,749)	–	–	–	69,797	–	–	–	104,081	–	104,081
Equity-settled share-based payment of a subsidiary	–	–	–	–	–	3,929	–	–	–	3,929	6,428	10,357
Deemed acquisition of additional interests in a subsidiary	–	–	–	–	–	(14,359)	–	–	–	(14,359)	14,359	–
Disposal of subsidiaries (note 61(b))	–	–	–	–	–	–	–	–	–	–	(6,411)	(6,411)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	(378,972)	–	–	–	(378,972)	(915,236)	(1,294,208)
Conversion of convertible bonds to ordinary shares	278,229	–	–	–	–	–	(50,620)	–	–	227,609	–	227,609
Re-purchase of shares	–	–	–	–	–	–	–	(360,035)	–	(360,035)	–	(360,035)
At 31 December 2017	36,485,351	(108,757)	(443,540)*	7,406,761*	5,718,058*	1,017,528*	18,054	51,622,339*	(755,040)*	100,960,754	35,451,527	136,412,281

* These reserve accounts comprise the consolidated other reserves of RMB64,566,106,000 in the consolidated statement of financial position.

** According to the share award scheme announced by the Company, during the year of 2017, the Company issued and the employee benefit trust established by the Company allotted 4,605,200 new shares which were awarded to selected participants and will be vested based on certain vesting conditions. During the year, 2,945,250 shares were vested.

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**21,994,570**	22,970,995
Adjustments for:			
Depreciation of items of property, plant and equipment	*8*	**2,546,476**	1,794,203
Amortisation of prepaid land lease payments	*8*	**55,774**	51,227
Amortisation of intangible assets	*8*	**975,496**	526,357
Amortisation of mining rights	*8*	**9,407**	3,719
Amortisation of oil and gas assets	*8*	**241,084**	309,292
Exploration expensed and written off	*16*	**128,312**	73,426
Provision for impairment of items of property, plant and equipment	*8*	**73,031**	68,477
Provision for impairment of intangible assets	*8*	**12,252**	10,814
Provision for impairment of goodwill	*8*	**87,425**	122,959
Provision for impairment of available-for-sale investments	*8*	**–**	1,275,571
Provision for impairment of debt investments at fair value through other comprehensive income	*8*	**88,863**	–
Provision for impairment of investments in associates	*8*	**90,050**	123,935
Provision for impairment of receivables	*8*	**66,793**	340,134
Reversal of impairment of insurance and reinsurance debtors	*6/8*	**(15,747)**	(81,451)
Reversal of impairment of debt investment at amortised cost	*6/8*	**(710)**	–
Provision for inventories	*8*	**64,713**	29,336
Reversal for impairment of completed properties for sale	*6/8*	**(14,864)**	(1,674)
Provision for impairment of loans and advances to customers	*8*	**89,801**	35,042
Amount reported in profit or loss applying the overlay approach	*24*	**(2,742,521)**	–
Gain on disposal of subsidiaries	*6*	**(45,059)**	(2,323,121)
Gain on bargain purchase of subsidiaries	*6*	**(3,706,384)**	(234,355)
Gain on bargain purchase of associates	*6*	**–**	(1,239,698)
Gain on disposal of available-for-sale investments	*6*	**–**	(8,370,800)
Loss on disposal of investments at fair value through profit or loss	*8*	**–**	162,030
Gain on disposal of associates	*6*	**(1,439,879)**	(419,091)
Gain on deemed disposal of investments in associates	*6*	**(2,069,071)**	(56,307)
Gain on disposal of joint ventures	*6*	**–**	(280,594)
Gain on disposal of non-current assets of a disposal group classified as held for sale	*6*	**(895,911)**	–
Gain on disposal of items of property, plant and equipment	*6*	**(53,936)**	(85,671)
Gain on disposal of investment properties	*6*	**(5,201)**	(330,922)
Gain on disposal of debt investments at fair value through other comprehensive income	*6*	**(2,136,148)**	–
Loss on fair value adjustment of financial assets at fair value through profit or loss	*8*	**585,193**	–
Gain on fair value adjustment on investment at fair value through profit or loss	*6*	**–**	(1,489,792)
Gain on fair value adjustment of investment properties	*6*	**(432,929)**	(914,646)
Loss/(gain) on derivative financial instruments	*8*	**1,790,822**	(1,597,695)
Reclassification of available-for-sale revaluation reserve from other comprehensive income to the consolidated statement of profit or loss upon disposal of a subsidiary	*6*	**–**	(173,092)
Reclassification of exchange fluctuation reserve from other comprehensive income to the consolidated statement of profit or loss upon disposal of a subsidiary	*6*	**–**	(20,812)
Ineffectiveness of hedges	*8*	**193,160**	218,647
Interest expenses		**6,887,572**	5,133,410
Interest income	*6*	**(757,874)**	(703,938)
Dividends and interest from equity investments at fair value through other comprehensive income	*6*	**(49,189)**	–
Dividends and interest from available-for-sale investments	*6*	**–**	(3,092,800)
Dividends and interest from debt investments at fair value through other comprehensive income	*6*	**(2,374,184)**	–
Dividends and interest from financial assets at fair value through profit or loss	*6*	**(1,368,533)**	(427,887)
Share of profits and losses of associates		**(4,178,234)**	(3,021,090)
Share of profits and losses of joint ventures		**(1,779,707)**	(1,492,552)
Equity-settled share-based payments	*8*	**372,432**	114,438
Subtotal carried forward		**12,287,145**	7,006,024

	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES *(Continued)*		
CASH INFLOW BEFORE WORKING CAPITAL CHANGES	**12,287,145**	7,006,024
Increase in properties under development	**(17,295,797)**	(17,014,133)
Decrease in completed properties held for sale	**9,461,246**	11,765,432
Decrease/(increase) in trade and notes receivables	**770,348**	(1,501,344)
(Increase)/decrease in prepayments, other receivables and other assets	**(753,958)**	3,022,842
Decrease/(increase) in inventories	**625,265**	(925,214)
Increase in insurance and reinsurance debtors	**(4,064,839)**	(2,178,751)
Increase in reinsurers' share of insurance contract provisions	**(1,291,630)**	(1,311,125)
Decrease/(increase) in amounts due from related companies	**1,142,402**	(1,683,621)
Decrease/(increase) in loans and advances to customers	**973,315**	(2,637,594)
(Decrease)/increase in trade and notes payables	**(2,649,368)**	1,870,785
(Decrease)/increase in accrued liabilities and other payables	**(20,342,908)**	8,618,930
Increase in deferred income	**71,332**	118,296
(Decrease)/increase in other long term payables	**(1,720,345)**	818,200
Increase in amounts due to related companies	**1,537,982**	575,724
Increase/(decrease) in accounts payable to brokerage clients	**44,084**	(27,856)
Decrease in placements with and loans to banks and other financial institutions	**(420)**	(44,275)
Increase/(decrease) in placements from banks and other financial institutions	**1,289,713**	(5,818)
Decrease in amounts due to banks and other financial institutions	**(1,024,906)**	(285,633)
Increase in deposits from customers	**6,707,303**	11,387,193
(Increase)/decrease in restricted pre-sale proceeds of properties	**(1,009,931)**	493,240
(Increase)/decrease in required reserve deposits	**(124,660)**	3,290,203
(Increase)/decrease in derivative financial instruments	**(2,448,106)**	1,026,742
Increase in financial liabilities at fair value through profit or loss	**300,288**	–
Increase in finance lease receivables	**(47,822)**	(1,129,851)
Increase in unearned premium provisions	**707,450**	1,115,806
Increase in provision for outstanding claims	**1,363,725**	4,151,132
Increase in insurance and reinsurance creditors	**3,482,608**	1,527,478
(Decrease)/increase in provision for unexpired risks	**(97,511)**	23,426
Increase in other life insurance contract liabilities	**1,284,422**	1,133,084
Increase in investment contract liabilities	**6,476,422**	4,807,166
Increase in contract assets and other assets	**(99,030)**	–
Increase in contract liabilities	**22,365,477**	–
CASH GENERATED FROM OPERATIONS	**17,919,296**	34,006,488
Tax paid	**(4,616,904)**	(3,553,371)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	**13,302,392**	30,453,117

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(5,433,758)**	(6,067,595)
Increase of prepaid land lease payments		**(2,038,533)**	(139,409)
Increase of investment properties		**(3,211,264)**	(2,187,071)
Purchase of intangible assets		**(3,065,439)**	(1,313,745)
Purchase of mining rights		**(15,413)**	(14,603)
Purchase of exploration and evaluation assets		**(335,849)**	(60,480)
Purchase of oil and gas assets		**(731,114)**	(364,912)
Purchase of available-for-sale investments		**–**	(79,113,036)
Purchase of financial assets at fair value through profit or loss		**(93,021,102)**	–
Purchase of equity investments designated at fair value through other comprehensive income		**(317,149)**	–
Purchase of debt investments at fair value through other comprehensive income		**(39,832,021)**	–
Purchase of debt investments at amortised cost		**(9,458,929)**	–
Purchase of investments at fair value through profit or loss		**–**	(122,599,493)
Proceeds from disposal of investments at fair value through profit or loss		**–**	115,928,970
Proceeds from disposal of available-for-sale investments		**–**	67,845,455
Proceeds from disposal of financial assets at fair value through profit or loss		**85,756,954**	–
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**8,047,416**	–
Proceeds from disposal of debt investments at fair value through other comprehensive income		**40,669,306**	–
Proceeds from maturity of debt investments at amortised cost		**4,727,875**	–
Proceeds from disposal of items of property, plant and equipment		**1,526,056**	672,933
Proceeds from disposal of prepaid land lease payments		**86,249**	98,003
Proceeds from disposal of intangible assets		**221,560**	115,098
Proceeds from disposal of subsidiaries	*61(b)*	**4,005,165**	18,728,472
Proceeds from disposal of associates and disposal of partial interests in associates		**745,921**	586,751
Proceeds from disposal of joint ventures		**1,205,558**	771,266
Proceeds from disposal of assets of a disposal group classified as held for sale		**3,206,061**	–
Acquisition of subsidiaries	*61(a)*	**(1,815,431)**	(3,924,607)
Acquisition of associates		**(7,961,728)**	(8,257,160)
Acquisition of joint ventures		**(638,036)**	(1,928,415)
Dividends and interest received from available-for-sale investments		**–**	3,775,122
Dividends and interest received from debt investments		**2,764,425**	–
Dividends and interest received from equity investments		**1,456,665**	–
Dividends and interest received from investments at fair value through profit or loss		**–**	466,103
Dividends received from associates		**1,083,551**	960,795
Dividends received from joint ventures		**74,939**	14,813
Shareholder loans provided		**–**	(1,170,645)
Increase in pledged bank balances and time deposits with original maturity of more than three months		**199,874**	(1,203,484)
Prepayments for proposed acquisitions of long term assets		**(847,012)**	(909,026)
Proceeds received from disposal of investment properties		**366,821**	2,228,850
Interest received		**716,413**	598,928
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(11,861,969)**	(16,462,122)

	Note	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital element of finance lease rental payments		**(4,536)**	(54,923)
Capital contribution from non-controlling shareholders of subsidiaries		**8,792,556**	4,193,971
New bank and other borrowings		**132,950,240**	107,426,389
Repayment of bank and other borrowings		**(107,503,352)**	(86,084,364)
Dividends paid to non-controlling shareholders of subsidiaries		**(1,272,654)**	(1,150,814)
Acquisition of additional interests in subsidiaries		**(2,290,601)**	(1,287,897)
Dividends paid to shareholders		**(991,023)**	(1,226,543)
Repurchase of shares		**(699,566)**	(360,035)
Interest paid		**(7,655,762)**	(5,584,617)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**21,325,302**	15,871,167
NET INCREASE IN CASH AND CASH EQUIVALENTS		**22,765,725**	29,862,162
Cash and cash equivalents at beginning of year		**68,567,445**	38,705,283
CASH AND CASH EQUIVALENTS AT END OF YEAR	*35*	**91,333,170**	68,567,445

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*

Except for the Amendments to HKFRS 4 and *Annual Improvements 2014-2016 Cycle,* which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no significant impact on the financial position or performance of the Group.

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

(b) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continued to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement		Re-	Remeasurement		HKFRS 9
In RMB'000	*Notes*	Category	Amount	classification	ECL	Other	Amount
Investments at fair value through profit or loss		**FVPL[4]**	**17,158,173**	**(17,158,173)**	**–**	**–**	**N/A**
To: Financial assets at FVPL			N/A[3]	17,158,173	–	–	17,158,173[a]
Available-for-sale investments		**AFS[6]**	**136,692,464**	**(136,692,464)**	**–**	**–**	**N/A**
To: Financial assets at FVPL			N/A	28,395,609	–	998	28,396,607[a]
To: Debt investment at FVOCI[5]	*(iv)*		N/A	83,678,242	–	–	83,678,242[b]
To: Equity investments at FVOCI	*(i)*		N/A	11,774,481	–	(7,679)	11,766,802[c]
To: Debt investment at amortised cost	*(ii)*		N/A	12,844,132	(1,994)	(117,912)	12,724,226[d]
Loans and advances to customers		**L&R[1]**	**6,346,430**	**–**	**(43,097)**	**–**	**6,303,333[e]**
Trade and notes receivables	*(iii)*	**L&R**	**6,314,231**	**–**	**(16,157)**	**–**	**6,298,074[f]**
Cash and bank		**L&R**	**81,651,571**	**–**	**–**	**–**	**81,651,571[g]**
Term deposits		**L&R**	**964,496**	**–**	**–**	**–**	**964,496[h]**
Financial assets included in prepayments, other receivables and other assets		**L&R**	**10,993,132**	**–**	**–**	**–**	**10,993,132[i]**
Due from related companies		**L&R**	**12,309,468**	**–**	**–**	**–**	**12,309,468[j]**
Placements with and loans to banks and other financial institutions		**L&R**	**117,380**	**–**	**–**	**–**	**117,380[k]**
Finance lease receivables		**L&R**	**2,348,127**	**–**	**–**	**–**	**2,348,127[l]**
Policyholder account assets in respect of unit-linked contracts		**L&R**	**396,817**	**–**	**–**	**–**	**396,817[m]**
Policyholder account assets in respect of unit-linked contracts		**FVPL**	**973,202**	**–**	**–**	**–**	**973,202[n]**

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

(b) *(Continued)*

Classification and measurement *(Continued)*

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows: *(Continued)*

		HKAS 39 measurement		Re-	Remeasurement		HKFRS 9
In RMB'000	*Notes*	Category	Amount	classification	ECL	Other	Amount
Loans receivable		**L&R**	**3,376,243**	**(3,376,243)**	**–**	**–**	**N/A**
To: Debt investments at amortised cost			N/A	2,250,540	(9,115)	–	2,241,425[d]
To: Financial assets at FVPL			N/A	982,453	–	663	983,116[a]
To: Debt investments at FVOCI			N/A	143,250	–	–	143,250[b]

		HKFRS 9	
		Category	Subtotal amount
Financial assets at FVPL	a	FVPL	46,537,896
Debt investments at FVOCI	b	FVOCI	83,821,492
Equity investments at FVOCI	c	FVOCI	11,766,802
Debt investments at amortised cost	d	AC[2]	14,965,651
Loans and advances to customers	e	AC	6,303,333
Trade and notes receivables	f	AC	6,298,074
Cash and bank	g	AC	81,651,571
Term deposits	h	AC	964,496
Financial assets included in prepayments, other receivables and other assets	i	AC	10,993,132
Due from related companies	j	AC	12,309,468
Placements with and loans to banks and other financial institutions	k	AC	117,380
Finance lease receivables	l	AC	2,348,127
Policyholder account assets in respect of unit-linked contracts	m	AC	396,817
Policyholder account assets in respect of unit-linked contracts	n	FVPL	973,202

[1]L&R: Loans and receivables
[2]AC: Amortised cost
[3]N/A: Not applicable
[4]FVPL: Financial assets at fair value through profit or loss
[5]FVOCI: Financial assets at fair value through other comprehensive income
[6]AFS: Available-for-sale investments

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

(b) *(Continued)*

Classification and measurement *(Continued)*

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

(ii) As of 1 January 2018, the Group classified debt investments previously classified as available-for-sale investments as debt investments at amortised cost. These instruments which passed the contractual cash flow characteristics test in HKFRS 9, were not actively traded and were held with the intention to collect cash flows and without the intention to sell. The fair value of these instruments that the Group still held as at 31 December 2018 was RMB9,503,468,000. The change in fair value of these instruments in 2018, that would have been recorded in other comprehensive loss had these instruments continued to be revalued through other comprehensive loss, would have been RMB78,817,000.

(iii) The gross carrying amounts of the trade receivables under the column "HKAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECL. Further details of the adjustments for the adoption of HKFRS 15 are included in note 2.2 (c) to the financial statements.

(iv) As of 1 January 2018, the Group has assessed its liquidity portfolio of debt investments which had previously been classified as AFS debt investments. The objective of the Group in holding this liquidity portfolio is to earn interest income and, at the same time, manage everyday liquidity needs. The Group concluded that these debt investments are managed within a business model to collect contractual cash flows and to sell the financial assets. Accordingly, the Group has classified these investments as debt investments measured at fair value through other comprehensive income.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

In RMB'000	Loss provision under HKAS 39 at 31 December 2017	Re-measurement ECL	**Loss provision under HKFRS 9 at 1 January 2018**
Impairment allowance for			
Loans and receivables per HKAS 39/financial assets at amortised cost under HKFRS 9	724,108	68,369	**792,477**
Available-for-sale debt investment per HKAS 39/debt investment at amortised cost under HKFRS 9	–	1,994	**1,994**
Available-for-sale debt investment per HKAS 39/debt investment at FVOCI under HKFRS 9	1,131,889	425,129	**1,557,018**

Hedge accounting

The general hedge accounting requirements under HKFRS 9 aim to simplify hedge accounting, creating a stronger link with risk management strategy and permitting hedge accounting to be applied to a greater variety of hedging instruments and risks. However, HKFRS 9 does not explicitly address macro hedge accounting strategies, as a result, HKFRS 9 includes an accounting policy choice to remain with the hedge accounting under HKAS 39. The Group elected to continue to apply hedge accounting in accordance with HKAS 39.

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

(b) *(Continued)*

Impact on reserves and retained earnings

The impact of transition to HKFRS 9 on reserves and retained earnings is as follows:

	Reserves and retained earnings RMB'000
Fair value reserve attributable to owners of the parent under HKFRS 9 (available-for-sale investment revaluation reserve under HKAS 39)	
Balance under HKAS 39 (31 December 2017)	5,718,058
Reversal of impairment losses under HKAS 39 for equity investments designated at fair value through other comprehensive income previously classified as available-for-sale investments	(213,522)
Reclassification of debt investment from available-for-sale to amortised cost	(117,912)
Reclassification of investment (debt and equity) from available-for-sale to FVPL	(3,277,096)
Recognition of expected credit losses under HKFRS 9 for debt investment at FVOCI	361,954
Re-measurement impact of the available-for-sale at cost to FVOCI	(3,019)
Reclassification between retained earnings and fair value reserve under the overlay approach	1,675,371
Deferred tax in relation to the above	380,001
Balance under HKFRS 9 (1 January 2018)	4,523,835
Retained earnings attributable to owners of the parent under HKAS 39	
Balance under HKAS 39 (31 December 2017)	51,622,339
Reversal of impairment losses under HKAS 39 for equity investments designated at fair value through other comprehensive income previously classified as available-for-sale investments	213,522
Re-measurement impact of reclassifying financial assets held at amortised cost and available-for-sale at cost to FVPL	62,652
Reclassification of investment (debt and equity) from available-for-sale to FVPL	3,277,096
Recognition of expected credit losses under HKFRS 9	(422,290)
Reclassification between retained earnings and fair value reserve under the overlay approach	(1,675,371)
Deferred tax in relation to the above	(339,596)
Balance under HKFRS 9 (1 January 2018)	52,738,352
Total change in equity attributable to owners of the parent due to adopting HKFRS 9	**(78,210)**
Total change in non-controlling interests	**(10,999)**

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

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Notes	**Increase/(decrease) RMB'000**
Assets		
Non-current assets		
Property, plant and equipment	*(ii)*	17,100
Trade and notes receivables		(35,727)
Properties under development	*(ii)*	434,454
Contract assets and other assets		103,201
Total assets		519,028
Liabilities		
Contract liabilities	*(i),(ii)*	20,701,201
Accrued liabilities and other payables	*(i)*	(20,214,267)
Total liabilities		486,934
Equity		
Reserves		32,094

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

(c) *(Continued)*

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 December 2018:

	Notes	**Amounts prepared under**		
		HKFRS 15	**Previous HKFRS**	**Increase/ (decrease)**
		RMB'000	**RMB'000**	**RMB'000**
Revenue	*(ii)*	109,351,641	108,937,712	413,929
Cost of sales	*(ii)*	(67,728,602)	(67,412,048)	316,554
Gross profit		41,623,039	41,525,664	97,375
Selling and distribution expenses		(17,955,596)	(17,969,546)	(13,950)
Finance costs	*(ii)*	(7,230,418)	(7,153,262)	77,156
Profit before tax		21,994,570	21,960,400	34,170
Income tax expense		(4,985,054)	(4,976,065)	8,989
Profit for the year		17,009,516	16,984,335	25,181

Consolidated statement of financial position as at 31 December 2018:

	Notes	**Amounts prepared under**		
		HKFRS 15	**Previous HKFRS**	**Increase/ (decrease)**
		RMB'000	**RMB'000**	**RMB'000**
Property, plant and equipment	*(ii)*	36,310,360	36,285,563	24,797
Trade and notes receivables		7,755,027	7,772,633	(17,606)
Completed properties for sale	*(ii)*	14,313,790	14,201,068	112,722
Properties under development-current	*(ii)*	27,860,035	27,478,504	381,531
Contract assets and other assets		99,030	–	99,030
Total assets		638,883,838	638,283,364	600,474
Contract liabilities	*(i),(ii)*	22,365,477	–	22,365,477
Accrued liabilities and other payables	*(i)*	27,466,126	49,044,681	(21,578,555)
Deferred tax liabilities		15,067,449	15,058,460	8,989
Other long term payables	*(i)*	10,585,968	10,838,678	(252,710)
Total liabilities		478,442,815	477,899,614	543,201
Net assets and total equity		160,441,023	160,383,750	57,273

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

(c) *(Continued)*

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 and the statement of profit or loss for the year ended 31 December 2018 are described below:

(i) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as accrued liabilities and other payables and other long term payables. Under HKFRS 15, the amount is classified as contract liabilities.

Therefore, upon adoption of HKFRS 15, accrued liabilities and other payables were decreased by RMB20,214,267,000 and contract liabilities were increased by RMB20,214,267,000, respectively, as at 1 January 2018 in relation to the consideration received from customers in advance.

As at 31 December 2018, the adoption of HKFRS 15 resulted in a decrease in accrued liabilities and other payables of RMB21,578,555,000, a decrease in other long term payables of RMB252,710,000 and an increase in contract liabilities of RMB21,831,265,000.

(ii) Significant financing components within contracts

Before the adoption of HKFRS 15, revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Group. Upon adoption of HKFRS 15, in determining the transaction price, the Group adjusted the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract provides the customer with a significant benefit of financing the transfer of goods or services to the customer.

Therefore, upon adoption of HKFRS 15, property, plant and equipment were increased by RMB17,100,000, properties under development were increased by RMB434,454,000 and contract liabilities were increased by RMB486,934,000, as at 1 January 2018.

As at 31 December 2018, the adoption of HKFRS 15 resulted in an increase in property, plant and equipment of RMB24,797,000, an increase in properties under development of RMB381,531,000, an increase in contract liabilities of RMB534,212,000, an increase in completed properties for sale of RMB112,722,000, an increase in finance costs of RMB77,156,000, an increase in revenue and cost of sales of RMB413,929,000 and RMB316,554,000, respectively.

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no significant impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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

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

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

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

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

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application.

The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. The Group estimated that the right of use assets and lease liabilities will be recognised at 1 January 2019 and the impact on the opening balance of total equity as at 1 January 2019 will not be significant.

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

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and the amendments are not expected to have any significant impact on the Group's financial statements.

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

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in joint operations

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

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

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

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

Business combinations and goodwill

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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

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

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

Fair value measurement

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

or

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

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

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

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

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

Non-current assets and disposal groups held for sale

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

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

Intangible assets (other than goodwill)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

TRADEMARKS

Trademarks with finite useful lives are stated at cost less any impairment losses and are amortised on the straight-line basis over the respective estimated useful lives of not exceeding 25 years. Trademarks with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of trademarks with indefinite useful lives are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

MEDICINE LICENCES, TECHNICAL KNOW-HOW AND OPERATING CONCESSION RIGHTS

Medicine licences with finite useful lives are measured initially at cost and are amortised on the straight-line basis over the respective estimated useful lives of 10 years. Medicine licences, technical know-how and operating concession rights with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of medicine licences, technical know-how and operating concession rights are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

PATENTS

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

BUSINESS NETWORK

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

RESEARCH AND DEVELOPMENT COSTS

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

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

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

CUSTOMER RELATIONSHIP

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Exploration and evaluation assets

FOR MINING RIGHTS

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

FOR OIL AND GAS ASSETS

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

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

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

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

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

Mining rights

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

Oil and gas assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

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

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

When the Group is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the consolidated statement of financial position as loans and accounts receivables. Any unguaranteed residual value is also recognised at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognised as unearned finance income. Unearned finance income is recognised over the period of the lease using the effective interest rate method.

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

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

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

INITIAL RECOGNITION AND MEASUREMENT

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

SUBSEQUENT MEASUREMENT

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

FINANCIAL ASSETS AT AMORTISED COST (DEBT INSTRUMENTS)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

SUBSEQUENT MEASUREMENT *(Continued)*

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

SUBSEQUENT MEASUREMENT *(Continued)*

DESIGNATED ELIGIBLE FINANCIAL ASSETS UNDER THE OVERLAY APPROACH

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

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

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

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

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

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

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

INITIAL RECOGNITION AND MEASUREMENT

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

SUBSEQUENT MEASUREMENT

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in the consolidated statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) *(Continued)*

SUBSEQUENT MEASUREMENT *(Continued)*

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

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

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

LOANS AND RECEIVABLES

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

AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the consolidated statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the consolidated statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

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

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

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

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

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

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

GENERAL APPROACH

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

GENERAL APPROACH *(Continued)*

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

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

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

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

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

SIMPLIFIED APPROACH

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

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

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) *(Continued)*

FINANCIAL ASSETS CARRIED AT AMORTISED COST

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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

ASSETS CARRIED AT COST

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

AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) *(Continued)*

AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS *(Continued)*

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

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

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

INITIAL RECOGNITION AND MEASUREMENT

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

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

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

SUBSEQUENT MEASUREMENT

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

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 2018)

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) *(Continued)*

SUBSEQUENT MEASUREMENT *(Continued)*

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS(POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018)

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

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

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

LOANS AND BORROWINGS

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

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

FINANCIAL GUARANTEE CONTRACTS (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 2018)

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

FINANCIAL GUARANTEE CONTRACTS (POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018)

A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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

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

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

As HKFRS 9 includes an accounting policy choice to remain with hedge accounting under HKAS 39. The Group elected to continue to apply hedge accounting in accordance with HKAS 39. The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and commodity derivative contracts, to hedge its foreign currency risk, interest rate risk and commodity price risk, respectively. These derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the consolidated statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) *(Continued)*

INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT *(Continued)*

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

FAIR VALUE HEDGES

The change in the fair value of a hedging instrument is recognised in the consolidated statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the consolidated statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the consolidated statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated statement of profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated statement of profit or loss. The changes in the fair value of the hedging instrument are also recognised in the consolidated statement of profit or loss.

CASH FLOW HEDGES

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in cash flow hedge reserve recorded in other reserve, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the consolidated statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the consolidated statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) *(Continued)*

CASH FLOW HEDGES *(Continued)*

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the consolidated statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

HEDGES OF A NET INVESTMENT

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the consolidated statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated statement of profit or loss.

CURRENT VERSUS NON-CURRENT CLASSIFICATION

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties under development

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

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

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

Completed properties for sale

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

Cash and cash equivalents

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

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

Provisions

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

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

The Group provides for warranties in relation to the sale of certain products and the provision of services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

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

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

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

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

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

Revenue recognition (applicable from 1 January 2018)

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(A) *SALE OF GOODS*

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(B) *SALES OF PROPERTIES*

Revenues are recognised when or as the control of the asset is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides benefits which are received and consumed simultaneously by the purchaser; or
- creates and enhances an asset that the purchaser controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (applicable from 1 January 2018) *(Continued)*

REVENUE FROM CONTRACTS WITH CUSTOMERS *(Continued)*

(B) *SALES OF PROPERTIES (Continued)*

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the purchaser obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of each reporting period as a percentage of total estimated costs for each contract.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the purchaser obtains the physical possession or the legal title of the completed property and the Group has a present right to payment and the collection of the consideration is probable.

(C) *RENDERING SERVICES*

The revenue is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

REVENUE FROM OTHER SOURCES

(A) *INSURANCE INCOME*

Non-life insurance contract premiums, life insurance and investment contracts with a discretionary profit sharing component are recognised as income when written in "Net premiums written" in the consolidated statement of profit or loss.

Premiums written on non-life insurance contracts are recognised as income over the corresponding risk periods, through the use of the unearned premiums provision.

(B) *INTEREST INCOME*

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

(C) *DIVIDEND INCOME*

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(D) *RENTAL INCOME*

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (applicable before 1 January 2018)

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

(A) SALE OF GOODS

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

(B) SALE OF COMPLETED PROPERTIES

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

(C) SERVICE INCOME

Service income is recognised when the relevant services have been rendered and it is probable that economic benefits will flow to the Group and the relevant income can be measured reliably.

(D) INSURANCE INCOME

Non-life insurance contract premiums, life insurance and investment contracts with a discretionary profit sharing component are recognised as income when written in "Net premiums written" in the consolidated statement of profit or loss.

Premiums written on non-life insurance contracts are recognised as income over the corresponding risk periods, through the use of the unearned premiums provision.

(E) RENTAL INCOME

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

(F) INTEREST INCOME

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

(G) DIVIDEND INCOME

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contract assets (applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract costs (applicable from 1 January 2018)

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Share-based payments

The Company and certain subsidiaries of the Group operate share incentive schemes and a share option scheme for the purpose of providing incentives and rewards to their employees (including directors). Employees (including directors) receive remuneration in the form of share-based payments, whereby employees (including directors) render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the binomial option pricing model, further details of which are given in note 59 to the financial statements.

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

The Group provides the post-employment benefits mainly as follows: (i) defined contribution pension schemes for all employees of the companies in Chinese Mainland; (ii) employee benefits to qualified former employees ("Qualified SOE Employees") and qualified retirees ("Qualified Retirees") of former state-owned enterprises in Chinese Mainland; (iii) a pension scheme for all eligible employees of the companies in Hong Kong; (iv) accommodation benefits for all eligible employees of the companies in Chinese Mainland, details of which are set out below; (v) employee benefits to all eligible employees of the subsidiaries in Portugal; and (vi) employee benefits to all eligible employees of the subsidiary in France.

(I) DEFINED CONTRIBUTION PENSION SCHEMES

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

(II) OTHER EMPLOYEE BENEFITS TO QUALIFIED SOE EMPLOYEES AND QUALIFIED RETIREES

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits *(Continued)*

(II) OTHER EMPLOYEE BENEFITS TO QUALIFIED SOE EMPLOYEES AND QUALIFIED RETIREES *(Continued)*

QUALIFIED SOE EMPLOYEES

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

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

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

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

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

QUALIFIED RETIREES

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

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

(III) PENSION SCHEME FOR ALL ELIGIBLE EMPLOYEES OF THE COMPANIES IN HONG KONG

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits *(Continued)*

(IV) ACCOMMODATION BENEFITS FOR ALL ELIGIBLE EMPLOYEES OF THE COMPANIES IN CHINESE MAINLAND

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

(V) EMPLOYEE BENEFITS TO ALL ELIGIBLE EMPLOYEES OF THE SUBSIDIARIES IN PORTUGAL

As per the collective labour agreement in force at the time for the insurance activity, the companies in Portugal undertook the commitment to make cash payments to complement the retirement pensions paid by the social security services to the employees hired prior to 22 June 1995, the date when the labour agreement became effective. These payments corresponded to a percentage, which grew with the number of years of employment, applied to the table of salaries in force at the date of retirement.

Following the new labour agreement for the insurance activity, signed at 23 December 2011, the previous defined benefit pension plan was replaced, regarding workers actively employed, effective 1 January 2012, with a plan of defined contributions, with the current value of liabilities for services rendered at 31 December 2011 being transferred to the individual account of each participant. This change has not been applied to pensions due to workers who were retired or pre-retired at 31 December 2011, or to employees who did not sign up to the current collective employment agreement.

In addition, the former Império Bonança also committed itself to providing whole life medical assistance benefits to those in retirement or pre-retirement who had switched to that status between June 1998 and July 2005.

Contributions by the companies in Portugal to the defined contribution plan are made in accordance with the rules set forth in the collective labour agreement, and recorded as an expense in the period they are due as a charge to administrative expenses.

(VI) EMPLOYEE BENEFITS TO ALL ELIGIBLE EMPLOYEES OF THE SUBSIDIARY IN FRANCE

All eligible employees of the subsidiary in France receive certain short-term benefits, such as vacation pay, "13th month" bonuses, sick leave, health insurance, and unemployment insurance in France.

The post-employment benefit plans of the subsidiary in France are based on legal obligations in each host country and on its subsidiaries' compensation policies. Long-term benefit plans include both defined contribution and defined benefit plans.

(A) DEFINED CONTRIBUTION PLANS

Under defined contribution plans, the subsidiary in France pays contributions to an external fund that is responsible for paying the benefits. The payment of contributions releases the employer of its further obligation towards his employees. The main defined contribution plans consist of government-sponsored basic and supplementary pension plans in Europe and defined-contribution pension plans in North America.

Contributions to all of these plans are recognised as an expense for the period in which they are due.

(B) DEFINED BENEFIT PLANS

Under defined benefit plans, the subsidiary in France has an obligation to pay benefits to employees either at the end of their employment or during their retirement. The defined benefit plans of the subsidiary in France are unfunded and are covered by provisions recorded in the financial statements.

The main defined benefit plans of the subsidiary in France concern indemnities payable to employees on retirement (France, Greece and Turkey) or when they leave the subsidiary in France (Italy and Japan).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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

Foreign currencies

The functional currencies of the Company and PRC subsidiaries are Hong Kong dollars ("HKD") and RMB, respectively. The financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

Insurance and investment contracts

(A) CLASSIFICATION OF CONTRACTS

Transactions associated with insurance contracts written and reinsurance contracts held by the Group are recognised in accordance with HKFRS 4 "Insurance Contracts". Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Contracts without a significant insurance risk are considered to be investment contracts.

As provided for in HKFRS 4, investment contracts with a discretionary profit sharing component also continue to be classified as insurance contracts, and other investment contracts are accounted for under HKAS 39.

An insurance or investment contract is considered to include profit sharing with a discretionary component when the respective contractual conditions provide for the allocation of additional benefits to the insured, as a complement to the contract's guaranteed component part.

The liabilities related to life insurance contracts and investment contracts with discretionary profit sharing components are recorded in the "Other life insurance contract liabilities" account. This provision and the respective cost are recognised simultaneously with the income associated with premiums.

Potential capital gains, net of capital losses, resulting from the revaluation of assets allocated to life insurance contracts with profit sharing and which are expected to be paid to policyholders are recognised in other life insurance contract liabilities (profit sharing provision).

(B) PROVISION FOR UNEARNED PREMIUMS

The provision for unearned premiums comprises the value of insurance contract premiums written and allocated to the following period, i.e., the part comprising the period between financial statements close and end of the period to which the premium refers. It is calculated, for each contract in force, by the application of the pro rata temporis method on the respective gross premiums written.

Expenditure incurred with the acquisition of non-life insurance contracts, including brokerage commissions and other expenses allocated to the acquisition, is deferred over the course of the period to which it relates and is recognised as a deduction from the amount of the unearned premium reserves on insurance contracts.

(C) CLAIMS PROVISION

This provision recognises the estimated amount of indemnities payable on accidents which have already occurred, including claims incurred but not reported (IBNR) and administrative costs on future claims settlements whose management procedure is currently being processed together with IBNR claims. Except for mathematical provisions and whole-life assistance for workman's compensation, the claims provisions set up by the Group are not discounted.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Insurance and investment contracts *(Continued)*

(D) MATHEMATICAL PROVISION FOR LIFE INSURANCE

This corresponds to the estimated actuarial value of the insurance company's commitments, including profit sharing payments already distributed and following the deduction of the actuarial value of future premiums, calculated for each policy in accordance with actuarial methods and their respective technical bases.

In the case of life insurance contracts in which the investment risk is borne by the policyholder, this account heading only includes any additional technical provisions which may be set up to cover mortality risks, administrative or other expenditure (e.g., guaranteed payments on maturity or guaranteed redemption values).

(E) PROFIT SHARING PROVISION

The profit sharing provision in other life insurance contract liabilities includes amounts payable to policyholders or contract beneficiaries, in the form of a profit sharing scheme, whether already allocated or yet to be allocated, provided that such amounts have not yet been distributed.

PROFIT SHARING PROVISION TO BE ALLOCATED

This provision includes the balances originated by the net capital gains attributable to the insured and it also reflects the net amount of the subsequent potential capital gains and losses (fair value adjustments) relating to investments linked to life insurance contracts with a profit sharing component, for the estimated part of the policyholder or contract beneficiary, as long as the balances by portfolio are not negative.

This provision is set up as a charge to profit sharing to be attributed, in the consolidated statement of profit or loss, or as a direct charge to the other comprehensive income resulting from adjustments to the fair value of available-for-sale financial assets linked to life insurance with a profit sharing component, depending on the assets' classification.

Throughout the duration of the contracts of each type or set of types, the balance of the provision for profit sharing to be allocated corresponding to this is utilised in full.

PROVISION FOR ALLOCATED PROFIT SHARING

This provision includes the amounts payable to policyholders or contract beneficiaries, in the form of profit sharing, which have still not been distributed but have been attributed to them.

For most of the products, the provision is calculated on the basis of income generated by the allocated assets, including realised capital gains and losses and the recognition of impairment losses for the period, less the negative balances of past years, in which cases the said deduction is contractually provided for.

(F) PROVISION FOR INTEREST RATE COMMITMENTS

The provision for interest rate commitments is set up for all life insurance and life insurance operations with a guaranteed interest rate, whenever the effective yield on investments representing mathematical provisions on certain insurance contracts, lower than the technical interest rate used to determine the mathematical provisions of those contracts.

(G) PORTFOLIO STABILISATION PROVISION

The portfolio stabilisation provision is set up for annually renewable group insurance contracts, guaranteeing death risk as their principal cover, and it is designed to provide for the heightened risk inherent to the progression of the average age of the insured group, whenever the tariff is based on a single rate, which, owing to contractual commitments, is to be maintained over a certain period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Insurance and investment contracts *(Continued)*

(H) PROVISION FOR UNEXPIRED RISKS

This provision is calculated for all non-life insurance and is intended to respond to situations in which premiums to be allocated to subsequent years regarding contracts in force at the date of the financial statements are not sufficient to pay for the indemnities and the expenses to be allocated to the respective technical lines of business. This provision is calculated on the basis of the ratios for claims, operating costs, ceding and income, in accordance with which is defined by the Portuguese Insurance Regulator.

(I) TECHNICAL PROVISIONS FOR OUTWARDS REINSURANCE

These provisions are assessed by applying the above described criteria for direct insurance, based on ceding percentages, in addition to other clauses existing in the treaties in force.

(J) LIABILITIES TO SUBSCRIBERS OF UNIT-LINKED PRODUCTS

Liabilities, associated with unit-linked investment contracts issued by the Group in which the risk is borne by the policyholder, are recognised at fair value and assessed on the basis of the fair value of investment portfolio assets allocated to each of the products, less the corresponding management costs and recognised in "financial liabilities for unit-linked contracts".

Investment portfolios allocated to unit-linked products comprise financial assets, including fixed-income securities, variable-income securities, derivative instruments and deposits in credit institutions, which are recognised at fair value and whose corresponding unrealised capital gains and losses are recognised in the consolidated statement of profit or loss for the year.

(K) LIABILITIES TO SUBSCRIBERS OF OTHER INVESTMENT CONTRACTS

Liabilities to subscribers of other regulated products, classified as investment contracts under HKFRS 4, which do not include a discretionary profit sharing component, are valued in accordance with the requirements of HKAS 39 and recognised in "Investment contract liabilities".

(L) IMPAIRMENT OF DEBTOR BALANCES RELATED TO INSURANCE AND REINSURANCE CONTRACTS

At each reporting date, the Group assesses the existence of evidence of impairment on assets originated by insurance or reinsurance contracts, namely accounts receivable from policyholders, agents, inwards and outwards reinsurers, and technical provisions for outwards reinsurance.

If impairment losses are identified, the carrying value of the respective assets is reduced as a charge to the consolidated statement of profit or loss for the year.

(M) LIABILITY ADEQUACY TEST

In accordance with HKFRS 4, at the date of the financial statements, the Group performs liability adequacy tests relating to contracts in force. These tests include estimates of the present value of future cash flows under its insurance contracts, including claims handling costs and cash flows resulting from embedded options and guarantees.

If that assessment shows that the carrying amount of the insurance liabilities recognised in the financial statements, net of related intangible assets, is inadequate in light of the estimated future cash flows, the entire insufficiency shall be recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

(I) OPERATING LEASE COMMITMENTS – GROUP AS LESSOR

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

(II) CLASSIFICATION BETWEEN INVESTMENT PROPERTIES AND OWNER-OCCUPIED PROPERTIES

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

(III) CONSOLIDATION OF ENTITIES IN WHICH THE GROUP HOLDS LESS THAN A MAJORITY OF VOTING RIGHTS

The Group considers that it controls Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharma") even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Fosun Pharma with a 37.55% equity interest as at 31 December 2018. The remaining 62.45% of the equity shares in Fosun Pharma are widely held by many other shareholders. The Group controls the board of directors of Fosun Pharma, and holds relatively larger voting rights than other dispersed public shareholders. Since the date of Fosun Pharma's domestic shares being listed on the Shanghai Stock Exchange, there has been no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

(IV) DEFERRED TAX LIABILITIES

Deferred tax liabilities are recognised for withholding corporate income taxes relating to the unremitted earnings of the Group's subsidiaries established in Chinese Mainland that are subject to withholding taxes. Significant management judgement is required to determine the amount of deferred tax liabilities, based upon the likely distribution level of such earnings from these subsidiaries in the foreseeable future. The amount of deferred tax liabilities arising from the withholding tax associated with the investments in subsidiaries in Chinese Mainland for the year ended 31 December 2018 was RMB235,136,000 (31 December 2017: RMB114,579,000). Further details are contained in note 30 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(Continued)

Judgements *(Continued)*

(V) CLASSIFICATION OF FINANCIAL ASSETS

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial assets contractual cash flows characteristics: (1) management needs to make significant judgement when assessing its business model, including but is not limited to (a) how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; (b) the risks that affect the performance of the business model and the financial assets held within that business model and, in particular, the way in which those risks are managed; and (c) how managers of the business are compensated. In determining whether cash flows are going to be realised by collecting the financial assets' contractual cash flows, management needs to consider the reasons for the sales, timing of sales, frequency and value in prior periods; and (2) management needs to make significant judgement on whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, such as whether contractual cash flows could be significantly different from the benchmark cash flows involves judgement when assessing a modified time value of money element, and whether the fair value of prepayment features is insignificant also requires judgement when assessing the financial assets with prepayment features.

Estimation uncertainty

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

(I) IMPAIRMENT OF GOODWILL

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2018 was RMB19,092,279,000 (31 December 2017: RMB15,203,443,000). Further details are given in note 20 to the financial statements.

(II) IMPAIRMENT OF NON-FINANCIAL ASSETS (OTHER THAN GOODWILL)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. For the year ended 31 December 2018, impairment losses in the amount of RMB175,333,000 (2017:RMB203,226,000) have been recognised as set out in note 8 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(Continued)

Estimation uncertainty *(Continued)*

(III) IMPAIRMENT OF AVAILABLE-FOR-SALE INVESTMENTS

Before 1 January 2018, the Group classified certain assets as available for sale and recognised movements of their fair values in other comprehensive income. When the fair value declined, management made assumptions about the decline in value to determine whether there was an impairment that should be recognised in the consolidated statement of profit or loss.

Since 1 January 2018, management has applied the overlay approach for designated eligible financial assets and carried out impairment tests on these financial assets at the end of the year under the overlay approach as if HKAS 39 were applied. As at 31 December 2018, the carrying amount of designated eligible financial assets under the overlay approach (including current and non-current portion) was RMB11,121,411,000.

(IV) ESTIMATION OF FAIR VALUE OF INVESTMENT PROPERTIES

As described in note 14 to the financial statements, investment properties were revalued on 31 December 2018 on an open market value and existing use basis. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

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

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

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

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

The carrying amount of investment properties at 31 December 2018 was RMB46,567,826,000 (31 December 2017: RMB32,438,435,000). Further details, including the key assumptions used for fair value measurement, are given in note 14 to the financial statements.

(V) FAIR VALUE OF FINANCIAL INSTRUMENTS DETERMINED USING VALUATION TECHNIQUES

Fair value of financial instruments, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations were based on certain assumptions about credit risk, volatility and liquidity risks, associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. Further details are included in note 70 to the financial statements.

(VI) USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(Continued)

Estimation uncertainty *(Continued)*

(VII) USEFUL LIVES OF INTANGIBLE ASSETS (OTHER THAN GOODWILL)

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

(VIII) ESTIMATION OF REHABILITATION COST PROVISION

FOR MINING RIGHTS

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

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

FOR OIL AND GAS ASSETS

The Group estimates the future removal costs of on and offshore oil and gas platforms, production facilities, wells and pipelines at the time of installation of the assets. In most instances, removal of assets will occur in future years. This requires judgemental assumptions regarding removal data, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating costs, future removal technologies in determining the removal costs, and asset specific discount rates to determine the present value of these cash flows.

(IX) PROVISION FOR BAD DEBTS OF TRADE AND NOTES RECEIVABLES AND PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Before 1 January 2018, the Group reviewed the recoverability and ageing of trade and notes receivables and prepayments, other receivables and other assets and provides impairment losses if the balances are not fully recoverable. The assessments involve estimation of the recoverability of these balances. Any change in key assumptions of estimations would affect the carrying amount of the trade and notes receivables and prepayments, other receivables and other assets, and provision expenses in the period in which such estimate has been changed.

(X) MEASUREMENT OF THE EXPECTED CREDIT LOSS ALLOWANCE

The Group assesses the impairment of financial assets at amortised cost and debt investments at FVOCI using the ECL model. The application of the ECL model requires significant estimation, and consideration of all reasonable and relevant information including forward-looking information. When making such estimation, the Group estimates the expected changes of the debtor's credit risk based on historical repayment data along with economic policies, macro-economic indicators, and industrial risk.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(Continued)

Estimation uncertainty *(Continued)*

(XI) DEFERRED TAX ASSETS

Deferred tax assets are recognised for deductible temporary differences and carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2018 was RMB1,673,967,000 (31 December 2017: RMB1,240,255,000). The amount of unrecognised tax losses and deductible temporary differences as at 31 December 2018 was RMB18,421,560,000 (31 December 2017: RMB17,022,761,000). Further details are contained in note 30 to the financial statements.

(XII) NET REALISABLE VALUE OF INVENTORIES, PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES FOR SALE

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

(XIII) CONTINGENT CONSIDERATION FOR THE ACQUISITION OF SUBSIDIARIES

The Group estimated the fair value of contingent consideration for the acquisition of subsidiaries by using the expected cash flows, to be discounted to the acquisition date at an appropriately chosen discount rate. Significant management judgement is required to determine the expected cash flows and discount rate. Management reassesses these estimates at the end of each reporting period.

(XIV) ASSESSMENT OF INSURANCE CONTRACTS LIABILITIES

The Group's insurance contracts liabilities are assessed on the basis of the methodologies and assumptions described in note 2.4. These liabilities reflect a quantified estimate of the impact of future events on the accounts of the Group's insurance companies, based on actuarial assumptions, claims history and other methods accepted in the sector. Owing to the nature of insurance activity, the assessment of claims provisions and other insurance contracts liabilities is highly subjective and the real amounts payable in the future may differ significantly from the estimates. Management reassesses these estimates at the end of each reporting period, however, that the liabilities on insurance contracts recognised in the consolidated financial statements adequately reflect the best estimate at the end of the reporting period of the amounts to be disbursed by the Group. As at 31 December 2018, the total carrying amount of insurance contracts liabilities was RMB57,351,742,000 (2017: RMB53,185,038,000), which included unearned premium provisions amounting to RMB6,684,319,000 (2017: RMB5,845,267,000), provision for outstanding claims amounting to RMB33,893,491,000 (2017: RMB31,617,352,000), provision for unexpired risks amounting to RMB286,538,000 (2017: RMB384,049,000) and other life insurance contract liabilities amounting to RMB16,487,394,000 (2017: RMB15,338,370,000)

(XV) VALUATION OF THE IDENTIFIABLE ASSETS AND LIABILITIES THROUGH BUSINESS COMBINATION AND RECOGNISED CORRESPONDING GOODWILL OR GAIN ON BARGAIN PURCHASE

The group completed certain business combinations during the year. The purchase prices are allocated between the fair values of the identifiable assets acquired and the liabilities assumed which result in the recognition of goodwill or gain on bargain purchase. Management, assisted by the external appraisers, evaluated the fair values of identifiable assets acquired and liabilities assumed and completed the purchase price allocation. The fair value determination in the accounting for business combination relied on significant management estimation in respect of fair value assessments.

4. PARTICULARS OF THE PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINT VENTURES

Particulars of the principal subsidiaries comprising the Group, associates and joint ventures of the Group at 31 December 2018 are set out below:

Name of company	Place of incorporation/ registration and place of business	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Subsidiaries						
Investment segment						
上海復星高科技(集團)有限公司# (Shanghai Fosun High Technology (Group) Co., Ltd.)	PRC/ Chinese Mainland	4,800,000	100.0%	–	100.0%	Investment holding
上海復星產業投資有限公司# (Shanghai Fosun Industrial Investment Co., Ltd.)	PRC/ Chinese Mainland	600,000	–	100.0%	100.0%	Investment holding
復星金融控股有限公司 (Fosun Financial Holdings Limited)	Hong Kong	HKD18,598,275,000	100.0%	–	100.0%	Investment holding
復星地產控股有限公司 (Fosun Property Holdings Limited)	Hong Kong	HKD1	100.0%	–	100.0%	Investment holding
海南礦業股份有限公司# (Hainan Mining Co., Ltd.)	PRC/ Chinese Mainland	1,954,720	–	51.6%	51.6%	Mining and ore processing
Roc Oil Company Limited	Australia	AUD687,618,400	–	100.0%	100.0%	Oil and gas exploration
上海復星創富投資管理股份有限公司# (Fosun Capital Investment & Management Co., Ltd.)	PRC/ Chinese Mainland	600,000	–	100.0%	100.0%	Capital investment and management
IDERA Capital Management Ltd.	Japan	JPY100,000,000	–	98.0%	98.0%	Capital investment and management
復地(集團)股份有限公司# (Shanghai Forte Land Co., Ltd.)	PRC/ Chinese Mainland	2,504,155	–	100.0%	100.0%	Property development
武漢中北房地產開發有限公司# (Wuhan Zhongbe Property Development Co., Ltd.)	PRC/ Chinese Mainland	933,000	–	100.0%	90.6%	Property development
浙江復星商業發展有限公司# (Zhejiang Fosun Commercial Development Co., Ltd)	PRC/ Chinese Mainland	10,000	–	100.0%	100.0%	Property development
復星產業控股有限公司# (Fosun Industrial Holdings Limited)	Hong Kong	HKD500,000,000	–	100.0%	100.0%	Investment holding

4. PARTICULARS OF THE PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINT VENTURES *(Continued)*

Particulars of the principal subsidiaries comprising the Group, associates and joint ventures of the Group at 31 December 2018 are set out below: *(Continued)*

Name of company	Place of incorporation/ registration and place of business	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Subsidiaries *(Continued)*						
Health Ecosystem						
上海復星醫藥(集團)股份有限公司*/# (Shanghai Fosun Pharmaceutical (Group) Co., Ltd.)	PRC/ Chinese Mainland	2,563,061	–	37.6%	37.6%	Investment holding
上海復星醫藥產業發展有限公司# (Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.)	PRC/ Chinese Mainland	2,253,308	–	100.0%	37.6%	Investment holding
錦州奧鴻藥業有限責任公司# (Jinzhou Aohong Pharmaceutical Co., Ltd.)	PRC/ Chinese Mainland	107,875	–	100.0%	37.6%	Manufacture and sale of pharmaceutical products
江蘇萬邦生化醫藥集團有限責任公司# (Jiangsu Wanbang Biopharmaceutical Co., Ltd.)	PRC/ Chinese Mainland	440,455	–	100.0%	37.6%	Manufacture and sale of pharmaceutical products
Alma Lasers Ltd.	State of Israel	NIS14,000,000	–	100.0%	19.8%	Manufacture and sale of medical devices
湖北新生源生物工程有限公司# (Shine Star (Hubei) Biological Engineering Co., Ltd.)	PRC/ Chinese Mainland	51,120	–	51.0%	19.2%	Manufacture and sale of pharmaceutical products
重慶藥友製藥有限責任公司# (Chongqing Yao Pharmaceutical Co., Ltd.)	PRC/ Chinese Mainland	196,540	–	51.0%	19.2%	Manufacture and sale of pharmaceutical products
桂林南藥股份有限公司# (Guilin South Pharma Co., Ltd.)	PRC/ Chinese Mainland	285,030	–	96.2%	36.1%	Manufacture and sale of pharmaceutical products
復星實業(香港)有限公司 (Fosun Industrial Co., Limited)	Hong Kong	USD550,137,905	–	100.0%	37.6%	Investment holding
佛山市禪城區中心醫院有限公司# (Foshan City Chancheng District Central Hospital Co., Ltd.)	PRC/ Chinese Mainland	50,000	–	87.4%	32.8%	Provision of healthcare services
Gland Pharma Limited ("Gland")	India	RS154,950,000	–	74.0%	27.8%	Manufacture and sale of pharmaceutical products
Luz Saúde, S.A.	Portugal	EUR95,542,254	–	99.4%	91.8%	Provision of healthcare services

4. PARTICULARS OF THE PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINT VENTURES *(Continued)*

Particulars of the principal subsidiaries comprising the Group, associates and joint ventures of the Group at 31 December 2018 are set out below: *(Continued)*

Name of company	Place of incorporation/ registration and place of business	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Subsidiaries *(Continued)*						
Happiness Ecosystem						
Club Med SAS	France	EUR149,000,000	–	100.0%	70.7%	Tourism
海南亞特蘭蒂斯商旅發展有限公司# (Hainan Atlantis Commerce And Tourism Development Co., Ltd)	PRC/ Chinese Mainland	801,500	–	100.0%	81.8%	Tourism
上海豫園旅遊商城股份有限公司$ (Shanghai Yuyuan Tourist Mart Co., Ltd.)	PRC/ Chinese Mainland	3,881,064	–	68.6%	68.6%	Retail
湖北光霞房地產開發有限公司# (Hubei Guangxia Property Co.,Ltd)	PRC/ Chinese Mainland	261,000	–	65.0%	44.6%	Property development
海南復地投資有限公司# (Hainan Forte Investment Co., Ltd.)	PRC/ Chinese Mainland	10,000	–	100.0%	68.6%	Property development
Insurance segment						
鼎睿再保險有限公司 (Peak Reinsurance Company Limited)	Hong Kong	USD786,720,714	–	86.9%	86.9%	Reinsurance
Fidelidade – Companhia de Seguros, S.A.	Portugal	EUR457,380,000	–	85.0%	85.0%	Underwriting of life and non-life insurance
AmeriTrust Group, Inc.	United States of America	USD343,353,000	–	100.0%	100.0%	Underwriting of non-life insurance
Finance segment						
Hauck & Aufhäuser Privatbankiers AG	Germany	EUR18,445,196	–	99.9%	99.9%	Private banking and financial services

4. PARTICULARS OF THE PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINT VENTURES *(Continued)*

Particulars of the principal subsidiaries comprising the Group, associates and joint ventures of the Group at 31 December 2018 are set out below: *(Continued)*

Name of company	Place of incorporation/ registration and place of business	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Associates						
國藥產業投資有限公司# (Sinopharm Industrial Investment Co., Ltd.)	PRC/ Chinese Mainland	100,000	–	49.0%	18.4%	Distribution of pharmaceutical products
青島啤酒股份有限公司# (Tsingtao Brewery Company Limited)	PRC/ Chinese Mainland	1,350,983	–	14.7%	14.3%	Production and distribution of beer
天津建龍鋼鐵實業有限公司# (Tianjin Jianlong Iron & Steel Industrial Co., Ltd.)	PRC/Chinese Mainland	2,000,000	–	25.7%	25.7%	Manufacture and sale of iron and steel products
上海証大房地產有限公司@ (Shanghai Zhengda Property Limited)	Bermuda/ Chinese Mainland	HKD297,587,000	–	15.2%	15.2%	Property investment and management
永安財產保險股份有限公司# (Yong'an Property Insurance Company Limited)	PRC/ Chinese Mainland	3,009,416	–	40.7%	40.7%	Property insurance
Banco Comercial Português, S.A.	Portugal	EUR4,725,000,000	–	27.3%	27.3%	Banking and financial service
Joint ventures						
南京南鋼鋼鐵聯合有限公司#/& (Nanjing Nangang Iron & Steel United Co., Ltd.)	PRC/Chinese Mainland	3,000,000	–	60.0%	60.0%	Manufacture and sale of iron and steel products
上海証大外灘國際金融服務中心# 置業有限公司 (Shanghai Zhengda Bund International Finance Services Centre Real Estate Company Limited)	PRC/Chinese Mainland	7,000,000	–	50.0%	50.0%	Property development

4. PARTICULARS OF THE PRINCIPAL COMPANIES COMPRISING THE GROUP, ASSOCIATES AND JOINT VENTURES *(Continued)*

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

The above table lists the subsidiaries, associates and joint ventures of the Group which, in the opinion of the directors of the Company, principally affected the results of the Group for the year ended 31 December 2018 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries, associates and joint ventures would, in the opinion of the directors of the Company, result in particulars of excessive length.

Notes:

* Fosun Pharma continues to be accounted for as a subsidiary because the Group continues to be the single major shareholder of Fosun Pharma and holds relatively larger voting rights than other dispersed public shareholders, despite the fact that the Group's equity interest in this company was 37.55% as at 31 December 2018.

@ The Group's investments in these associates are accounted for under the equity method of accounting because the Group has significant influence over these entities by way of representation on the board of directors and participation in the policy-making process, despite the fact that the Group's direct or indirect equity interests in these associates were lower than 20% for the year ended 31 December 2018.

\# These companies are registered as limited liability companies under PRC law.

& Although the Group held a 60% equity interest in Nanjing Nangang Iron & Steel United Co. Ltd ("Nanjing Nangang") as at 31 December 2018, the Group delegated 10% voting rights in Nanjing Nangang to Nanjing Iron & Steel (Group) Co., Ltd., and Nanjing Nangang was accounted for as a joint venture of the Group.

$ Shanghai Yuyuan Tourist Mart Co., Ltd. ("Yuyuan"), a previous associate of the Group with 26.45% equity interests as at 31 December 2017, completed the asset restructuring in July 2018, upon which the Group held approximately 68.49% of equity interests in Yuyuan and Yuyuan has been consolidated as a subsidiary of the Group since July 2018.

5. OPERATING SEGMENT INFORMATION

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

(i) The Health Ecosystem segment engages in the research and development, manufacture, sale and trading of pharmaceutical and health products and providing medical services and health management;

(ii) The Happiness Ecosystem segment comprises principally the operation and investments in tourism and leisure, fashion consumer and lifestyle industries;

(iii) The Insurance segment mainly engages in the operation of and investment in the insurance businesses;

(iv) The Finance segment mainly engages in the operation of and investment in the banking and other financial businesses; and

(v) The Investment segment comprises principally the primary investments, secondary market investments, and investments in asset management companies and other companies of the Group.

The Insurance segment, Finance segment and Investment segment listed above all belong to the Wealth Ecosystem sector of the Group.

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

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

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

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2018

	Health Ecosystem	Happiness Ecosystem	Wealth Ecosystem				
			Insurance	Finance	Investment	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:							
Sales to external customers	28,567,952	44,143,845	23,668,480	2,334,476	10,636,888	–	109,351,641
Inter-segment sales	525,328	11,467	–	148,197	90,423	(775,415)	–
Total revenue	29,093,280	44,155,312	23,668,480	2,482,673	10,727,311	(775,415)	109,351,641
Segment results	5,392,910	6,667,622	4,106,312	1,431,945	6,607,585	(40,141)	24,166,233
Unallocated expenses							(2,171,663)
Profit before tax	5,392,910	6,667,622	4,106,312	1,431,945	6,607,585	(40,141)	21,994,570
Tax	(494,371)	(3,284,283)	(831,867)	32,209	(389,487)	(17,255)	(4,985,054)
Profit for the year	4,898,539	3,383,339	3,274,445	1,464,154	6,218,098	(57,396)	17,009,516
Segment and total assets	86,877,645	143,824,338	185,550,344	76,530,808	162,000,251	(15,899,548)	638,883,838
Segment and total liabilities	41,250,149	78,009,200	146,403,234	56,911,226	172,709,826	(16,840,820)	478,442,815
Other segment information:							
Interest and dividend income	158,752	187,028	3,565,174	77,518	1,115,215	(553,907)	4,549,780
Other income and gains (excluding interest and dividend income)	3,009,759	4,466,781	5,803,774	386,125	1,023,573	489,105	15,179,117
Amount reported in profit or loss applying the overlay approach	–	–	2,742,521	–	–	–	2,742,521
Impairment losses recognized in the statement of profit or loss, net	(170,725)	(13,031)	(93,553)	(88,407)	(226,628)	50,737	(541,607)
Finance costs	(1,018,923)	(875,549)	(194,197)	–	(5,420,168)	278,419	(7,230,418)
Share of profits and losses of							
– Joint ventures	(50,441)	(32,139)	–	–	1,862,287	–	1,779,707
– Associates	1,539,385	(589,425)	190,096	1,213,700	1,868,374	(43,896)	4,178,234
Depreciation and amortization	(1,356,132)	(1,175,755)	(399,400)	(52,161)	(844,789)	–	(3,828,237)
Research and development costs	(1,402,292)	(34,375)	(322)	(4,273)	(22,240)	1,113	(1,462,389)
Fair value gains on fair value adjustments of investment properties	–	46,522	290,391	–	96,016	–	432,929
Fair value (loss)/gain on financial assets at fair value through profit or loss	(193,283)	2,424,854	(4,589,284)	(229,361)	2,001,881	–	(585,193)
Investments in joint ventures	462,867	991,389	938,257	–	22,499,382	–	24,891,895
Investments in associates	26,552,936	17,662,942	8,004,198	11,489,224	21,149,867	(775,037)	84,084,130
Capital expenditure*	3,671,615	3,340,944	1,901,731	81,891	3,934,525	–	12,930,706

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2017 (restated)

	Health Ecosystem	Happiness Ecosystem	Wealth Ecosystem				
			Insurance	Finance	Investment	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:							
Sales to external customers	22,078,850	25,455,592	26,133,292	1,700,914	12,656,521	–	88,025,169
Inter-segment sales	407,412	–	–	135,304	120,157	(662,873)	–
Total revenue	22,486,262	25,455,592	26,133,292	1,836,218	12,776,678	(662,873)	88,025,169
Segment results	4,496,160	4,642,384	4,356,438	1,413,628	10,188,017	(35,124)	25,061,503
Unallocated expenses							(2,090,508)
Profit before tax	4,496,160	4,642,384	4,356,438	1,413,628	10,188,017	(35,124)	22,970,995
Tax	(517,281)	(1,694,171)	(866,153)	(100,188)	(2,995,426)	(1,743)	(6,174,962)
Profit for the year	3,978,879	2,948,213	3,490,285	1,313,440	7,192,591	(36,867)	16,796,033
Segment and total assets	74,436,631	79,346,675	176,130,430	65,623,827	152,464,193	(14,213,702)	533,788,054
Segment and total liabilities	35,882,453	54,238,985	136,152,715	48,927,028	144,240,980	(22,066,388)	397,375,773
Other segment information:							
Interest and dividend income	113,386	80,500	3,135,364	289,895	761,677	(156,197)	4,224,625
Other income and gains (excluding interest and dividend income)	1,458,534	1,583,265	5,964,122	211,706	11,214,879	(128,053)	20,304,453
Impairment losses recognised in the statement of profit or loss, net	(65,478)	(90,297)	(726,167)	(38,129)	(1,084,523)	–	(2,004,594)
Finance costs	(635,647)	(915,452)	(206,826)	(400)	(4,209,818)	384,391	(5,583,752)
Share of profits and losses of							
– Joint ventures	(10,134)	(19,290)	(60,078)	–	1,582,054	–	1,492,552
– Associates	1,379,233	258,445	207,594	889,687	324,896	(38,765)	3,021,090
Depreciation and amortisation	(1,224,575)	(617,283)	(137,740)	(37,085)	(668,115)	–	(2,684,798)
Research and development costs	(940,533)	–	–	–	–	–	(940,533)
Fair value gains on fair value adjustments of investment properties	–	193,854	61,070	–	659,722	–	914,646
Fair value gains on financial assets at fair value through profit or loss	44,072	195,666	84,440	–	1,165,614	–	1,489,792
Investments in joint ventures	1,506,168	3,435	746,914	–	18,161,930	–	20,418,447
Investments in associates	20,993,174	6,717,075	8,199,953	10,014,101	16,389,323	(591,725)	61,721,901
Capital expenditure*	2,393,191	3,191,372	1,224,890	41,844	3,486,012	–	10,337,309

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

5. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(A) REVENUE FROM EXTERNAL CUSTOMERS

	2018	2017
	RMB'000	RMB'000
Chinese Mainland	**58,628,408**	40,949,068
Portugal	**16,197,962**	14,753,495
Other countries and regions	**34,525,271**	32,322,606
	109,351,641	88,025,169

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

(B) NON-CURRENT ASSETS

	2018	2017
	RMB'000	RMB'000
Chinese Mainland	**187,121,427**	139,091,483
Hong Kong	**3,686,002**	3,585,888
Portugal	**20,562,181**	19,009,006
Other countries and regions	**40,508,034**	34,535,172
	251,877,644	196,221,549

The non-current asset information above is based on the locations of the assets and excludes financial instruments, deferred tax assets and rights arising under insurance contracts.

Information about a major customer

No revenue amounting to 10% or more of the Group's revenue was derived from sales to a single customer for the years ended 31 December 2018 and 2017.

6. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods or properties sold after allowances for returns, trade discounts and various types of government surcharges, where applicable during the year. In addition, it includes the net earned premiums from the insurance business, the value of services rendered and rental receivables from investment properties during the year.

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

		2018 RMB'000	2017 RMB'000
Revenue			
Revenue from contracts with customers			
– Sale of goods	(1)	**56,878,181**	40,832,917
– Rendering of services	(2)	**28,043,977**	20,509,636
		84,922,158	61,342,553
Revenue from other sources			
– Insurance revenue	(3)	**23,594,764**	26,130,566
– Rental income		**1,070,766**	799,475
– Interest income		**316,471**	315,538
		24,982,001	27,245,579
Others			
– Less: Government surcharges		**(552,518)**	(562,963)
		109,351,641	88,025,169

(1) Sale of goods:

	2018 RMB'000	2017 RMB'000
Pharmaceuticals and medical products	**21,094,954**	15,916,001
Properties	**22,740,120**	20,541,619
Gold and jewelleries	**8,048,203**	–
Ore products	**1,298,815**	2,641,111
Oil and gas	**1,128,388**	881,027
Others	**2,567,701**	853,159
	56,878,181	40,832,917

(2) Rendering of services:

	2018 RMB'000	2017 RMB'000
Tourism	**14,557,519**	11,269,713
Healthcare	**6,421,588**	5,684,040
Property agency	**438,558**	453,560
Property management	**1,273,977**	737,440
Asset management	**389,403**	262,703
Fee and commission income	**1,588,395**	1,120,904
Others	**3,374,537**	981,276
	28,043,977	20,509,636

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

An analysis of revenue, other income and gains is as follows: *(Continued)*

Revenue *(Continued)*

(3) Insurance revenue:

	2018 RMB'000	2017 RMB'000
Gross premiums written	**28,377,536**	31,088,732
Less: Premiums ceded to reinsurers and retrocessionaires	**(4,041,918)**	(4,528,772)
Net premiums written	**24,335,618**	26,559,960
Change in unearned premium provisions, net of reinsurance	**(740,854)**	(429,394)
Net earned premiums	**23,594,764**	26,130,566

Performance obligations

Information about the Group's performance obligations is summarised below:

SALE OF GOODS

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 180 days from delivery, or payment in advance is required in some cases.

SALE OF COMPLETED PROPERTIES

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

SERVICE INCOME

The performance obligation is satisfied over time as services are rendered and the customer simultaneously receives and consumes the benefits. Short-term advances are normally required before rendering the services.

Disaggregated revenue information

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the year ended 31 December 2018

Segments:

	Health Ecosystem	Happiness Ecosystem	Wealth Ecosystem			
			Insurance	Finance	Investment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Type of goods or services						
Sale of goods	**22,087,511**	**27,836,256**	**–**	**–**	**6,954,414**	**56,878,181**
Rendering of services	**6,682,248**	**16,460,240**	**73,790**	**2,020,366**	**2,807,333**	**28,043,977**
	28,769,759	**44,296,496**	**73,790**	**2,020,366**	**9,761,747**	**84,922,158**
Timing of revenue recognition						
Goods transferred at point in time	**22,087,511**	**27,836,256**	**–**	**–**	**6,954,414**	**56,878,181**
Services transferred over time	**6,682,248**	**16,460,240**	**73,790**	**2,020,366**	**2,807,333**	**28,043,977**
	28,769,759	**44,296,496**	**73,790**	**2,020,366**	**9,761,747**	**84,922,158**

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

	2018 RMB'000	2017 RMB'000
Other income		
Interest income	**757,874**	703,938
Dividends and interest from available-for-sale investments	**–**	3,092,800
Dividends and interest from financial assets at fair value through profit or loss	**1,368,533**	427,887
Dividends and interest from equity investments at fair value through other comprehensive income (note 23)	**49,189**	–
Dividends and interest from debt investments at fair value through other comprehensive income	**2,374,184**	–
Rental income	**537,157**	937,371
Government grants	**570,005**	317,817
Consultancy and other service income	**287,553**	223,098
Fee income relating to investment contracts	**493,955**	641,972
Others	**1,159,202**	493,584
	7,597,652	6,838,467
Gains		
Gain on disposal of subsidiaries (note 61(b))	**45,059**	2,323,121
Gain on bargain purchase of subsidiaries (note 61(a))	**3,706,384**	234,355
Gain on bargain purchase of associates	**–**	1,239,698
Gain on disposal of associates	**1,439,879**	419,091
Gain on deemed disposal of investments in associates	**2,069,071**	56,307
Gain on disposal of joint ventures	**–**	280,594
Gain on disposal of available-for-sale investments	**–**	8,370,800
Gain on disposal of debt investments at fair value through other comprehensive income	**2,136,148**	–
Gain on disposal of items of property, plant and equipment	**53,936**	85,671
Gain on disposal of investment properties	**5,201**	330,922
Gain on disposal of non-current assets of a disposal group classified as held for sale	**895,911**	–
Reclassification of the available-for-sale investment revaluation reserve from other comprehensive income to the statement of consolidated profit or loss upon disposal of a subsidiary	**–**	173,092
Reclassification of exchange fluctuation reserve from other comprehensive income to the statement of consolidated profit or loss upon disposal of a subsidiary	**–**	20,812
Gain on fair value adjustment on investments at fair value through profit or loss	**–**	1,489,792
Gain on derivative financial instruments	**–**	1,597,695
Gain on fair value adjustment of investment properties (note 14)	**432,929**	914,646
Gain on reversal of impairment of completed properties for sale	**14,864**	1,674
Gain on reversal of impairment of insurance and reinsurance debtors (note 33)	**15,747**	81,451
Gain on reversal of debt instruments at amortised cost	**710**	–
Exchange gain, net	**1,315,406**	70,890
	12,131,245	17,690,611
Other income and gains	**19,728,897**	24,529,078
Total revenue, other income and gains	**129,080,538**	112,554,247

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 RMB'000	2017 RMB'000
Interest on bank and other borrowings (including convertible bonds)	**8,072,008**	6,049,011
Incremental interest on other long term payables (note 57)	**9,203**	32,790
	8,081,211	6,081,801
Less: Interest capitalised, in respect of bank and other borrowings (note 13 and note 27)	**(1,230,761)**	(963,703)
Interest expenses, net	**6,850,450**	5,118,098
Interest on discounted bills	**9,490**	7,211
Interest on finance leases	**27,632**	8,101
Bank charges and other financial costs	**342,846**	450,342
Total finance costs	**7,230,418**	5,583,752

8. PROFIT BEFORE TAX

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

	2018 RMB'000	2017 RMB'000
Cost of sales:		
Cost of inventories sold	**32,327,010**	22,333,226
Cost of services provided	**35,401,592**	33,541,669
	67,728,602	55,874,895
Staff costs (including directors' and senior management's remuneration as set out in note 9):		
Wages and salaries	**13,486,951**	11,494,444
Accommodation benefits:		
Defined contribution fund	**573,920**	180,722
Retirement costs:		
Defined contribution fund	**484,503**	872,910
Defined benefit fund	**159,359**	163,429
Equity-settled share-based payments (note 63)	**372,432**	114,438
Total staff costs	**15,077,165**	12,825,943

8. PROFIT BEFORE TAX *(Continued)*

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

	2018 **RMB'000**	2017 RMB'000
Research and development costs	**1,462,389**	940,533
Auditor's remuneration	**9,950**	10,200
Depreciation of items of property, plant and equipment (note 13)	**2,546,476**	1,794,203
Amortisation of prepaid land lease payments (note 15)	**55,774**	51,227
Amortisation of mining rights (note 17)	**9,407**	3,719
Amortisation of oil and gas assets (note 18)	**241,084**	309,292
Amortisation of intangible assets (note 19)	**975,496**	526,357
Impairment of financial and contract assets, net:		
– Impairment of receivables	**66,793**	340,134
– Impairment of debt investments measured at fair value through other comprehensive income	**88,863**	–
– Impairment of loans and advances to customers (note 36)	**89,801**	35,042
– Reversal of impairment of insurance and reinsurance debtors (note 33)	**(15,747)**	(81,451)
– Reversal of impairment of debt investments at amortised cost	**(710)**	–
Provision for inventories	**64,713**	29,336
Provision for impairment of items of property, plant and equipment (note 13)	**73,031**	68,477
Provision for impairment of investments in associates	**90,050**	123,935
Provision for impairment of available-for-sale investments	**–**	1,275,571
Provision for impairment of intangible assets (note 19)	**12,252**	10,814
Reversal of impairment of completed properties for sale	**(14,864)**	(1,674)
Provision for impairment of goodwill (note 20)	**87,425**	122,959
Operating lease rentals	**1,923,868**	1,662,530
Exchange gain, net	**(1,315,406)**	(70,890)
Loss/(gain) on derivative financial instruments	**1,790,822**	(1,597,695)
Loss on disposal on investments at fair value through profit or loss	**–**	162,030
Loss on fair value adjustment of financial assets at fair value through profit or loss	**585,193**	–
Ineffectiveness of hedges	**193,160**	218,647

* At 31 December 2018, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in the future years (2017: Nil).

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018	2017
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**32,451**	33,003
Performance related bonus*	**52,027**	32,174
Equity-settled share award scheme expense	**57,365**	45,741
Pension scheme contributions	**455**	426
	142,298	111,344

* The executive directors of the Company are entitled to performance related bonus which is determined based on internal appraisal of various performance indicators.

During 2017 and 2018, certain directors were granted a share award and a share option in respect of their services to the Group under the share award scheme and share option scheme, respectively, of the Company, further details of which are set out in note 63 to the financial statements. The fair value of the share award and share option, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

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

(I) INDEPENDENT NON-EXECUTIVE DIRECTORS

The remuneration including the equity-settled share award/option scheme expenses of independent non-executive directors during the year was as follows:

	2018	2017
	RMB'000	RMB'000
Zhang Shengman	**826**	778
Zhang Huaqiao	**826**	778
David T. Zhang	**826**	778
Yang Chao	**821**	750
Lee Kai-Fu	**768**	504
	4,067	3,588

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(a) Directors' remuneration *(Continued)*

(II) EXECUTIVE DIRECTORS

	Salaries, allowances and benefits in kind RMB'000	Performance related bonus RMB'000	Pension scheme contributions RMB'000	Equity-settled share award/option scheme expenses RMB'000	Total remuneration RMB'000
Year ended 31 December 2018					
Executive directors:					
Guo Guangchang	4,736	5,986	65	–	10,787
Wang Qunbin*	4,554	5,740	65	–	10,359
Chen Qiyu	4,731	8,015	50	12,049	24,845
Xu Xiaoliang	4,192	8,615	65	12,021	24,893
Qin Xuetang	3,686	6,068	65	9,775	19,594
Wang Can	2,775	5,981	65	7,893	16,714
Kang Lan (resigned as an executive director on 6 November 2018)	2,502	5,308	15	6,498	14,323
Gong Ping	2,945	6,314	65	7,392	16,716
	30,121	52,027	455	55,628	138,231

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(a) Directors' remuneration *(Continued)*

(II) EXECUTIVE DIRECTORS *(Continued)*

	Salaries, allowances and benefits in kind RMB'000	Performance related bonus RMB'000	Pension scheme contributions RMB'000	Equity-settled share award/option scheme expenses RMB'000	Total remuneration RMB'000
Year ended 31 December 2017					
Executive directors:					
Guo Guangchang	4,831	4,157	61	–	9,049
Liang Xinjun (resigned as the executive director, vice chairman and chief executive officer on 28 March 2017)	1,098	627	15	–	1,740
Wang Qunbin (appointed as the chief executive officer on 28 March 2017)	4,659	4,032	61	–	8,752
Ding Guoqi (resigned as an executive director on 28 March 2017)	919	516	15	975	2,425
Qin Xuetang	3,767	3,781	61	9,245	16,854
Chen Qiyu	4,613	5,932	46	9,815	20,406
Xu Xiaoliang	4,166	7,105	61	9,646	20,978
Wang Can (appointed as an executive director on 28 March 2017)	2,140	2,008	47	4,780	8,975
Kang Lan (appointed as an executive director on 28 March 2017)	2,278	2,008	12	5,300	9,598
Gong Ping (appointed as an executive director on 28 March 2017)	2,266	2,008	47	4,658	8,979
	30,737	32,174	426	44,419	107,756

* Wang Qunbin is the chief executive officer of the Company.

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

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(b) Senior management

The executive directors of the Company are regarded as the senior management of the Company as at 31 December 2018, details of their remuneration are set out in note 9(a) above.

(c) Five highest paid employees

The five highest paid employees during the year included three directors (2017: three directors), details of whose remuneration are set out in note 9(a) above. Details of the remuneration for the year of 2018 of the remaining two (2017: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	**5,537**	6,396
Performance related bonuses	**19,361**	10,401
Equity-settled share award scheme expense	**15,016**	12,184
Pension scheme contributions	**131**	107
	40,045	29,088

During 2018, a share award and a share option were granted to two non-director highest paid employees (2017: two) in respect of their services to the Group, further details of which are included in the disclosures in note 63 to the financial statements. The fair value of the share award and share option, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director highest paid employees' remuneration disclosures.

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2018	2017
RMB14,400,001 to RMB14,800,000	**–**	2
RMB18,400,001 to RMB18,800,000	**1**	–
RMB21,200,001 to RMB21,600,000	**1**	–
	2	2

10. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

The provision for income tax of Alma Lasers Ltd. ("Alma Lasers"), a subsidiary of the Group incorporated in Israel, is based on a preferential effective rate of 8.44% (2017: 16%).

The provision for income tax of Fidelidade – Companhia de Seguros, S.A., Multicare – Seguros de Saúde, S.A. and Fidelidade Assistência – Companhia de Seguros, S.A., subsidiaries incorporated in Portugal acquired by the Group, is based on a rate of 31.5% (2017: 29.5%).

The provision for income tax of AmeriTrust Group, Inc. and its subsidiaries incorporated in the United States acquired by the Group is based on a rate of 21% (2017: 35%).

The provision for income tax of Club Med Holding and its subsidiaries incorporated in France acquired by the Group, is based on a rate of 34.43% (2017: 34.43%).

The provision for income tax of Hauck & Aufhäuser Privatbankiers AG ("H&A") and its subsidiaries incorporated in Germany acquired by the Group in 2016, is based on a rate of 32.14% (2017: 32.175%).

The provision for income tax of Gland Pharma Limited, acquired in October 2017 by the Group incorporated in India, was based on a statutory rate of 34.61% before 1 April 2018. Since 1 April 2018, the statutory rate has increased to 34.94%.

The provision for income tax of entities incorporated in Chinese Mainland was based on a statutory rate of 25% (2017: 25%) as determined in accordance with the Enterprise Income Tax Law of the People's Republic of China which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Chinese Mainland, which were taxed at preferential rates from 0% to 20%.

The major components of tax expenses for the years ended 31 December 2018 and 2017 are as follows:

	2018 **RMB'000**	2017 RMB'000
Current – Portugal, Hong Kong and others	**794,324**	1,715,290
Current – Chinese Mainland		
– Income tax in Chinese Mainland for the year	**2,302,745**	2,001,495
– LAT in Chinese Mainland for the year	**2,479,167**	2,165,747
Deferred	**(591,182)**	292,430
Tax expenses for the year	**4,985,054**	6,174,962

10. TAX *(Continued)*

A reconciliation between the tax expenses and profit before tax excluding share of profits and losses of associates and joint ventures at the applicable statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled is as follows:

	Portugal, Hong Kong and others RMB'000	Chinese Mainland RMB'000	Total RMB'000
2018			
Profit before tax excluding share of profits of associates and joint ventures	3,342,327	12,694,302	16,036,629
Tax at the applicable tax rate	800,714	3,173,575	3,974,289
Different tax rates for specific entities	237,714	(374,686)	(136,972)
Tax effect of:			
Income not subject to tax	(2,070,475)	(2,541,246)	(4,611,721)
Tax rate change effect	6,205	–	6,205
Expenses not deductible for tax	1,842,053	45,125	1,887,178
Tax losses and temporary differences not recognised	573,417	1,662,795	2,236,212
Tax losses utilised	(298,925)	(23,970)	(322,895)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries (note 30)	–	235,136	235,136
(Over-provision)/under-provision in prior years	(47,459)	25,610	(21,849)
Tax incentives on eligible expenditures	(28,453)	(54,288)	(82,741)
Subtotal	1,014,791	2,148,051	3,162,842
Provision for LAT for the year	–	773,924	773,924
Deferred tax effect of provision for LAT (note 30)	–	(193,481)	(193,481)
Prepaid LAT for the year	–	1,705,243	1,705,243
Tax effect of prepaid LAT	–	(426,311)	(426,311)
Decrease in deferred LAT in deferred tax liabilities (note 30)	–	(37,163)	(37,163)
Tax expenses	1,014,791	3,970,263	4,985,054

10. TAX *(Continued)*

	Portugal, Hong Kong and others RMB'000	Chinese Mainland RMB'000	Total RMB'000
2017			
Profit before tax excluding share of profits of associates and joint ventures	10,199,431	8,257,922	18,457,353
Tax at the applicable tax rate	2,041,484	2,064,481	4,105,965
Different tax rates for specific entities	18,815	(360,089)	(341,274)
Tax effect of:			
Income not subject to tax	(1,263,783)	(109,902)	(1,373,685)
Tax rate change effect	(18,112)	–	(18,112)
Expenses not deductible for tax	604,685	161,696	766,381
Tax losses and temporary differences not recognised	276,281	1,260,003	1,536,284
Tax losses utilised	(87,752)	(122,458)	(210,210)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries (note 30)	–	114,579	114,579
Under-provision in prior years	5,906	16,651	22,557
Tax incentives on eligible expenditures	(5,030)	(29,272)	(34,302)
Subtotal	1,572,494	2,995,689	4,568,183
Provision for LAT for the year	–	485,649	485,649
Deferred tax effect of provision for LAT (note 30)	–	(121,412)	(121,412)
Prepaid LAT for the year	–	1,680,098	1,680,098
Tax effect of prepaid LAT	–	(420,024)	(420,024)
Decrease in deferred LAT in deferred tax liabilities (note 30)	–	(17,532)	(17,532)
Tax expenses	1,572,494	4,602,468	6,174,962

10. TAX *(Continued)*

According to the tax notices issued by the relevant local tax authorities, the Group commenced to pay land appreciation tax ("LAT") at rates ranging from 0.5% to 5% on proceeds from the sale and pre-sale of properties from 2004. The Directors considered that the relevant tax authorities would unlikely impose additional LAT levies other than the amount already paid based on the relevant percentages of the proceeds from the sale and pre-sale of the Group's properties.

During the year, the prepaid LAT of the Group amounted to RMB1,705,243,000 (2017: RMB1,680,098,000).

In addition, based on the latest understanding of the LAT regulations from the State Administration of Taxation, the Group made an additional LAT provision in the amount of RMB803,924,000 (2017: RMB1,033,920,000) in respect of the sales of properties in the year in accordance with the requirements set forth in the relevant PRC tax laws and regulations. During the year, an unpaid LAT provision in the amount of RMB30,000,000 (2017:RMB548,271,000) was reversed to the consolidated statement of profit or loss upon the completion of the liquidation and clearance with the local tax authorities by certain subsidiaries of the Group. The net accrual of LAT provision for the year was RMB773,924,000 (2017: RMB485,649,000).

11. DIVIDENDS

	2018	2017
	RMB'000	RMB'000
Proposed final – HKD0.37 (2017: HKD0.35) per ordinary share	**2,770,863**	2,512,496

The proposed final dividend of HKD0.35 per ordinary share for the year ended 31 December 2017 was declared and approved by the shareholders at the annual general meeting of the Company on 6 June 2018.

On 26 March 2019, the board of directors of the Company resolved to propose a final dividend for the year ended 31 December 2018 of HKD0.37 per ordinary share, subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 8,560,362,611 (2017: 8,573,396,516) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the cash dividends distributed to the share award scheme and the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed vesting or conversion of all dilutive potential ordinary shares into ordinary shares.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**13,406,403**	13,161,275
Less: Cash dividends distributed to the share award scheme	**(3,195)**	(1,877)
Adjusted profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**13,403,208**	13,159,398
Interest on convertible bonds (note 43)	**682**	20,647
Cash dividends distributed to the share award scheme	**3,195**	1,877
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**13,407,085**	13,181,922

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**8,560,362,611**	8,573,396,516
Effect of dilution – weighted average number of ordinary shares:		
– Share award scheme	**5,770,730**	7,306,609
– Share option scheme	**8,040,030**	22,224,298
– Convertible bonds	**2,089,041**	28,216,712
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**8,576,262,412**	8,631,144,135
Basic earnings per share (RMB)	**1.57**	1.53
Diluted earnings per share (RMB)	**1.56**	1.53

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:								
At 1 January 2017	13,973,898	5,107,618	1,380,399	290,950	75,915	811,474	3,854,680	25,494,934
Additions	654,821	414,858	585,109	44,173	27,785	73,154	4,130,911	5,930,811
Transfer from construction in progress	595,261	208,988	458,352	1,037	–	349,555	(1,613,193)	–
Transfer from investment properties (note 14)	27,442	–	–	–	–	–	–	27,442
Transfer to investment properties (note 14)	(4,712)	–	–	–	–	–	–	(4,712)
Acquisition of subsidiaries	474,232	690,835	59,674	4,603	7,320	–	182,677	1,419,341
Disposal of subsidiaries	(395,436)	–	(1,314)	(767)	–	–	–	(397,517)
Disposals	(789,987)	(277,662)	(185,841)	(20,317)	(950)	–	(269,122)	(1,543,879)
Exchange realignment	140,911	2,281	47,038	1,756	1,714	–	4,528	198,228
Included in assets of a disposal group held for sale	(278,003)	–	–	–	–	–	–	(278,003)
At 31 December 2017 and 1 January 2018	**14,398,427**	**6,146,918**	**2,343,417**	**321,435**	**111,784**	**1,234,183**	**6,290,481**	**30,846,645**
Additions	**800,533**	**964,934**	**500,317**	**135,691**	**533,406**	**8,047**	**1,708,490**	**4,651,418**
Transfer from construction in progress	**3,976,539**	**1,014,168**	**44,697**	**7,932**	**25,924**	**36,045**	**(5,105,305)**	**–**
Transfer from investment properties (note 14)	**7,075**	**–**	**–**	**–**	**–**	**–**	**–**	**7,075**
Transfer to investment properties (note 14)	**(1,763,465)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,763,465)**
Acquisition of subsidiaries (note 61(a))	**10,676,536**	**99,088**	**354,726**	**18,611**	**70,753**	**–**	**20,404**	**11,240,118**
Disposal of subsidiaries (note 61(b))	**(67,856)**	**(29,917)**	**–**	**(10,262)**	**–**	**–**	**–**	**(108,035)**
Disposals	**(754,544)**	**(241,178)**	**(244,756)**	**(50,794)**	**(140,320)**	**–**	**(40,529)**	**(1,472,121)**
Exchange realignment	**(74,530)**	**(37,558)**	**5,480**	**3,413**	**(1,764)**	**–**	**1,549**	**(103,410)**
Included in assets of a disposal group held for sale	**(12,685)**	**–**	**–**	**–**	**–**	**–**	**–**	**(12,685)**
At 31 December 2018	**27,186,030**	**7,916,455**	**3,003,881**	**426,026**	**599,783**	**1,278,275**	**2,875,090**	**43,285,540**

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

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation:								
At 1 January 2017	1,818,654	2,014,392	355,267	172,021	44,332	84,567	–	4,489,233
Charge for the year (note 8)	752,606	596,488	383,968	41,495	13,657	5,989	–	1,794,203
Transfer to investment properties (note 14)	(348)	–	–	–	–	–	–	(348)
Disposal of subsidiaries	(172,392)	–	(740)	(514)	–	–	–	(173,646)
Disposals	(482,554)	(251,886)	(164,246)	(14,518)	–	–	–	(913,204)
Exchange realignment	(100,238)	(30,018)	14,690	1,278	1,058	–	–	(113,230)
Included in assets of a disposal group held for sale	(19,246)	–	–	–	–	–	–	(19,246)
At 31 December 2017 and 1 January 2018	**1,796,482**	**2,328,976**	**588,939**	**199,762**	**59,047**	**90,556**	**–**	**5,063,762**
Charge for the year (note 8)	**957,036**	**863,181**	**297,221**	**65,435**	**346,781**	**16,822**	**–**	**2,546,476**
Transfer to investment properties (note 14)	**(90,756)**	**–**	**–**	**–**	**–**	**–**	**–**	**(90,756)**
Disposal of subsidiaries (note 61(b))	**(32,277)**	**(11,160)**	**–**	**(6,934)**	**–**	**–**	**–**	**(50,371)**
Disposals	**(360,247)**	**(209,684)**	**(181,450)**	**(530)**	**(127,139)**	**–**	**–**	**(879,050)**
Exchange realignment	**(20,032)**	**(23,180)**	**2,855**	**2,412**	**8,174**	**–**	**–**	**(29,771)**
At 31 December 2018	**2,250,206**	**2,948,133**	**707,565**	**260,145**	**286,863**	**107,378**	**–**	**6,560,290**
Impairment loss:								
At 1 January 2017	106,532	144,406	614	503	1,175	–	80,443	333,673
Charge for the year (note 8)	42,962	3,581	414	–	–	7,537	13,983	68,477
Transfer to investment properties (note 14)	(744)	–	–	–	–	–	–	(744)
Disposals	(14,074)	(2,840)	–	–	–	–	–	(16,914)
Exchange realignment	(3,219)	(863)	–	–	–	–	(10,680)	(14,762)
At 31 December 2017 and 1 January 2018	**131,457**	**144,284**	**1,028**	**503**	**1,175**	**7,537**	**83,746**	**369,730**
Charge for the year (note 8)	**61,055**	**2,977**	**8,999**	**–**	**–**	**–**	**–**	**73,031**
Transfer from investment properties (note 14)	**209**	**–**	**–**	**–**	**–**	**–**	**–**	**209**
Disposals	**(8,299)**	**(3,197)**	**(357)**	**–**	**(1,175)**	**–**	**–**	**(13,028)**
Exchange realignment	**(22,730)**	**(453)**	**32**	**(41)**	**–**	**–**	**8,140**	**(15,052)**
At 31 December 2018	**161,692**	**143,611**	**9,702**	**462**	**–**	**7,537**	**91,886**	**414,890**
Net book value:								
At 31 December 2018	**24,774,132**	**4,824,711**	**2,286,614**	**165,419**	**312,920**	**1,163,360**	**2,783,204**	**36,310,360**
At 31 December 2017	**12,470,488**	**3,673,658**	**1,753,450**	**121,170**	**51,562**	**1,136,090**	**6,206,735**	**25,413,153**

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

(1) The net book values of property, plant and equipment pledged as security for interest-bearing bank loans granted to the Group are as follows (note 42):

	2018 RMB'000	2017 RMB'000
Buildings	**4,033,150**	271,442
Plant and machinery	**623,057**	–
Construction in progress	**416,583**	4,201,920
	5,072,790	4,473,362

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

	2018 RMB'000	2017 RMB'000
Interest expenses capitalised	**56,091**	117,260

(3) As at 31 December 2018, the Group was in the process of applying for property certificates of plant and office buildings with a net book value of approximately RMB385,852,000 (2017: RMB530,500,000).

(4) The net carrying amount of the Group's property, plant and equipment held under finance leases included in the total amount of plant and machinery at 31 December 2018 was RMB37,320,000 (2017: RMB21,015,000).

14. INVESTMENT PROPERTIES

	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January	**32,438,435**	30,493,267
Additions	**3,211,264**	2,193,318
Acquisition of subsidiaries (note 61(a))	**9,186,523**	2,828,667
Transfer from properties under development	**–**	60,561
Transfer from property, plant and equipment (note 13)	**1,672,709**	3,620
Transfer from prepaid land lease payments (note 15)	**–**	6,247
Transfer to assets of a disposal group held for sale	**–**	(2,037,180)
Transfer to property, plant and equipment (note 13)	**(6,866)**	(27,442)
Revaluation gain upon transfer from owner-occupied property recognised in other comprehensive income	**(3,616)**	359
Gain on fair value adjustments (note 6)	**432,929**	914,646
Disposal of subsidiaries (note 61(b))	**(680,883)**	–
Disposal	**(361,620)**	(1,897,928)
Exchange realignment	**678,951**	(99,700)
Carrying amount at 31 December	**46,567,826**	32,438,435

14. INVESTMENT PROPERTIES *(Continued)*

The Group's investment properties consist of commercial properties, which are located in Chinese Mainland, the United States of America, Japan, Italy, Russia, the United Kingdom, Portugal, Brazil, Angola and other countries in Europe. The directors of the Company have determined that the investment properties are commercial assets based on the nature, characteristics and risks of these properties.

The Group engages external appraisers to assist with its determination of the fair values of all investment properties and the Group's policy is that property valuations are performed by the external appraisers on a regular basis. Selection criteria of the appraiser include market knowledge, reputation, independence and whether professional standards are maintained. The management of the Company has discussions with the appraiser on the valuation assumptions and valuation results when the valuation is performed for interim and annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 64 to the financial statements.

At 31 December 2018, the Group's certain investment properties with a net carrying amount of approximately RMB26,449,576,000 (2017: RMB16,569,869,000) were pledged to secure bank loans, as set out in note 42 to the financial statements.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Recurring fair value measurement for:	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Commercial properties	**–**	**–**	**46,567,826**	**46,567,826**

	Fair value measurement as at 31 December 2017 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:	RMB'000	RMB'000	RMB'000	RMB'000
Commercial properties	–	–	32,438,435	32,438,435

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

14. INVESTMENT PROPERTIES *(Continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	2018 range/ weighted average	2017 range/ weighted average
28 Liberty	Direct comparison approach and discounted cash flow approach	Terminal capitalisation rate (Year 10)	**6.0%**	5.0%
		Discount rate	**7.3%**	7.25%
		Market rent:		
		– modified gross (Year 1) (Square foot/year)	**USD35 to USD250**	USD35 to USD175
Fosun International Centre in Beijing	Direct comparison approach and direct capitalisation approach	Term yield	**5.5% to 6.5%**	5.5% to 6.5%
		Market rent:		
		– per sq.m. and per month	**RMB330 to RMB400**	RMB330 to RMB480
		– per slot of parking space/month	**RMB1,000 to RMB1,200**	RMB1,000 to RMB1,200
		Level adjustments	**30% to 60%**	30% to 60%
		Market yield	**6.0% to 7.0%**	6.0% to 7.0%
		Reversionary period	**From 1 January 2019 to 30 August 2054**	From 1 January 2018 to 30 August 2054
Chengdu Forte International	Direct comparison approach and direct capitalisation approach	Term yield	**4.5% to 5.5%**	5.5%
		Market rent:		
		– per sq.m. and per month	**RMB49 to RMB229**	RMB50 to RMB258
		Level adjustments	**35% to 60%**	40% to 65%
		Market yield	**5.0% to 6.0%**	6.0%
		Reversionary period	**From 1 January 2019 to 2 July 2048**	From 1 January 2018 to 2 July 2048
Thomas More Square	Term and reversionary approach	Term yield	**(0.12%) to 10.04%**	1.89% to 8.14%
		Market Yield	**5.58% to 8.49%**	5.25% to 8%
		Market rent:		
		– per sq.ft. and per annual	**GBP17.5 to GBP47.9**	GBP25.0 to GBP49.6
		Occupancy rate	**70% to 100%**	80% to 100%
Triton Y	Direct comparison approach and direct capitalisation approach	Terminal capitalisation rate	**4.25%**	4.25%
		Discount rate	**4.50%**	4.50%
		Market rent:		
		– per tsubo and per month	**JPY19,000**	JPY18,500
		Occupancy rate	**100%**	100%
Broggi Palace	Direct comparison approach and direct capitalisation approach	Terminal capitalization rate	**4.82%**	4.66%
		Discount rate	**5.57%**	5.19%
		Market rent:		
		– per sq.m. and per annum	**EUR435 to EUR1,000**	EUR650 to EUR1,275
		Occupancy rate	**96% to 99%**	96% to 99%

14. INVESTMENT PROPERTIES *(Continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties: *(Continued)*

	Valuation techniques	Significant unobservable inputs	2018 range/ weighted average	2017 range/ weighted average
Shenyang Yuyuan Tourist Mart	Direct comparison approach and direct capitalisation approach	Term yield	**6.0%**	N/A
		Market rent:		
		– per sq.m. and per month	**RMB240**	N/A
		– per slot of parking space/month	**RMB1,800**	N/A
		Level adjustments	**40% to 75%**	N/A
		Market yield	**6.0%**	N/A
		Reversionary period	**From 1 January 2019 to 30 October 2051**	N/A
Other commercial properties	Direct comparison approach and direct capitalisation approach	Term yield	**2.5% to 7.0%**	2.5% to 8.0%
		Market rent:		
		– per sq.m. and per month	**RMB27 to RMB462**	RMB49 to RMB330
		– per slot of parking space/month	**RMB230 to RMB1,500**	RMB340 to RMB1,170
		Level adjustments	**20% to 75%**	20% to 80%
		Market yield	**3.0% to 7.5%**	3.0% to 8.5%
		Reversionary period	**From 1 January 2019 to 17 August 2073**	From 1 January 2018 to 17 August 2073

Direct comparison approach is a method of valuation based on comparing the property of the Group to be assessed directly with other comparable properties which have been recently changed hands or leased. These premises are generally located in the surrounding areas or in another market which is comparable to the property of the Group. However, because of the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative and quantitative difference that may affect the price/rent likely to be achieved by the property under consideration.

The direct capitalisation approach (term and reversion method, in particular) is a method by capitalising the rental from existing tenancies and the reversionary income potential at an appropriate market yield for the remaining term of the land use rights of the property of the Group. Capitalisation rate is derived from the relationship between the market rent and the market capital value of other similar properties in the locality.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase/(decrease) in the estimated market rent would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the term yield and market yield in isolation would result in a significant decrease/(increase) in the fair value of the investment properties.

15. PREPAID LAND LEASE PAYMENTS

	2018 RMB'000	2017 RMB'000
Cost:		
At 1 January	**2,646,224**	2,345,513
Additions	**898,906**	385,519
Acquisition of subsidiaries (note 61(a))	**307,801**	15,201
Disposals	**(149,762)**	(102,678)
Transfer to investment properties	**–**	(6,530)
Other changes	**6,469**	9,199
At 31 December	**3,709,638**	2,646,224
Accumulated amortisation:		
At 1 January	**286,452**	240,182
Amortisation for the year (note 8)	**55,774**	51,227
Disposals	**(60,580)**	(4,675)
Transfer to investment properties	**–**	(283)
Other changes	**–**	1
At 31 December	**281,646**	286,452
Impairment loss:		
At 1 January	**–**	–
Charge for the year	**97**	–
At 31 December	**97**	–
Net book value:		
At 31 December	**3,427,895**	2,359,772
At 1 January	**2,359,772**	2,105,331
Net book value pledged as security for bank loans (note 42)	**1,311,359**	884,963

As at 31 December 2018, the Group had no leasehold land for which the Group was in the process of applying the land use certificates (2017: Nil).

16. EXPLORATION AND EVALUATION ASSETS

	2018 RMB'000	2017 RMB'000
At 1 January	**174,935**	225,731
Additions	**335,849**	60,480
Transfer to oil and gas assets (note 18)	**–**	(33,809)
Exploration assets expensed and written off	**(128,312)**	(73,426)
Exchange realignment	**20,795**	(4,041)
At 31 December	**403,267**	174,935

17. MINING RIGHTS

	2018 RMB'000	2017 RMB'000
Cost:		
At 1 January	**1,376,713**	1,362,110
Additions	**15,413**	14,603
At 31 December	**1,392,126**	1,376,713
Accumulated amortisation:		
At 1 January	**546,448**	542,729
Amortisation for the year (note 8)	**9,407**	3,719
At 31 December	**555,855**	546,448
Impairment loss:		
At 1 January and 31 December	**288,085**	288,085
Net book value:		
At 31 December	**548,186**	542,180
At 1 January	**542,180**	531,296

18. OIL AND GAS ASSETS

	2018 RMB'000	2017 RMB'000
Cost:		
At 1 January	**1,809,495**	2,481,082
Additions	**731,113**	364,912
Transfer from exploration and evaluation assets (note 16)	**–**	33,809
Disposal of subsidiaries (note 61(b))	**–**	(960,528)
Exchange realignment	**109,440**	(109,780)
At 31 December	**2,650,048**	1,809,495
Accumulated amortisation:		
At 1 January	**328,632**	896,225
Amortisation for the year (note 8)	**241,084**	309,292
Disposal of subsidiaries (note 61(b))	**–**	(856,863)
Exchange realignment	**33,638**	(20,022)
At 31 December	**603,354**	328,632
Impairment loss:		
At 1 January	**523,251**	534,340
Exchange realignment	**25,220**	(11,089)
At 31 December	**548,471**	523,251
Net book value:		
At 31 December	**1,498,223**	957,612
At 1 January	**957,612**	1,050,517

19. INTANGIBLE ASSETS

	Medicine licences RMB'000	Trademarks RMB'000	Business network and customer relationship RMB'000	Patent, technical know-how and operating concession rights RMB'000	Deferred development costs RMB'000	Others RMB'000	Total RMB'000
Cost:							
At 1 January 2017	583,471	2,501,751	887,245	1,587,292	571,914	837,470	6,969,143
Additions	10	92,206	48,282	578,096	515,652	153,420	1,387,666
Acquisition of subsidiaries	–	25,132	1,101,114	2,840,786	21,330	1,659	3,990,021
Disposals	–	(2,169)	–	(14,533)	(80,776)	(94,884)	(192,362)
Exchange realignment	(188)	124,401	(32,102)	(10,659)	–	56,772	138,224
At 31 December 2017 and 1 January 2018	**583,293**	**2,741,321**	**2,004,539**	**4,980,982**	**1,028,120**	**954,437**	**12,292,692**
Additions	**6,522**	**–**	**–**	**365,693**	**1,027,223**	**1,687,305**	**3,086,743**
Acquisition of subsidiaries (note 61(a))	**–**	**4,868,404**	**105,074**	**147,829**	**–**	**1,317,598**	**6,438,905**
Disposals of subsidiaries (note 61(b))	**–**	**–**	**–**	**(47,798)**	**–**	**–**	**(47,798)**
Disposals	**–**	**–**	**–**	**(141,950)**	**(12,861)**	**(327,222)**	**(482,033)**
Other changes	**–**	**175,895**	**–**	**48,229**	**–**	**–**	**224,124**
Exchange realignment	**10**	**42,915**	**(1,654)**	**(67,066)**	**–**	**(4,661)**	**(30,456)**
At 31 December 2018	**589,825**	**7,828,535**	**2,107,959**	**5,285,919**	**2,042,482**	**3,627,457**	**21,482,177**
Accumulated amortisation:							
At 1 January 2017	7,858	34,281	231,671	253,767	1,711	326,250	855,538
Provided during the year (note 8)	6,056	28,532	95,577	135,669	–	260,523	526,357
Disposals	–	(1,982)	–	–	–	(75,282)	(77,264)
Exchange realignment	–	(432)	(8,400)	(37)	–	17,177	8,308
At 31 December 2017 and 1 January 2018	**13,914**	**60,399**	**318,848**	**389,399**	**1,711**	**528,668**	**1,312,939**
Provided during the year (note 8)	**6,921**	**27,585**	**218,165**	**229,764**	**–**	**493,061**	**975,496**
Disposals	**–**	**–**	**–**	**(22,594)**	**–**	**(3,235)**	**(25,829)**
Exchange realignment	**10**	**771**	**15,472**	**6,276**	**–**	**10,960**	**33,489**
At 31 December 2018	**20,845**	**88,755**	**552,485**	**602,845**	**1,711**	**1,029,454**	**2,296,095**
Impairment loss:							
At 1 January 2017	64,000	–	–	20,142	–	4,495	88,637
Charge for the year (note 8)	–	–	–	–	–	10,814	10,814
At 31 December 2017 and 1 January 2018	64,000	–	–	20,142	–	15,309	99,451
Charge for the year (note 8)	–	–	–	–	–	12,252	12,252
Disposals	–	–	–	–	–	(10,520)	(10,520)
Exchange alignment	–	–	–	–	–	91	91
At 31 December 2018	**64,000**	**–**	**–**	**20,142**	**–**	**17,132**	**101,274**
Net book value:							
At 31 December 2018	**504,980**	**7,739,780**	**1,555,474**	**4,662,932**	**2,040,771**	**2,580,871**	**19,084,808**
At 31 December 2017	505,379	2,680,922	1,685,691	4,571,441	1,026,409	410,460	10,880,302

19. INTANGIBLE ASSETS *(Continued)*

Impairment testing of intangible assets with indefinite useful lives

Certain intangible assets of the Group have indefinite useful lives as the extension costs are low and the intangible assets can be used indefinitely. The Group performs impairment tests for those intangible assets with indefinite useful lives based on individual intangible assets or the respective cash-generating unit depending on whether the recoverable amount of each individual intangible asset can be reliably estimated.

Trademarks

The recoverable amounts of the trademarks have been determined based on the fair values less costs to sell using relief from royalty method or based on the value-in-use calculations using cash flow projections derived from the financial budgets covering periods ranging from five to ten years approved by management. The royalty rates applied in the relief from royalty method range from 1.5% to 5%. The discount rates used in the relief from royalty calculations or applied to the cash flow projections in the value-in-use calculations are in the range of 8.5% to 18%. Cash flow beyond the period of the financial budget are extrapolated using the estimated long-term growth rates of 1.9% to 3% which are also estimates of the rates of inflation.

Medicine licences

The recoverable amounts of medicine licences have been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering periods ranging from five to nine years approved by the management. The discount rates applied to the cash flow projections are in the range of 17% to 18%. The growth rate used to extrapolate the cash flows beyond the forecast period is 3%, which is also an estimate of the rate of inflation.

Operating concession rights

The recoverable amounts of operating concession rights have been determined based on a value-in-use calculation using cash flow projections based on a financial budget covering a nine-year period approved by the management. The discount rate applied to the cash flow projection is 18%. The growth rate used to extrapolate the cash flows beyond the forecast period is 3%, which is also an estimate of the rate of inflation.

Assumptions were used in the relief from royalty calculations or the value-in-use calculations as at 31 December 2018. The following describes each key assumption on which management has based its relief from royalty calculation or the cash flow projections to undertake impairment testing of intangible assets with indefinite useful lives:

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

Discount rates – The discount rates used reflect specific risks of the individual intangible assets or the relevant cash-generating units.

Royalty rates – The royalty rates are determined based on comparable or similar transactions.

Long-term growth rates – The basis used to determine the value assigned to long-term growth rate is the forecast price indices during the budget year.

The values assigned to key assumptions are consistent with historical experience of the Group and external information sources.

20. GOODWILL

	2018 RMB'000	2017 RMB'000
Cost:		
At 1 January	**15,771,710**	10,307,508
Acquisition of subsidiaries (note 61(a))	**3,987,462**	5,310,504
Disposal of subsidiaries (note 61(b))	**(165,026)**	–
Others	**8,436**	153,698
At 31 December	**19,602,582**	15,771,710
Accumulated impairment:		
At 1 January	**568,267**	445,308
Charge for the year (note 8)	**87,425**	122,959
Disposal of subsidiaries (note 61(b))	**(145,389)**	–
At 31 December	**510,303**	568,267
Net book value:		
At 31 December	**19,092,279**	15,203,443
At 1 January	**15,203,443**	9,862,200

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the corresponding subsidiary acquired as the acquired subsidiary is the only cash-generating unit that can benefit from synergy of the acquisition. The impairment test is based on the recoverable amount of the acquired subsidiary to which the goodwill is allocated of the following segments:

– Health Ecosystem
– Happiness Ecosystem
– Insurance
– Finance
– Investment

The carrying amounts of goodwill are as follows:

	Health Ecosystem	Happiness Ecosystem	Wealth Ecosystem			
			Insurance	Finance	Investment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2018	**12,268,432**	**5,152,846**	**943,670**	**179,674**	**547,657**	**19,092,279**
2017 (restated)	11,657,654	2,167,713	921,227	177,332	279,517	15,203,443

20. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

The recoverable amount of each cash-generating unit is determined based on a value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by the management covering a period ranging from five to ten years. The discount rates applied to the cash flow projections range from 5.1% to 17.3% (2017: 7.6% to 18%). Cash flows beyond the period of the financial budget are extrapolated using the estimated growth long-term rates of 1.6% to 3%. Discount rates and the estimated long-term growth rates used for each cash-generating unit within the major segments as at 31 December 2018 are as follows:

	Discount rates	Estimated long-term growth rates
Happiness Ecosystem segment	6.5% to 13.0%	1.9% to 3.0%
Health Ecosystem segment	5.1% to 16.9%	2.1% to 3.0%
Insurance segment	6.0% to 17.3%	1.6% to 3.0%

Assumptions were used in the value-in-use calculation of the cash-generating units as at 31 December 2018. The following describes each key assumption on which the management has based its cash flow projections to undertake impairment testing of goodwill:

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

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Long-term growth rate – The basis used to determine the value assigned to the long-term growth rate is the forecast price indices during the budget year.

21. INVESTMENTS IN JOINT VENTURES

	2018 RMB'000	2017 RMB'000
Share of net assets	**24,833,395**	20,359,947
Loans to joint ventures	**58,500**	58,500
	24,891,895	20,418,447

Loans to joint ventures of RMB58,500,000 are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these loans are considered as part of the Group's net investments in joint ventures.

The Group's amounts due from joint ventures and amounts due to joint ventures are disclosed in note 28 to the financial statements.

As at 31 December 2018, there was no material joint venture within the Group.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2018 RMB'000	2017 RMB'000
Share of the joint ventures' profit for the year	**1,779,707**	1,492,552
Share of the joint ventures' other comprehensive (loss)/income	**(13,232)**	27,826
Share of the joint ventures' total comprehensive income	**1,766,475**	1,520,378
Aggregate carrying amount of the Group's investments in the joint ventures	**24,891,895**	20,418,447

22. INVESTMENTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Measured using equity method		
Share of net assets	**66,782,930**	53,435,772
Goodwill on acquisition	**11,980,308**	6,475,426
	78,763,238	59,911,198
Provision for impairment	**(755,423)**	(847,486)
	78,007,815	59,063,712
Measured at fair value through profit or loss	**6,076,315**	2,658,189
Total	**84,084,130**	61,721,901
Net book value pledged as security for bank loans (note 42)	**18,530,173**	6,588,124

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

The Group's amounts due from associates and amounts due to associates are disclosed in note 28 to the financial statements.

Sinopharm Industrial Investment Co., Ltd. ("Sinopharm"), which is considered a material associate of the Group, is accounted for using the equity method.

22. INVESTMENTS IN ASSOCIATES *(Continued)*

The following table illustrates the summarised financial information of Sinopharm adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2018	2017
	RMB'000	RMB'000
Current assets	**204,374,173**	144,627,268
Non-current assets	**31,360,068**	24,872,748
Current liabilities	**(160,076,137)**	(110,924,141)
Non-current liabilities	**(7,101,005)**	(7,059,961)
Net assets	**68,557,099**	51,515,914
Net assets attributable to the Group	**23,043,294**	20,371,669

	2018	2017
	RMB'000	RMB'000
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**49%**	49%
Group's share of net assets of the associate, excluding goodwill	**11,291,214**	9,982,118
Carrying amount of the investment	**11,291,214**	9,982,118
Revenues	**344,525,821**	277,717,018
Total comprehensive income for the year	**9,404,055**	7,787,305
Profit for the year attributable to owners of the parent	**3,101,479**	2,963,151
Other comprehensive loss attributable to owners of the parent	**(15,081)**	(10,879)
Dividend received	**436,100**	387,100

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2018	2017
	RMB'000	RMB'000
Share of the associates' profit for the year	**2,658,509**	1,569,146
Share of the associates' other comprehensive loss	**(109,811)**	(88,463)
Share of the associates' total comprehensive income	**2,548,698**	1,480,683
Aggregate carrying amount of the Group's investments in the associates	**72,792,916**	51,739,783

23. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE INVESTMENTS

	2018 RMB'000	2017 RMB'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value	767,206	–
Unlisted equity investments, at fair value	877,912	–
	1,645,118	–
Portion classified as current assets	(65,203)	–
Non-current portion	1,579,915	–
Available-for-sale investments*		
Listed equity investments, at fair value	–	26,568,889
Listed debt investments, at fair value	–	89,963,589
Listed investments, at fair value	–	116,532,478
Unlisted equity investments, at cost	–	8,712,387
Unlisted equity investments, at fair value	–	5,442,096
Unlisted debt investments, at fair value	–	6,005,503
Unlisted investments	–	20,159,986
Total	–	136,692,464
Portion classified as current assets	–	(25,116,703)
Non-current portion	–	111,575,761

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

In the second half of 2018, the Group disposed of two equity investments at fair value through other comprehensive income at the fair value RMB8,136,326,000 resulting from adjustment in its investment strategy. The dividend income during 2018 of the equity instruments disposed of was RMB27,993,000.

The dividend income related to equity instruments at fair value through other comprehensive income recognised for the year was RMB49,189,000 as disclosed in note 6.

At 31 December 2018, the Group's equity investments designated at fair value through other comprehensive income with a carrying amount of RMB268,945,000 were pledged to secure bank loans, as set out in note 42 to the financial statements.

During the year 2017, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB10,156,055,000, of which RMB11,759,548,000 was recycled from other comprehensive income to the consolidated statement of profit or loss for the year 2017 on the date of disposal.

23. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

There was a significant decline in the market value of certain listed equity investments during the year 2017. The directors consider that such a decline indicates that the listed equity investments have been impaired and an impairment loss of RMB516,042,000, which included a reclassification from other comprehensive income of RMB425,178,000, has been recognised in the consolidated statement of profit or loss for the year 2017. The impairment loss on the listed debt investments as at 31 December 2017 amounted to RMB17,359,000, which included a reclassification from other comprehensive loss of RMB3,719,000, has been recognised in the consolidated statement of profit or loss for the year 2017. The impairment losses on the unlisted equity investments and unlisted debt investments as at 31 December 2017 amounted to RMB598,546,000 and RMB143,624,000 respectively, which have been recognised in the consolidated statement of profit or loss for the year 2017, which included a reclassification from other comprehensive loss of RMB56,307,000 and other comprehensive income of RMB4,370,000 respectively.

At 31 December 2017, the Group's available-for-sale investment with a carrying amount of RMB5,395,434,000 was pledged to secure bank loans, as set out in note 42 to the financial statements.

At 31 December 2017, certain unlisted equity and debt investments are stated at cost less any accumulated impairment losses because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 **RMB'000**	2017 RMB'000
Financial assets at fair value through profit or loss		
Listed investments, at fair value	**21,658,833**	–
Other unlisted investments, at fair value	**27,356,965**	–
	49,015,798	–
Analysed as:		
Equity investments	**34,206,247**	–
Debt investments	**14,809,551**	–
	49,015,798	–
Portion classified as current assets	**(33,844,295)**	–
Non-current portion	**15,171,503**	–
Investments at fair value through profit or loss*		
Listed investments, at fair value		
Equity investments	**–**	9,119,888
Debt investments	**–**	1,590,052
	–	10,709,940
Unlisted investments, at fair value	**–**	6,448,233
	–	17,158,173

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

At 31 December 2018, the Group's financial assets at fair value through profit or loss with a carrying amount of RMB6,870,114,000 were pledged to secure bank loans, as set out in note 42 to the financial statements.

At 31 December 2017, the Group's investments at fair value through profit or loss with a carrying amount of RMB992,560,000 were pledged to secure bank loans, as set out in note 42 to the financial statements.

Along with the initial application of HKFRS 9, the Group elected to apply the overlay approach for certain designated eligible financial assets according to amendments to HKFRS 4 since 1 January 2018. The designated eligible financial assets applying the overlay approach, which are included in the financial assets at fair value through profit or loss, as at 31 December 2018 are analyzed below:

	2018	2017
	RMB'000	RMB'000
Equity investments	**9,036,356**	–
Debt investments	**2,085,055**	–
	11,121,411	–

During the year ended 31 December 2018, the total amount reported in profit or loss applying the overlay approach reclassified from other comprehensive income was derived from:

	2018	2017
	RMB'000	RMB'000
The amount of losses reported in profit or loss for the designated financial assets under HKFRS 9	**3,506,984**	–
Less: the amount of losses that would have been reported in profit or loss for the designated financial assets as if HKAS 39 had been applied	**764,463**	–
Amount of gains reported in profit or loss applying the overlay approach	**2,742,521**	–

25. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 RMB'000	2017 RMB'000
Bonds		
Government bonds	**42,415,480**	–
Financial bonds	**41,377,433**	–
Corporate bonds	**356,252**	–
	84,149,165	–
Listed debt investments, at fair value	**80,422,355**	–
Unlisted debt investments, at fair value	**3,726,810**	–
	84,149,165	–
Portion classified as current assets	**(20,632,910)**	–
Non-current portion	**63,516,255**	–

Analysis of the movements of allowance for ECLs:

	2018 RMB'000	2017 RMB'000
As at the end of last year	**–**	–
Impact of adopting HKFRS 9	**1,557,018**	–
As at the beginning of the year	**1,557,018**	–
Charge for the year	**254,184**	–
Reversal	**(165,321)**	–
Amounts written off	**(676,366)**	–
Foreign exchange adjustments	**8,297**	–
At the end of the year	**977,812**	–

At 31 December 2018, the Group's debt investments at fair value through other comprehensive income with a carrying amount of RMB322,687,000 were pledged to secure bank loans, as set out in note 42 to the financial statements.

26. DEBT INVESTMENTS AT AMORTISED COST/LOANS RECEIVABLE

	Notes	2018 RMB'000	2017 RMB'000
Debt investments at amortised cost			
Bonds			
Government bonds		**8,612,516**	–
Financial bonds		**8,540,998**	–
Loans receivable	*(i)*	**2,971,133**	–
		20,124,647	–
Impairment allowance		**(1,291)**	–
		20,123,356	–
Portion classified as current assets		**(4,357,878)**	–
Non-current portion		**15,765,478**	–
Loans receivable	*(i)*	**–**	3,376,243
Portion classified as current		**–**	(982,891)
Non-current portion		**–**	2,393,352

At 31 December 2018, the Group's debt investments at amortised cost with a carrying amount of RMB1,722,548,000 were pledged for refinancing operations and RMB3,924,545,000 were restricted as the result of the security lending business.

26. DEBT INVESTMENTS AT AMORTISED COST/LOANS RECEIVABLE *(Continued)*

(i) The details of the loans and receivables are set out as follows:

		2018			2017		
	Notes	**Effective interest rate (%)**	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current							
Loans receivable from related parties – unsecured	*(1)*	**0 – 3.5**	**on demand or mature in 2019**	**304,847**	–	–	–
Loans receivable from third parties – secured		**10**	**on demand**	**32,600**	10	on demand	32,600
Loans receivable from third parties – unsecured		**5 – 12**	**on demand or mature in 2019**	**1,251,247**	5 – 9.5	on demand or mature in 2018	950,291
				1,588,694			982,891
Non-current							
Loans receivable from related parties – unsecured	*(2)*	**3.5 – 11**	**2020 to 2022**	**263,477**	0 – 3.5	on demand or mature in 2022	223,089
Loans receivable from third parties – secured		**1**	**2022**	**23,840**	3.29 – 9.95	2019 to 2031	982,454
Loans receivable from third parties – unsecured		**0 – 4.5**	**no fixed terms or from 2020 to 2038**	**1,095,122**	0 – 12	no fixed terms or from 2019 to 2025	1,187,809
				1,382,439			2,393,352
				2,971,133			3,376,243

(1) As at 31 December 2018, the current portion of loans receivable to related parties comprises:

– a shareholders' loan of RMB13,347,000 provided to Acacias Property S.à r.l Limited, a joint venture, which is unsecured, bears interest at a fixed interest rate of 3.50% per annum and is repayable in 2019;

– a shareholders' loan of RMB291,500,000 provided to Chengdu Meijili Commercial Service Co., Ltd., a joint venture, which is unsecured, interest-free and is repayable on demand.

(2) As at 31 December 2018, the non-current portion of loans receivable from related parties comprises:

– a loan of RMB80,000,000 provided to Xi'an Jiahexing Jiaju Co., Ltd., an associate, which is unsecured, bears interest at a fixed interest rate of 11.00% per annum and is repayable in 2020;

– a shareholders' loan of RMB183,477,000 provided to FPH Europe Holdings III (HK) Limited, a joint venture, which is unsecured, bears interest at a fixed interest rate of 3.50% per annum and is repayable in 2022.

27. PROPERTIES UNDER DEVELOPMENT

	2018 RMB'000	2017 RMB'000
Land cost	**33,916,565**	31,450,305
Construction costs	**3,330,551**	7,915,998
Capitalised finance costs	**2,273,735**	2,001,296
	39,520,851	41,367,599
Portion classified as current assets	**(27,860,035)**	(18,517,485)
	11,660,816	22,850,114

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

	2018 RMB'000	2017 RMB'000
Net book value pledged (note 42)	**18,002,227**	12,970,888
Additions to properties under development include:		
Interest expense capitalised in respect of bank and other borrowings (note 7)	**1,174,670**	846,443

The Group's properties under development are mainly situated in Chinese Mainland and Hong Kong.

28. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES

	Notes	2018 RMB'000	2017 RMB'000
Due from related companies:			
Associates	*(i)/(ii)*	**2,238,045**	1,983,459
Joint ventures	*(iii)*	**13,129,358**	10,312,873
Other related companies	*(iv)*	**–**	13,136
		15,367,403	12,309,468
Portion classified as current assets		**(14,557,412)**	(12,309,468)
Non-current portion	*(i)*	**809,991**	–

Notes:

(i) As at 31 December 2018, the balances due from associates included the amount of RMB838,477,000 (2017: RMB1,441,677,000), which were non-trade in nature, unsecured, interest-free and repayable on demand. The balances due from associates also included an amount of RMB809,991,000 (2017: Nil) which was non-trade in nature, unsecured, bore interest at a fixed interest rate of 7.80% per annum and will be repayable in 2026.

(ii) As at 31 December 2018, the balances due from associates included an amount of RMB589,577,000 (2017: RMB541,782,000), which was trade in nature, interest-free and repayable on demand.

(iii) As at 31 December 2018, the balances due from joint ventures included an amount of RMB13,128,178,000 (2017: RMB10,311,281,000), which was non-trade in nature, unsecured, interest-free and repayable on demand. The remaining balances due from joint ventures are trade in nature, interest-free and repayable on demand.

(iv) As at 31 December 2018, the balances due from other related companies were non-trade in nature, unsecured, interest-free and repayable on demand.

	Notes	2018 RMB'000	2017 RMB'000
Due to the holding company	*(v)*	**2,289,988**	769,062
Due to related companies:			
Associates	*(vi)*	**3,918,214**	2,223,975
Non-controlling shareholders of subsidiaries	*(vii)*	**140,813**	305,548
Joint ventures	*(viii)*	**1,449,062**	1,393,405
		5,508,089	3,922,928

(v) The balances due to the holding company were non-trade in nature, unsecured, interest-free and repayable on demand.

(vi) As at 31 December 2018, the balances due to associates included an amount of RMB3,847,236,000 (2017: RMB2,219,330,000), which was non-trade in nature, unsecured, interest-free and repayable on demand. The remaining balances due to associates are trade in nature, interest-free and repayable on demand.

(vii) As at 31 December 2018, the balances due to the non-controlling shareholders of subsidiaries were comprised of:

– an amount of RMB83,300,000, being the payables for purchase of low grade ore products from Hainan Iron and Steel Co., Ltd., which is interest-free.

– the remaining balances of RMB57,513,000, being non-trade in nature, interest-free and repayable on demand.

(viii) As at 31 December 2018, the balances due to joint ventures included an amount of RMB1,447,883,000 (2017: RMB1,393,393,000), which was non-trade in nature, unsecured, interest-free and repayable on demand. The remaining balances due to joint ventures are trade in nature, interest-free and repayable on demand.

29. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018	2017
	RMB'000	RMB'000
Prepayments consist of:		
Prepayments for purchase of pharmaceutical materials	**389,972**	273,400
Prepayments for purchase of construction materials	**110,343**	348,238
Prepayments for purchase of equipment and others	**1,753,171**	897,625
Prepaid tax	**2,326,391**	1,367,592
Prepaid expenses	**1,149,112**	1,031,406
Deposits	**2,717,163**	2,627,683
Other receivables consist of:		
Funding provided to third parties	**3,336,259**	4,146,866
Tax recoverable	**1,167,828**	1,333,600
Others	**5,967,321**	4,439,047
Prepayments for the proposed equity investments	**847,012**	909,026
Prepayments for the acquisition of the land	**1,547,383**	–
	21,311,955	17,374,483
Impairment allowance	**(247,718)**	(220,464)
	21,064,237	17,154,019
Portion classified as current assets	**(16,842,348)**	(14,081,682)
Non-current portion	**4,221,889**	3,072,337

30. DEFERRED TAX

Movements in deferred tax assets and liabilities are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Accruals and provisions RMB'000	Fair value adjustments arising from equity investments at fair value through profit or loss RMB'000	Fair value adjustments arising from debt investments at fair value through other comprehensive income RMB'000	Fair value adjustments arising from available-for-sale investment RMB'000	Additional LAT provisions RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2017	1,331,980	2,009,119	–	–	439,863	609,079	1,360,811	5,750,852
Acquisition of subsidiaries	63,721	4,528	–	–	–	–	3,347	71,596
Deferred tax charged to reserve during the year	–	(3,232)	–	–	(450,688)	–	(9,855)	(463,775)
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 10)	(131,989)	(12,495)	–	–	–	121,412	(174,292)	(197,364)
Disposal of subsidiaries	(1,110)	(655)	–	–	–	–	(8,583)	(10,348)
Included in assets of a disposal group classified as held for sale	–	–	–	–	–	–	(236,130)	(236,130)
Exchange realignment	(22,347)	97,993	–	–	20,571	–	21,267	117,484
Gross deferred tax assets at 31 December 2017	**1,240,255**	**2,095,258**	**–**	**–**	**9,746**	**730,491**	**956,565**	**5,032,315**
Effect of adoption of HKFRS 9	**–**	**–**	**6,601**	**3,145**	**(9,746)**	**–**	**–**	**–**
At 1 January 2018 (restated)	**1,240,255**	**2,095,258**	**6,601**	**3,145**	**–**	**730,491**	**956,565**	**5,032,315**
Acquisition of subsidiaries (note 61(a))	**127,775**	**45,678**	**35,851**	**–**	**–**	**247,882**	**52,763**	**509,949**
Disposal of subsidiaries (note 61(b))	**(1,634)**	**–**	**–**	**–**	**–**	**–**	**(27)**	**(1,661)**
Deferred tax credited/(charged) to reserve during the year	**–**	**(1,787)**	**–**	**432,122**	**–**	**–**	**6,432**	**436,767**
Deferred tax credited to reserve for financial assets applying the overlay approach during the year	**–**	**–**	**260,598**	**–**	**–**	**–**	**–**	**260,598**
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 10)	**239,558**	**(319,118)**	**209,670**	**–**	**–**	**193,481**	**(153,555)**	**170,036**
Exchange realignment	**68,013**	**67,984**	**(33,805)**	**(825)**	**–**	**–**	**83,698**	**185,065**
Gross deferred tax assets at 13 December 2018	**1,673,967**	**1,888,015**	**478,915**	**434,442**	**–**	**1,171,854**	**945,876**	**6,593,069**

30. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Fair value adjustments arising from equity investments at fair value through profit or loss RMB'000	Fair value adjustments arising from equity investments at fair value through other comprehensive income RMB'000	Fair value adjustments arising from debt investments at fair value through other comprehensive income RMB'000	Fair value adjustments arising from available-for-sale investments RMB'000	Revaluation of investment properties RMB'000	Deemed disposal of associates RMB'000	Deferred LAT RMB'000	Withholding taxes RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2017	2,261,391	356,920	–	–	2,034,053	1,668,395	1,162,161	137,647	700,183	1,470,506	9,791,256
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (note 10)	(260,518)	66,367	–	–	58,002	18,985	–	(17,532)	114,579	115,183	95,066
Deferred tax charged to reserve during the year	–	–	–	–	639,573	–	–	–	–	(196,202)	443,371
Acquisition of subsidiaries	1,268,310	–	–	–	–	–	–	–	–	108,930	1,377,240
Included in liabilities directly associated with the assets classified as held for sale	–	–	–	–	–	–	–	–	–	(204,047)	(204,047)
Exchange realignment	(41,402)	(10,681)	–	–	42,496	(16,906)	–	–	–	29,574	3,081
Gross deferred tax liabilities at 31 December 2017	**3,227,781**	**412,606**	**–**	**–**	**2,774,124**	**1,670,474**	**1,162,161**	**120,115**	**814,762**	**1,323,944**	**11,505,967**
Effect of adoption of HKFRS 9	**–**	**1,241,107**	**749,404**	**824,018**	**(2,774,124)**	**–**	**–**	**–**	**–**	**–**	**40,405**
At 1 January 2018 (restated)	**3,227,781**	**1,653,713**	**749,404**	**824,018**	**–**	**1,670,474**	**1,162,161**	**120,115**	**814,762**	**1,323,944**	**11,546,372**
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (note 10)	**(157,026)**	**(487,270)**	**–**	**–**	**–**	**81,900**	**139,624**	**(37,163)**	**235,136**	**(196,347)**	**(421,146)**
Deferred tax credited to reserve during the year	**(36,447)**	**–**	**(749,404)**	**(208,859)**	**–**	**–**	**–**	**–**	**–**	**8,455**	**(986,255)**
Deferred tax credited to reserve for financial assets applying the overlay approach during the year	**–**	**(435,576)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(435,576)**
Acquisition of subsidiaries (note 61(a))	**5,508,157**	**1,282**	**–**	**–**	**–**	**–**	**–**	**–**	**101**	**10,251**	**5,519,791**
Disposal of subsidiaries (note 61(b))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,432)**	**(3,432)**
Exchange realignment	**(6,080)**	**12,637**	**–**	**(34,913)**	**–**	**55,701**	**7,040**	**–**	**–**	**95,358**	**129,743**
Gross deferred tax liabilities at 31 December 2018	**8,536,385**	**744,786**	**–**	**580,246**	**–**	**1,808,075**	**1,308,825**	**82,952**	**1,049,999**	**1,238,229**	**15,349,497**

30. DEFERRED TAX *(Continued)*

Deferred tax liabilities *(Continued)*

For presentation purposes, certain deferred tax assets and liabilities amounting to RMB282,048,000 have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2018
	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**6,311,021**
Net deferred tax liabilities recognised in the consolidated statement of financial position	**15,067,449**

As at 31 December 2018, the deferred tax assets were recognised for certain entities within the Group which suffered accumulated losses as at the end of 2018. The directors are of the opinion that these entities could generate sufficient future taxable profits to utilise the deferred tax assets recognised as at 31 December 2018.

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

	2018	2017
	RMB'000	RMB'000
Tax losses	**16,805,956**	15,379,595
Deductible temporary differences	**1,615,604**	1,643,166
	18,421,560	17,022,761

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

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

31. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	**1,774,536**	1,505,139
Work in progress	**799,658**	1,235,186
Finished goods	**4,338,829**	1,540,424
Spare parts and consumables	**123,339**	269,100
	7,036,362	4,549,849
Less: Provision for inventories	**(299,698)**	(178,132)
	6,736,664	4,371,717
Portion classified as non-current assets	**(86,070)**	(188,918)
Current portion	**6,650,594**	4,182,799

32 POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF UNIT-LINKED CONTRACTS

	2018 RMB'000	2017 RMB'000
Financial assets designated as at fair value through profit or loss:		
Debt instruments	**112,589**	827,272
Equity instruments	**24,471**	29,818
Investment funds	**93,966**	116,112
Term deposits	**2,355**	70,534
Sight deposits	**84,377**	331,136
Others	**(1,608)**	(4,853)
	316,150	1,370,019
Portion classified as current assets	**(176,822)**	(511,285)
Non-current portion	**139,328**	858,734

The above assets are held for policyholders of unit-linked products.

33. INSURANCE AND REINSURANCE DEBTORS

	2018 RMB'000	2017 RMB'000
Amounts due from insurance customers and suppliers	**13,358,913**	9,291,673
Less: Provision for impairment	**(194,086)**	(207,432)
	13,164,827	9,084,241
Portion classified as current assets	**(13,041,130)**	(8,932,147)
Non-current portion	**123,697**	152,094

The following is an ageing analysis of the amounts due from insurance customers:

	2018 RMB'000	2017 RMB'000
Neither past due nor impaired	**9,244,844**	5,718,721
Past due but not impaired	**3,927,382**	3,363,540
Past due and impaired	**186,687**	209,412
	13,358,913	9,291,673

The amount of impaired debts is RMB194,086,000 (31 December 2017: RMB207,432,000). Various actions have been taken to recover the debts, but these debts have not been recovered and hence impairment is provided.

Movements in the provision for impaired debts:

	2018 RMB'000	2017 RMB'000
At 1 January	**207,432**	279,318
Amount written off as uncollectible	**–**	2,679
Reversal of impairment losses (note 8)	**(15,747)**	(81,451)
Others	**–**	(1,594)
Exchange realignment	**2,401**	8,480
At 31 December	**194,086**	207,432

34. REINSURERS' SHARE OF INSURANCE CONTRACT PROVISIONS

The reinsurers' share of insurance contract provisions represents the reinsurers' share of life insurance contract liabilities, unearned premium provisions and provision for outstanding claims arising from the life insurance, property and casualty insurance and reinsurance businesses.

	2018	2017
	RMB'000	RMB'000
Life insurance contract liabilities	**102,656**	87,298
Unearned premium provisions	**1,041,670**	819,839
Provision for outstanding claims	**6,781,757**	5,893,855
Others	**166,539**	–
	8,092,622	6,800,992
Portion classified as current assets	**(3,298,322)**	(2,170,922)
Non-current portion	**4,794,300**	4,630,070

35. CASH AND BANK AND TERM DEPOSITS

		2018	2017
	Notes	**RMB'000**	RMB'000
Cash on hand		**169,572**	188,358
Cash at banks, unrestricted		**91,163,598**	68,379,087
Cash and cash equivalents		**91,333,170**	68,567,445
Pledged bank balances	*(1)*	**2,431,704**	2,055,271
Time deposits with original maturity of more than three months		**8,866,969**	9,443,276
Restricted pre-sale proceeds	*(2)*	**3,145,746**	2,135,815
Required reserve deposits	*(3)*	**538,920**	414,260
		106,316,509	82,616,067
Portion classified as current assets		**(105,905,697)**	(81,651,571)
Non-current portion – term deposits		**410,812**	964,496

35. CASH AND BANK AND TERM DEPOSITS *(Continued)*

Notes:

It mainly comprises the following:

		2018 RMB'000	2017 RMB'000
(1)	Pledged bank balances to secure notes payable	–	640,343
	Pledged bank balances to secure bank loans (note 42)	**287,862**	307,344
	Bank balances as various deposits	**1,734,664**	752,036

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

(3) Required reserve deposits amounting to RMB538,920,000 (2017: RMB414,260,000) are placed by Shanghai Fosun High Technology Group Finance Co., Ltd. ("Finance Company"), an indirect subsidiary of the Company, with the People's Bank of China ("PBOC"). The reserve deposits with the PBOC are not available for use in the Group's daily operations.

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

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

36. LOANS AND ADVANCES TO CUSTOMERS

	2018 RMB'000	2017 RMB'000
Corporate loans and advances		
– Loans and advances	**4,613,561**	5,563,782
Personal loans		
– Mortgages	**99,478**	147,678
– Other	**922,873**	850,052
	1,022,351	997,730
Total loans and advances	**5,635,912**	6,561,512
Less: Allowance for impairment		
– corporate loans and advances	**(299,292)**	(144,552)
– personal loans	**(53,306)**	(70,530)
	(352,598)	(215,082)
Loans and advances to customers, net	**5,283,314**	6,346,430
Portion classified as current assets	**(4,629,621)**	(3,803,068)
Non-current portion	**653,693**	2,543,362

	2018 RMB'000	2017 RMB'000
Gross loans and advances to customers	**5,635,912**	6,561,512
Less: Allowance for impairment		
– individually assessed	**(225,399)**	(196,449)
– collectively assessed	**(127,199)**	(18,633)
	(352,598)	(215,082)
Loans and advances to customers, net	**5,283,314**	6,346,430

The movements in the allowance for impairment of loans and advances to customers are as follows:

	2018 RMB'000	2017 RMB'000
As at 31 December	**215,082**	181,344
Impact of adopting HKFRS 9	**43,097**	–
As at 1 January (restated)	**258,179**	181,344
Allowance for impairment losses (note 8)	**114,030**	41,886
Reversal (note 8)	**(24,229)**	(6,844)
Amount written off as uncollectible	**(1,000)**	–
Exchange differences	**5,618**	(1,304)
At 31 December	**352,598**	215,082

37. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2018

	Fair value	
	Assets	**Liabilities**
	RMB'000	**RMB'000**
Derivatives held for trading		
Currency derivatives		
Currency forwards, futures and swaps, and cross-currency interest rate swaps	**700,966**	**862,933**
Currency options	**8,936**	**8,497**
Interest rate derivatives		
Interest rate swaps	**294,933**	**309,526**
Interest rate futures	**–**	**20,482**
Interest rate options	**17,880**	**12,276**
Commodity derivatives and others	**15,806**	**–**
	1,038,521	**1,213,714**
Qualifying for hedge accounting		
Currency derivatives		
Currency forwards, futures and swaps	**85,601**	**85,836**
Interest rate derivatives		
Interest rate swaps	**4,295**	**331,828**
Commodity derivatives and others	**23,211**	**–**
	113,107	**417,664**
	1,151,628	**1,631,378**
Portion classified as current assets/liabilities	**(861,043)**	**(1,102,562)**
Non-current portion	**290,585**	**528,816**

37. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

As at 31 December 2017

	Fair value Assets RMB'000	Liabilities RMB'000
Derivatives held for trading		
Currency derivatives		
Currency forwards, futures and swaps, and cross-currency interest rate swaps	916,476	520,433
Currency options	15,255	15,255
Interest rate derivatives		
Interest rate swaps	270,017	317,357
Interest rate futures	–	663
Interest rate options	10,485	10,485
Commodity derivatives and others	–	7,599
	1,212,233	871,792
Qualifying for hedge accounting		
Currency derivatives		
Currency forwards, futures and swaps, and cross-currency interest rate swaps	269,121	451,473
Interest rate derivatives		
Interest rate swaps	4,994	397,571
Commodity derivatives and others	–	34,192
	274,115	883,236
	1,486,348	1,755,028
Portion classified as current assets/liabilities	(1,122,387)	(1,065,674)
Non-current portion	363,961	689,354

38. FINANCE LEASE RECEIVABLES

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

	2018 RMB'000	2017 RMB'000
Gross lease receivables:		
Within one year	**2,126,934**	1,937,017
In the second year	**468,623**	541,396
In the third to fifth years, inclusive	**142,992**	154,827
Total minimum finance lease receivables	**2,738,549**	2,633,240
Less:		
Unearned finance income	**(127,808)**	(90,670)
Future value-added tax	**(184,627)**	(168,080)
Provision for lease receivables	**(30,166)**	(26,363)
	2,395,948	2,348,127
Portion classified as current finance lease receivables	**(1,880,575)**	(1,749,081)
Non-current portion	**515,373**	599,046

At 31 December 2018, the Group's finance lease receivables with a carrying amount of RMB1,337,566,000 (2017: RMB984,386,000) were pledged to secure bank loans, as set out in note 42 to the financial statements.

The movement in the allowance for impairment of lease receivables is as follows:

	2018 RMB'000	2017 RMB'000
At 1 January	**26,363**	19,913
Additions	**3,803**	6,450
At 31 December	**30,166**	26,363

39. TRADE AND NOTES RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	**6,715,368**	5,324,958
Notes receivable	**1,039,659**	1,025,000
	7,755,027	6,349,958

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

	2018 RMB'000	2017 RMB'000
Outstanding balances with ages:		
Within 90 days	**4,224,990**	4,373,772
91 to 180 days	**1,333,338**	395,662
181 to 365 days	**858,939**	289,561
1 to 2 years	**337,721**	450,863
2 to 3 years	**128,952**	49,340
Over 3 years	**113,760**	67,354
	6,997,700	5,626,552
Less: Loss allowance for trade receivables	**282,332**	301,594
	6,715,368	5,324,958

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

	2018 RMB'000	2017 RMB'000
At last year end	**301,594**	196,466
Effect of adoption of HKFRS9	**16,157**	–
At the beginning of the year (restated)	**317,751**	196,466
Amount written off as uncollectible	**(75,976)**	(14,476)
Disposal of subsidiaries	**–**	(2,608)
Impairment losses, net	**39,047**	122,212
Exchange realignment	**1,510**	–
At the end of the year	**282,332**	301,594

39. TRADE AND NOTES RECEIVABLES *(Continued)*

Impairment under HKFRS 9 for the year ended 31 December 2018

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, the balances are grouped based on credit risk characteristics and the ageing analysis. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

	Less than 6 months	**6 to 12 months**	**1 to 2 years**	**over 2 years**	**Total**
Expected credit loss rate	**1.20%**	**4.61%**	**7.55%**	**61.98%**	
Gross carrying amount (RMB'000)	**5,558,328**	**858,939**	**337,721**	**242,712**	**6,997,700**
Expected credit losses (RMB'000)	**66,779**	**39,611**	**25,505**	**150,437**	**282,332**

Impairment under HKAS 39 for the year ended 31 December 2017

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

	2017 RMB'000
Neither past due nor impaired	4,238,749
Within 90 days past due	216,797
91 to 180 days past due	40,791
Over 180 days past due	45,401
	4,541,738

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

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

Trade and notes receivables of the Group mainly arose from the Health Ecosystem segment and Happiness Ecosystem segment. Credit terms granted to the Group's customers are as follows:

	Credit terms
Health Ecosystem segment	90 to 180 days
Happiness Ecosystem segment	30 to 360 days

At 31 December 2018, the Group's trade and notes receivables with a carrying amount of approximately RMB57,614,000 (2017: RMB39,339,000) were pledged to secure bank loans, as set out in note 42 to the financial statements.

40. CONTRACT ASSETS AND OTHER ASSETS

	Notes	2018 RMB'000
Contract assets:		
Sales of properties and construction services	*(1)*	**13,850**
Other assets:		
Costs for obtaining contracts	*(2)*	**85,180**
		99,030

(1) Contract assets related to property development and sales consist of unbilled amounts resulting from sales of properties when revenue recognised over time exceeds the amounts billed to the property purchasers and the allowance for construction services. The decrease in contract assets in 2018 was the result of the decrease in the ongoing sale of the property and the allowance for construction services during this year.

(2) Management expects the incremental costs, primarily sales commission and stamp duty paid/payable as a result of obtaining the property sales contracts, are recoverable. The Group has capitalised the amounts and amortised when the related revenue is recognised. The amount of amortisation was RMB109,838,000 during 2018.

The expected timing of recovery or settlement for contract assets and other assets as at 31 December 2018 is as follows:

	2018 RMB'000
Within one year	**74,545**
More than one year	**24,485**
	99,030

41. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	Notes	2018 RMB'000	2017 RMB'000
Carrying amount of the assets of a disposal group	*(i)/(ii)*	**34,711**	2,532,067
Liabilities directly associated with the assets classified as held for sale	*(i)/(ii)*	**4,156**	204,047

Notes:

(i) In November 2017, Fidelidade – Companhia de Seguros, S.A. and Fidelidade Property Europe, subsidiaries of the Group, have decided to sell 277 real estate properties classified as investment properties and property, plant and equipment. Disposal most of those real estate properties was completed in 2018.

(ii) In 2018, certain real estate properties classified as investment properties from a subsidiary of the Group, were classified as held for sale and the sales are expected to be completed in 2019.

The assets and liabilities classified as held for sale as at 31 December 2018 are as follows:

	2018 RMB'000
Assets	
Investment properties	**33,510**
Deferred tax assets	**1,201**
Assets of a disposal group classified as held for sale	**34,711**
Liabilities	
Deferred tax liabilities	**4,156**
Liabilities directly associated with the assets classified as held for sale	**4,156**

42. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	2018 RMB'000	2017 RMB'000
Bank loans:	*(1)*		
Guaranteed		**2,800**	2,151,006
Secured		**35,743,088**	28,087,191
Unsecured		**61,795,986**	50,933,598
		97,541,874	81,171,795
Corporate bonds and enterprise bonds	*(2)*	**33,818,635**	19,587,388
Private placement notes	*(3)*	**1,997,803**	2,990,880
Private placement bonds	*(4)*	**4,523,752**	6,480,460
Senior notes	*(5)*	**23,681,485**	19,859,994
Medium-term notes	*(6)*	**9,260,017**	2,398,852
Short-term commercial papers	*(7)*	**1,000,000**	–
Super short-term commercial papers	*(8)*	**1,378,993**	5,267,152
Other borrowings, secured	*(9)*	**5,958,529**	5,817,407
Other borrowings, unsecured	*(9)*	**6,979,263**	6,801,136
Total		**186,140,351**	150,375,064
Repayable:			
Within one year		**67,740,818**	58,027,951
In the second year		**38,620,621**	21,253,842
In the third to fifth years, inclusive		**73,384,954**	58,829,138
Over five years		**6,393,958**	12,264,133
		186,140,351	150,375,064
Portion classified as current liabilities		**(67,740,818)**	(58,027,951)
Non-current portion		**118,399,533**	92,347,113

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

Notes:

(1) Certain of the Group's bank loans are secured by the pledges of assets with carrying values at the end of each reporting period as follows:

	2018 **RMB'000**	2017 RMB'000
Pledge of assets:		
Buildings (note 13)	**4,033,150**	271,442
Plant and machinery (note 13)	**623,057**	–
Construction in progress (note 13)	**416,583**	4,201,920
Investment properties (note 14)	**26,449,576**	16,569,869
Prepaid land lease payments (note 15)	**1,311,359**	884,963
Properties under development (note 27)	**18,002,227**	12,970,888
Completed properties for sale	**1,232,684**	1,137,211
Trade and notes receivables (note 39)	**57,614**	39,339
Pledged bank balances (note 35)	**287,862**	307,344
Finance lease receivables (note 38)	**1,337,566**	984,386
Investment in an associate (note 22)	**18,530,173**	6,588,124
Available-for-sale investments (note 23)	**–**	5,395,434
Investment at fair value through profit or loss (note 24)	**–**	992,560
Financial assets at fair value through profit or loss (note 24)	**6,870,114**	–
Equity investments designated at fair value through comprehensive income (note 23)	**268,945**	–
Debt investments designated at fair value through comprehensive income (note 25)	**322,687**	–

Apart from the above, certain interest-bearing bank borrowings are secured by investments in subsidiaries as at 31 December 2018.

No interest-bearing bank and other borrowings (2017: RMB1,960,283,000) were guaranteed by Fosun Holdings Limited which is the holding company of the Group. No interest-bearing bank and other borrowings (2017: RMB190,723,000) were guaranteed by the management of Hainan Mining Co., Ltd. which is the subsidiary of the Group.

The bank loans bear interest at rates ranging from nil to 9.8% (2017: 0.45% to 6.65%) per annum.

(2) Corporate bonds and enterprise bonds

On 20 November 2015, Shanghai Forte Land Co., Ltd. ("Forte") issued five-year domestic corporate bonds with a par value of RMB4,000,000,000 and an effective interest rate of 5.39% per annum. On 22 November 2018, Forte repaid in advance with a par value of RMB179,019,000. Interest is paid annually in arrears and the maturity date is 20 November 2020 for the remaining balances.

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

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

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

On 21 March 2016, Forte issued three-year domestic corporate bonds with a par value of RMB1,000,000,000 and an effective interest rate of 4.24% per annum. On 21 March 2018, Forte repaid in advance with a par value of RMB995,500,000. Interest is paid annually in arrears and the maturity date is 21 March 2019 for the remaining balances.

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

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

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

Notes: *(Continued)*

(2) Corporate bonds and enterprise bonds *(Continued)*

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

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

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

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

On 12 January 2018, Fosun High Technology issued five-year domestic corporate bonds with a par value of RMB1,200,000,000 and an effective interest rate of 6.56% per annum. Interest is paid annually in arrears and the maturity date is 12 January 2023.

On 12 March 2018, Fosun High Technology issued five-year domestic corporate bonds with a par value of RMB600,000,000 and an effective interest rate of 6.89% per annum. Interest is paid annually in arrears and the maturity date is 12 March 2023.

On 13 August 2018, Fosun Pharma issued five-year domestic corporate bonds with a par value of RMB1,300,000,000 and an effective interest rate of 5.15% per annum. Interest is paid annually in arrears and the maturity date is 13 August 2023.

On 20 August 2018, Fosun High Technology issued three-year domestic corporate bonds with a par value of RMB1,500,000,000 and an effective interest rate of 6.30% per annum. Interest is paid annually in arrears and the maturity date is 20 August 2021.

On 27 August 2018, Forte issued three-year domestic corporate bonds with a par value of RMB3,000,000,000 and an effective interest rate of 6.92% per annum. Interest is paid annually in arrears and the maturity date is 27 August 2021.

On 29 October 2018, Fosun High Technology issued three-year domestic corporate bonds with a par value of RMB2,000,000,000 and an effective interest rate of 5.93% per annum. Interest is paid annually in arrears and the maturity date is 29 October 2021.

On 22 November 2018, Fosun High Technology issued four-year domestic corporate bonds with a par value of RMB2,200,000,000 and an effective interest rate of 5.40% per annum. Interest is paid annually in arrears and the maturity date is 22 November 2022.

On 26 November 2018, Yuyuan issued five-year domestic corporate bonds with a par value of RMB2,000,000,000 and an effective interest rate of 4.97% per annum. Interest is paid annually in arrears and the maturity date is 26 November 2023.

On 30 November 2018, Fosun Pharma issued four-year domestic corporate bonds with a par value of RMB500,000,000 and an effective interest rate of 4.54% per annum. Interest is paid annually in arrears and the maturity date is 30 November 2022.

On 30 November 2018, Fosun Pharma issued five-year domestic corporate bonds with a par value of RMB1,000,000,000 and an effective interest rate of 4.75% per annum. Interest is paid annually in arrears and the maturity date is 30 November 2023.

(3) Private placement notes

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

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

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

Notes: *(Continued)*

(4) Private placement bonds

On 22 August 2016, Forte issued three-year private placement bonds with a par value of RMB3,000,000,000 and the effective interest rate is 4.56% per annum. On 20 August 2018, Forte repaid in advance with a par value of RMB1,970,000,000. Interest is paid annually in arrears and the maturity date is 22 August 2019 for the remaining balances.

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

On 31 August 2017, Fosun High Technology issued three-year private placement bonds with a par value of RMB500,000,000 and an effective interest rate of 6.13% per annum. Interest is paid annually in arrears and the maturity date is 31 August 2020.

(5) Senior notes

In 2014, Xingtao Assets Limited, a direct subsidiary of Fosun Industrial Holdings Limited, issued eight-year senior notes with an effective interest rate of 3.31%. Among these, senior notes with a par value of EUR492,000,000 were purchased by third party investors. Interest is paid annually in arrears and the maturity date is 9 October 2022.

On 17 August 2016, Wealth Driven Limited, a subsidiary of Fosun Industrial Holdings Limited, issued three tranches of seven-year senior notes with par values of USD180,000,000, USD120,000,000 and USD290,000,000 and effective interest rates of 5.603%, 5.599% and 5.41%, respectively. Among these, senior notes with a par value of USD555,000,000 were purchased by third party investors. Interest is paid semi-annually in arrears and the maturity date is 17 August 2023.

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

On 5 December 2017, Fortune Star, a subsidiary of Fosun Industrial Holdings Limited, issued three-year senior notes with a par value of USD300,000,000 and an effective interest rate of 5.59%. On 29 January 2018, Fortune Star issued three-year senior notes with a par value of USD250,000,000 and an effective interest rate of 5.23%. Among these, senior notes with a par value of USD504,520,000 were purchased by third party investors. Interest is paid semi-annually in arrears and the maturity date is 5 December 2020.

On 29 January 2018, Fortune Star, a subsidiary of Fosun Industrial Holdings Limited, issued five-year senior notes with a par value of USD450,000,000 and an effective interest rate of 6.09%. Among these, senior notes with a par value of USD440,000,000 were purchased by third party investors. Interest is paid semi-annually in arrears and the maturity date is 29 January 2023.

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

Notes: *(Continued)*

(6) Medium-term notes

On 23 March 2016, Yuyuan issued three-year medium-term notes with a par value of RMB420,000,000 and an effective interest rate of 3.50% per annum. Interest is paid annually in arrears and the maturity date is 25 March 2019.

On 16 November 2017, Yuyuan issued three-year medium-term notes with a par value of RMB980,000,000 and an effective interest rate of 5.68% per annum. Interest is paid annually in arrears and the maturity date is 20 November 2020.

On 7 February 2018, Fosun High Technology issued three-year medium-term notes with a par value of RMB2,000,000,000 and an effective interest rate of 6.81% per annum. Interest is paid annually in arrears and the maturity date is 7 February 2021.

On 19 April 2018, Fosun High Technology issued three-year medium-term notes with a par value of RMB2,000,000,000 and an effective interest rate of 6.61% per annum. Interest is paid annually in arrears and the maturity date is 19 April 2021.

On 25 April 2018, Yuyuan issued three-year medium-term notes with a par value of RMB1,000,000,000 and an effective interest rate of 5.60% per annum. Interest is paid annually in arrears and the maturity date is 27 April 2021.

On 30 July 2018, Fosun High Technology issued three-year medium-term notes with a par value of RMB1,000,000,000 and an effective interest rate of 6.36% per annum. Interest is paid annually in arrears and the maturity date is 30 July 2021.

On 7 September 2018, Fosun High Technology issued five-year medium-term notes with a par value of RMB1,000,000,000 and an effective interest rate of 6.66% per annum. Among these, medium-term notes with a par value of RMB870,000,000 were purchased by third party investors. Interest is paid annually in arrears and the maturity date is 7 September 2023.

On 11 September 2018, Yuyuan issued three-year medium-term notes with a par value of RMB1,000,000,000 and an effective interest rate of 5.50% per annum. Interest is paid annually in arrears and the maturity date is 13 September 2021.

(7) Short-term commercial papers

On 12 March 2018, Yuyuan issued short-term commercial papers with a par value of RMB1,000,000,000 and an effective interest rate of 5.49% per annum. Interest is payable at the maturity date which is 14 March 2019.

(8) Super short-term commercial papers

On 22 June 2018, Fosun High Technology issued super short-term commercial papers with a par value of RMB1,000,000,000 and an effective interest rate of 6.57% per annum. Among these, super and short-term commercial papers with a par value of RMB850,000,000 were purchased by third party investors. Interest is payable at the maturity date which is 19 March 2019.

On 22 November 2018, Fosun High Technology issued super short-term commercial papers with a par value of RMB500,000,000 and an effective interest rate of 4.47% per annum. Interest is payable at the maturity date which is 21 May 2019.

(9) Other borrowings

The other borrowings represent borrowings from third parties, which bear interest at rates ranging from 0.98% to 9.39% (31 December 2017: 0.95% to 8.33%) per annum.

43. CONVERTIBLE BONDS

Logo Star Limited, an indirect wholly-owned subsidiary of the Company, issued convertible bonds in a principal amount of HKD3,875,000,000 (equivalent to RMB3,068,225,000) on 22 November 2013 guaranteed by the Company and certain of its subsidiaries (the "Convertible Bonds"). The Convertible Bonds are convertible into fully-paid ordinary shares of a par value of HKD0.10 each of the Company. The Convertible Bonds bear interest at the rate of 1.5% per annum payable semi-annually in arrears on 22 May and 22 November in each year. The Convertible Bonds was matured on 22 November 2018 ("Maturity Date").

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

As at 31 December 2018, there were no convertible bonds still outstanding and the movement of the liability component is as follows:

	2018 **RMB'000**	2017 RMB'000
Liability component at 1 January	**81,428**	307,730
Interest expense (note 12)	**682**	20,647
Interest paid	**(1,076)**	(3,393)
Conversion into equity	**(81,354)**	(227,609)
Exchange realignment	**320**	(15,947)
Liability component at 31 December	**–**	81,428

44. CONTRACT LIABILITIES

	2018 **RMB'000**
Contract liabilities	**22,365,477**
Portion classified as current liabilities	**(22,112,767)**
Non-current portion	**252,710**

The Group receives payments from customers based on the billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts from property sales and resorts operation.

The following table shows the amounts of the revenue recognised in each reporting period related to carried forward contract liabilities.

	2018 **RMB'000**
Revenue recognised during the year that was included in the contract liabilities balance at the beginning of the year	**17,217,775**

44. CONTRACT LIABILITIES *(Continued)*

The following table includes the transaction price allocated to the remaining unsatisfied performance obligations related to property sales and resorts operation as at the end of each reporting period.

	2018 RMB'000
Expected to be recognised within one year	**17,397,489**
Expected to be recognised after one year	**5,215,500**
Total	**22,612,989**

45. TRADE AND NOTES PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables	**13,808,784**	12,230,295
Notes payable	**297,158**	137,982
	14,105,942	12,368,277

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

	2018 RMB'000	2017 RMB'000
Outstanding balances with ages:		
Within 90 days	**5,152,391**	6,020,166
91 to 180 days	**2,180,065**	764,742
181 to 365 days	**1,938,098**	1,402,636
1 to 2 years	**1,315,522**	1,898,174
2 to 3 years	**1,786,838**	760,955
Over 3 years	**1,435,870**	1,383,622
	13,808,784	12,230,295

Trade and notes payables of the Group mainly arose from the Health Ecosystem segment and Happiness Ecosystem segment. The trade and notes payables are non-interest-bearing and are normally settled on terms of 30 to 60 days or based on the progress of construction of the properties.

46. ACCRUED LIABILITIES AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Advances from customers	**3,701,909**	20,629,552
Dividends payable to third parties	**187,770**	–
Payables related to:		
Purchases of property, plant and equipment	**178,469**	226,839
Deposits received	**1,254,286**	1,285,284
Payroll	**2,684,334**	1,944,847
Accrued interest expenses	**1,816,959**	1,353,994
Value-added tax	**758,962**	465,429
Accrued utilities	**113,131**	262,686
Acquisition of subsidiaries	**212,937**	611,455
Current portion of other long term payables	**134,489**	6,594
Funding from third parties for business development	**4,801,697**	5,755,757
Other accrued expenses	**3,302,562**	3,932,585
Others	**8,318,621**	5,436,557
	27,466,126	41,911,579

47. FINANCE LEASE PAYABLES

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

	2018 RMB'000	2017 RMB'000
Repayable:		
Within one year	**111,268**	72,692
In the second year	**132,624**	88,937
In the third to fifth years, inclusive	**467,341**	194,000
Total minimum finance lease payments	**711,233**	355,629
Less: Future finance charges	**(144,828)**	(18,395)
	566,405	337,234
Portion classified as current finance lease payables	**(88,827)**	(68,323)
Non-current portion	**477,578**	268,911

48. DEPOSITS FROM CUSTOMERS

	2018 RMB'000	2017 RMB'000
Demand deposits		
– Corporate deposits	**36,462,232**	30,956,787
– Personal deposits	**3,401,922**	3,494,737
	39,864,154	34,451,524
Time deposits		
– Corporate deposits	**1,754,440**	460,190
– Personal deposits	**166,276**	165,853
	1,920,716	626,043
Total deposits from customers at amortised cost	**41,784,870**	35,077,567
Portion classified as current liabilities	**(41,714,245)**	(34,971,708)
Non-current portion	**70,625**	105,859

Deposits from customers which are related parties are disclosed in note 67 to the financial statements.

49. UNEARNED PREMIUM PROVISIONS

		31 December 2018			31 December 2017		
			Reinsurers'			Reinsurers'	
		Gross	share	Net	Gross	share	Net
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Life insurance	*(i)*	123,040	(6,421)	116,619	32,620	(1,009)	31,611
Non-life insurance	*(ii)*	6,561,279	(1,035,249)	5,526,030	5,812,647	(818,830)	4,993,817
		6,684,319	(1,041,670)	5,642,649	5,845,267	(819,839)	5,025,428

Notes:

(i) Analysis of movements in the unearned premium provisions for the life insurance business:

	31 December 2018			31 December 2017		
		Reinsurers'			Reinsurers'	
	Gross	share	Net	Gross	share	Net
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	32,620	(1,009)	31,611	15,272	(998)	14,274
Premiums written during the year	4,052,379	(121,732)	3,930,647	4,071,163	(102,340)	3,968,823
Premiums earned during the year	(3,965,664)	116,350	(3,849,314)	(4,053,825)	102,396	(3,951,429)
Exchange realignment	3,705	(30)	3,675	10	(67)	(57)
At 31 December	123,040	(6,421)	116,619	32,620	(1,009)	31,611

(ii) Analysis of movements in the unearned premium provisions for the non-life insurance business:

	31 December 2018			31 December 2017		
		Reinsurers'			Reinsurers'	
	Gross	share	Net	Gross	share	Net
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	5,812,647	(818,830)	4,993,817	5,178,746	(599,838)	4,578,908
Premiums written during the year	24,325,157	(3,920,186)	20,404,971	27,017,569	(4,426,432)	22,591,137
Premiums earned during the year	(23,704,422)	3,758,211	(19,946,211)	(21,923,413)	2,733,667	(19,189,746)
Exchange realignment	127,897	(54,444)	73,453	(4,460,255)	1,473,773	(2,986,482)
At 31 December	6,561,279	(1,035,249)	5,526,030	5,812,647	(818,830)	4,993,817

50. PROVISION FOR OUTSTANDING CLAIMS

		31 December 2018			31 December 2017		
			Reinsurers'			Reinsurers'	
		Gross	share	Net	Gross	share	Net
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Life insurance	*(i)*	2,449,022	(74,415)	2,374,607	2,294,170	(83,668)	2,210,502
Non-life insurance	*(ii)*	31,444,469	(6,707,342)	24,737,127	29,323,182	(5,810,187)	23,512,995
		33,893,491	(6,781,757)	27,111,734	31,617,352	(5,893,855)	25,723,497
Portion classified as current liabilities		(15,740,723)			(13,325,966)		
Non-current portion		18,152,768			18,291,386		

Notes:

(i) Analysis of movements in the provision for outstanding claims for the life insurance business:

	31 December 2018			31 December 2017		
		Reinsurers'			Reinsurers'	
	Gross	share	Net	Gross	share	Net
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	2,294,170	(83,668)	2,210,502	1,612,183	(73,357)	1,538,826
Claims paid during the year	(2,415,452)	66,287	(2,349,165)	(2,251,259)	49,395	(2,201,864)
Claims incurred during the year	2,494,090	(56,596)	2,437,494	2,916,123	(54,633)	2,861,490
Exchange realignment	76,214	(438)	75,776	17,123	(5,073)	12,050
At 31 December	2,449,022	(74,415)	2,374,607	2,294,170	(83,668)	2,210,502

(ii) Analysis of movements in the provision for outstanding claims for the non-life insurance business:

	31 December 2018			31 December 2017		
		Reinsurers'			Reinsurers'	
	Gross	share	Net	Gross	share	Net
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	29,323,182	(5,810,187)	23,512,995	25,670,855	(5,089,593)	20,581,262
Claims paid during the year	(15,233,804)	2,609,793	(12,624,011)	(12,672,805)	1,333,149	(11,339,656)
Claims incurred during the year	16,518,891	(3,233,897)	13,284,994	16,390,594	(2,727,271)	13,663,323
Exchange realignment	836,200	(273,051)	563,149	(65,462)	673,528	608,066
At 31 December	31,444,469	(6,707,342)	24,737,127	29,323,182	(5,810,187)	23,512,995

51. FINANCIAL LIABILITIES FOR UNIT-LINKED CONTRACTS AND INVESTMENT CONTRACT LIABILITIES

	Notes	2018 RMB'000	2017 RMB'000
Financial liabilities for unit-linked contracts	*(i)*	**316,142**	1,370,019
Investment contract liabilities	*(ii)*	**72,479,089**	65,602,113
Commissions on the issue of financial products		**(89,064)**	(96,665)
		72,706,167	66,875,467
Portion classified as current liabilities		**(7,737,575)**	(6,207,326)
Non-current portion		**64,968,592**	60,668,141

Notes:

(i) Unit-linked contracts

	2018 RMB'000	2017 RMB'000
At 1 January	**1,370,019**	3,748,246
Issues	**15,315**	16,686
Redemptions	**(1,061,742)**	(2,630,290)
Profit or loss	**(10,167)**	30,406
Other	**(321)**	(462)
Exchange realignment	**3,038**	205,433
At 31 December	**316,142**	1,370,019

(ii) Other investment contract liabilities

	2018 RMB'000	2017 RMB'000
At 1 January	**65,602,113**	56,848,461
Issues	**22,201,258**	15,096,499
Redemptions	**(16,251,090)**	(10,850,098)
Profit or loss	**586,148**	726,098
Other	**(67,495)**	(164,647)
Exchange realignment	**408,155**	3,945,800
At 31 December	**72,479,089**	65,602,113

52. OTHER LIFE INSURANCE CONTRACT LIABILITIES

31 December 2018

	Life RMB'000	Non-life RMB'000	Total RMB'000
Mathematical provision for life insurance	**15,466,919**	**–**	**15,466,919**
Provision for profit sharing	**636,290**	**161**	**636,451**
Provision for interest rate commitments	**178,001**	**–**	**178,001**
Provision for portfolio stabilisation	**206,023**	**–**	**206,023**
	16,487,233	**161**	**16,487,394**
Portion classified as current liabilities			**(1,674,062)**
Non-current portion			**14,813,332**

31 December 2017

	Life RMB'000	Non-life RMB'000	Total RMB'000
Mathematical provision for life insurance	14,225,169	–	14,225,169
Provision for profit sharing	864,103	2	864,105
Provision for interest rate commitments	58,680	–	58,680
Provision for portfolio stabilisation	190,416	–	190,416
	15,338,366	2	15,338,370
Portion classified as current liabilities			(1,475,431)
Non-current portion			13,862,939

52. OTHER LIFE INSURANCE CONTRACT LIABILITIES *(Continued)*

31 December 2018

Analysis of movements of other life insurance contract liabilities business:

	Mathematical provision for life insurance RMB'000	**Provision for profit sharing RMB'000**	**Provision for interest rate commitments RMB'000**	**Provision for portfolio stabilisation RMB'000**	**Total RMB'000**
At 1 January	**14,225,168**	**864,104**	**58,680**	**190,416**	**15,338,368**
Liabilities originated in period and interest attributed	**991,055**	**128,297**	**118,438**	**14,443**	**1,252,233**
Amount attributable to insured from shareholders' equity	**–**	**(228,727)**	**–**	**–**	**(228,727)**
Change in deferred acquisition costs	**(2,936)**	**–**	**–**	**–**	**(2,936)**
Other movements	**(90,856)**	**–**	**–**	**–**	**(90,856)**
Income distributed	**257,124**	**(131,141)**	**–**	**–**	**125,983**
Exchange realignment	**87,364**	**3,918**	**883**	**1,164**	**93,329**
At 31 December	**15,466,919**	**636,451**	**178,001**	**206,023**	**16,487,394**

31 December 2017

Analysis of movements of other life insurance contract liabilities business:

	Mathematical provision for life insurance RMB'000	Provision for profit sharing RMB'000	Provision for interest rate commitments RMB'000	Provision for portfolio stabilisation RMB'000	Total RMB'000
At 1 January	12,138,017	502,061	51,332	158,929	12,850,339
Liabilities originated in period and interest attributed	1,009,777	(44,186)	3,795	20,325	989,711
Amount attributable to insured from shareholders' equity	–	453,588	–	–	453,588
Change in deferred acquisition costs	(569)	–	–	–	(569)
Other movements	165,084	–	–	–	165,084
Income distributed	66,338	(87,480)	–	–	(21,142)
Exchange realignment	846,521	40,121	3,553	11,162	901,357
At 31 December	14,225,168	864,104	58,680	190,416	15,338,368

53. INSURANCE AND REINSURANCE CREDITORS

	2018 RMB'000	2017 RMB'000
Amounts due to insurance customers and suppliers	**7,149,489**	3,556,290
Amounts due to insurance intermediaries	**707,587**	766,674
Deposits retained from reinsurers/retrocessionaires	**468,964**	529,623
Prepaid premiums received	**195,222**	183,930
Others	**–**	2,137
	8,521,262	5,038,654
Portion classified as current liabilities	**(8,380,093)**	(4,896,620)
Non-current portion	**141,169**	142,034

The following is an ageing analysis of the amounts due to insurance customers and suppliers:

	2018 RMB'000	2017 RMB'000
Amounts due to insurance customers and suppliers:		
Within 90 days	**5,045,959**	3,214,972
91 to 180 days	**2,435,077**	851,426
181 to 365 days	**619,456**	476,391
1 to 2 years	**53,131**	114,308
2 to 3 years	**31,529**	156,328
Over 3 years	**336,110**	225,229
	8,521,262	5,038,654

54. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 RMB'000	2017 RMB'000
Gold leases	**1,825,082**	–

Yuyuan, a subsidiary of the Group signed gold lease contracts with banks pursuant to which Yuyuan will lease in gold and return the same quantity of gold to the banks. Financial liabilities at fair value through profit or loss mainly represent the fair value of the gold to be returned under the gold lease agreements between Yuyuan and the banks as at 31 December 2018.

55. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2018 RMB'000	2017 RMB'000
Due to European Central Bank	**456,827**	455,075
Due to:		
Banks in Germany	**597,016**	318,228
Banks in other European countries	**960,213**	783,001
Banks in other countries and regions	**649**	324
	1,557,878	1,101,553
Total	**2,014,705**	1,556,628
Portion classified as current liabilities	**(1,557,878)**	(1,101,553)
Non-current portion	**456,827**	455,075

56. DEFERRED INCOME

Deferred income represents government grants received related to assets.

	2018 RMB'000	2017 RMB'000
Special purpose fund for technology improvement	**493,426**	443,670
Government grants for property development and fixed asset construction	**473,533**	450,780
	966,959	894,450

57. OTHER LONG TERM PAYABLES

	Notes	2018 RMB'000	2017 RMB'000
Payables for rehabilitation	*(i)*	**164,417**	194,513
Payables for employee benefits	*(ii)*	**1,148,112**	657,490
Payables for restructuring provisions		**–**	48,161
Payables for acquisition of additional interests in subsidiaries		**209,625**	173,729
Share redemption options granted to non-controlling shareholders of subsidiaries	*(iii)*	**3,066,565**	1,859,564
Loans from non-controlling shareholders of subsidiaries		**3,831,231**	1,143,177
Others		**2,166,018**	1,891,437
		10,585,968	5,968,071

Notes:

(i) The movements of payables for rehabilitation are set out below:

	2018 RMB'000	2017 RMB'000
At 1 January	**194,513**	245,015
Additions	**–**	138,000
Disposal of subsidiaries (note 61(b))	**–**	(125,124)
Payments made	**(14,096)**	(56,633)
Classified as current portion	**(16,420)**	–
Exchange realignment	**420**	(6,745)
At 31 December	**164,417**	194,513

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

(ii) The movements of payables for employee benefits are set out below:

	2018 RMB'000	2017 RMB'000
At 1 January	**657,490**	642,808
Additions	**441,136**	70,986
Acquisition of subsidiaries	**144,308**	–
Interest increment (note 7)	**9,203**	32,790
Payments made	**(35,497)**	(92,172)
Classified as current portion	**(71,216)**	(6,594)
Exchange realignment	**2,688**	9,672
At 31 December	**1,148,112**	657,490

Payables for employee benefits are based on estimates of future payments made by management and are discounted at rates in the range of 1.34% to 3.06% (2017: 0.3% to 3.75%).

(iii) The movements of the share redemption options granted to non-controlling shareholders of subsidiaries are set out below:

The share redemption options granted to non-controlling shareholders of certain subsidiaries acquired by the Group, with the amounts of RMB2,605,032,000 and RMB461,533,000 were reclassified into other long-term payables as at 31 December 2018.

58. SHARE CAPITAL

Shares

	2018 RMB'000	2017 RMB'000
Issued and fully paid: 8,546,928,994 (2017: 8,587,720,344) ordinary shares	**36,660,729**	36,485,351

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Issued capital RMB'000
At 1 January 2017	8,603,280,644	36,157,089
Share award scheme (Note)	4,605,200	50,033
Re-purchase of shares	(47,365,500)	–
Conversion of convertible bonds to ordinary shares	27,200,000	278,229
At 31 December 2017 and 1 January 2018	8,587,720,344	36,485,351
Share award scheme (Note)	5,367,150	75,970
Re-purchase of shares	(55,858,500)	–
Conversion of convertible bonds to ordinary shares	9,700,000	99,408
At 31 December 2018	8,546,928,994	36,660,729

Note:

According to the share award scheme announced by the Company, the Company issued and the employee benefit trust established by the Company allotted 5,367,150 (2017: 4,605,200) new shares which were awarded to selected participants and will be vested based on certain vesting conditions.

59. RESERVES

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

(a) Other deficits

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

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

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

In accordance with the Company Law of Portugal, a percentage of not less than 10% or 5% of each year's net profit, depending on whether a company is an insurance or other company, must be transferred to the legal reserve, until the legal reserve totals the amount of share capital, or the legal reserve totals 20% of the registered capital. The legal reserve may not be distributed, but only be used to increase share capital or offset accumulated losses.

60. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2018	2017
Percentage of equity interest held by non-controlling interests:		
Fosun Pharma	**62.45%**	62.06%
Portuguese Insurance Group	**15.01%**	15.01%

Fidelidade – Companhia de Seguros, S.A., Multicare – Seguros de Saúde, S.A. and Fidelidade Assistência – Companhia de Seguros, S.A. are collectively referred to as "Portuguese Insurance Group".

	2018 RMB'000	2017 RMB'000
Profit for the year allocated to non-controlling interests:		
Fosun Pharma	**1,691,098**	1,939,064
Portuguese Insurance Group	**338,882**	235,950
Dividends paid to non-controlling interests:		
Fosun Pharma	**613,241**	541,998
Accumulated balances of non-controlling interests at the reporting dates:		
Fosun Pharma	**17,477,644**	16,037,192
Portuguese Insurance Group	**2,430,947**	2,859,025

60. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2018	**Portuguese Insurance Group RMB'000**	**Fosun Pharma RMB'000**
Revenue	**17,325,819**	**24,713,875**
Total expenses	**(15,032,887)**	**(21,693,993)**
Profit for the year	**2,292,932**	**3,019,882**
Total comprehensive (loss)/income for the year	**(2,893,515)**	**2,351,197**
Current assets	**57,635,553**	**18,001,727**
Non-current assets	**82,537,311**	**52,492,747**
Current liabilities	**(24,009,989)**	**(17,923,246)**
Non-current liabilities	**(94,027,698)**	**(19,035,401)**
Net cash flows from operating activities	**3,439,159**	**2,950,106**
Net cash flows from/(used in) investing activities	**8,313,767**	**(5,244,915)**
Net cash flows (used in)/from financing activities	**(267,822)**	**3,137,535**

2017	Portuguese Insurance Group RMB'000	Fosun Pharma RMB'000
Revenue	12,468,043	18,361,608
Total expenses	(10,629,314)	(14,776,349)
Profit for the year	1,838,729	3,585,259
Total comprehensive income for the year	6,435,589	3,119,290
Current assets	38,167,788	15,056,487
Non-current assets	97,637,499	46,857,634
Current liabilities	(23,788,824)	(16,600,472)
Non-current liabilities	(89,682,349)	(15,629,082)
Net cash flows from operating activities	6,303,239	2,580,226
Net cash flows used in investing activities	(8,876,122)	(10,504,102)
Net cash flows (used in)/from financing activities	(566,212)	9,908,627

61. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries

(I) ACQUISITION OF SUBSIDIARIES ACCOUNTED FOR AS BUSINESS COMBINATIONS NOT UNDER COMMON CONTROL

The major acquisition of subsidiaries accounted for as business combinations not under common control is set out as follows:

In April 2018, Fosun Industrial Holdings Limited, a subsidiary of the Group, acquired 65.6% equity interests in Jeanne Lanvin SAS ("Lanvin") at a consideration of EUR110,200,000 (equivalent to RMB851,145,000). The acquisition was undertaken to further develop the Happiness Ecosystem business of the Group.

In July 2018, the Group, through its subsidiary, acquired a 69.18% equity interest in Baihe Jiayuan Network Group Co., Ltd. ("**Baihe**") at a consideration of RMB4 billion. The acquisition was undertaken to further develop the Happiness Ecosystem business of the Group.

As at 31 December 2017, the Group held a 26.45% equity interest in Yuyuan and Yuyuan was accounted for as an associate of the Group. In July 2018, Yuyuan completed its asset restructuring and acquired the Group's equity interests in 24 target companies and the 100% interests in Xinyuan Real Estate Development Co., Ltd. from Shanghai Huangpu Real Estate Development Co., Ltd through issuance of shares by Yuyuan. Upon completion of the restructuring, the Group held 68.49% equity interests in Yuyuan and Yuyuan has been consolidated into the Group since July 2018.

In August 2018, Yuyuan acquired a 100% equity interests in Suzhou Pine Crane Restaurant Culture Co., Ltd. and Suzhou Pine Crane Restaurant Management Co., Ltd. at a total consideration of RMB1,629,143,000. The acquisition was undertaken to further develop the happiness Happiness Ecosystem business of the Group.

In August 2018, Yuyuan acquired a 60% equity interest in Ningbo Xingxin Real Estate Development Co., Ltd. at a consideration of RMB756,139,000. The acquisition was undertaken to further develop the Happiness Ecosystem business of the Group.

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

61. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

(I) ACQUISITION OF SUBSIDIARIES ACCOUNTED FOR AS BUSINESS COMBINATIONS NOT UNDER COMMON CONTROL *(Continued)*

The fair values of the identifiable assets and liabilities of all the subsidiaries acquired during the year were as follows:

	2018 Fair value recognised on acquisition RMB'000
Property, plant and equipment (note 13)	**11,238,566**
Intangible assets (note 19)	**6,438,753**
Prepaid land lease payments (note 15)	**307,801**
Cash and bank	**6,363,465**
Investments in associates	**4,717,289**
Investments in joint ventures	**24,075**
Investment properties (note 14)	**9,186,523**
Financial assets at fair value through profit or loss	**3,312,379**
Equity investments designated at fair value through other comprehensive income	**560,716**
Deferred tax assets (note 30)	**509,949**
Trade and notes receivables	**2,260,138**
Prepayments, other receivables and other assets	**2,433,569**
Inventories	**3,063,648**
Properties under development	**5,648,048**
Completed properties for sale	**499,972**
Derivative financial instruments	**22,285**
Interest-bearing bank and other borrowings	**(11,162,515)**
Trade and notes payables	**(4,392,663)**
Accrued liabilities and other payables	**(2,912,742)**
Due to related companies	**(47,179)**
Tax payable	**(429,985)**
Financial liabilities at fair value through profit or loss	**(1,524,794)**
Other long term payables	**(2,313,840)**
Due to banks and other financial institutions	**(65,224)**
Finance lease payables	**(148,782)**
Deferred tax liabilities (note 30)	**(5,519,780)**
Total identifiable net assets at fair value	**28,069,672**
Non-controlling interests	**(8,903,849)**
Total net assets acquired	**19,165,823**
Gain on bargain purchase of subsidiaries (note 6)	**(3,706,384)**
Goodwill on acquisition (note 20)	**3,987,462**
	19,446,901

61. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

(I) ACQUISITION OF SUBSIDIARIES ACCOUNTED FOR AS BUSINESS COMBINATIONS NOT UNDER COMMON CONTROL *(Continued)*

	RMB'000
Satisfied by:	
Cash	**8,221,709**
Investments in associates	**4,121,658**
Partial equity interests in subsidiaries	**6,351,390**
Prepayments, other receivables and other assets	**752,144**
	19,446,901

The fair values of the trade receivables and prepayments, other receivables and other assets as at the dates of acquisition amounted to RMB2,260,138,000 and RMB2,433,569,000, respectively. The gross contractual amounts of trade receivables and prepayments, other receivables and other assets were RMB2,281,150,000 and RMB2,506,048,000, respectively, among which RMB21,012,000 and RMB72,479,000, respectively, were expected to be uncollectible.

The Group incurred transaction costs of RMB14,571,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses or administrative expenses in the consolidated statement of profit or loss.

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

Since the acquisition, the acquired subsidiaries contributed RMB13,694,196,000 to the Group's turnover and net profit of RMB210,760,000 to the consolidated profit for the year ended 31 December 2018.

Had the combinations taken place at the beginning of the year, the revenue of the Group and the net profit of the Group for the year ended 31 December 2018 would have been RMB120,814,384,000 and RMB17,131,535,000, respectively.

(II) ACQUISITION OF A SUBSIDIARY NOT ACCOUNTED FOR AS BUSINESS COMBINATION

The major acquisition of a subsidiary not accounted for as business combination is set out as follows:

In January 2018, a subsidiary of Forte acquired a 51% equity interest in Xi'an Qujiang Dahua Woke Culture and Commercial Management Co., Ltd. ("Qujiang Dahua") at a consideration of RMB263,041,000. The major asset of Qujiang Dahua is a piece of land, and the acquisition is for the redevelopment of the land.

The above acquisition has been accounted for an acquisition of assets in the Group's consolidated financial statements. The purchase cost of the Group is allocated to the assets and liabilities, respectively, on the basis of their relative fair values at the date of purchase.

61. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

(II) ACQUISITION OF SUBSIDIARIES NOT ACCOUNTED FOR AS BUSINESS COMBINATION *(Continued)*

The allocation of the purchase cost on the basis of the relative fair values of the assets and liabilities acquired as at the date of the purchase is as follows:

	Allocation of purchase cost RMB'000
Cash and bank	277,123
Property, plant and equipment (note 13)	1,552
Intangible assets (note 19)	152
Trade and notes receivable	921
Prepayments, other receivables and other assets	1,495
Inventories	368
Properties under development	807,405
Interest-bearing bank and other borrowings	(46,000)
Trade and notes payables	(79,228)
Deferred income	(1,177)
Other long term payables	(168,101)
Deferred tax liabilities (note 30)	(11)
Accrued liabilities and other payables	(278,734)
	515,765
Non-controlling interests	(252,724)
Total purchase costs	263,041
Satisfied by:	
Cash	263,041

(III) AN ANALYSIS OF THE CASH FLOWS IN RESPECT OF THE ACQUISITION OF SUBSIDIARIES AS SET OUT IN (I) AND (II) ABOVE IS AS FOLLOWS:

	RMB'000
Consideration settled by cash	(8,484,750)
Cash and cash equivalents acquired	6,640,588
Cash consideration already paid in the prior year	152,814
Cash consideration unpaid as at 31 December 2018	213,992
Payment of unpaid cash consideration as at 31 December 2017	(338,075)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,815,431)
Transaction costs of these acquisitions included in cash flows from operating activities	(14,571)
	(1,830,002)

61. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of subsidiaries

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

In April 2018, a subsidiary of Forte disposed of 50% equity interests in Wuhan Fuzhi Real Estate Development Co., Ltd. ("Wuhan Fuzhi") at a consideration of RMB2,700,000,000. Subsequent to the disposal, Forte's equity interest in Wuhan Fuzhi decreased to 50% and Forte lost the control over the board of directors as well as the operating and financial policy decision of Wuhan Fuzhi but can exercise joint control over Wuhan Fuzhi. The remaining 50% equity interest in Wuhan Fuzhi was accounted for as an investment in the joint venture.

In April 2018, a subsidiary of Forte disposed of 50% equity interests in Shandong Forte Real Estate Development Co., Ltd. ("Shandong Forte") at a consideration of RMB963,084,000. Subsequent to the disposal, Forte's equity interest in Shandong Forte decreased to 50% and Forte lost the control over the board of directors as well as the operating and financial policy decision of Shandong Forte but can exercise joint control over Shandong Forte. The remaining 50% equity interest in Shandong Forte was accounted for as an investment in the joint venture.

The total net assets disposed of in respect of the disposal of the subsidiaries during the year were as follows:

	2018 RMB'000	2017 RMB'000
Net assets disposed of:		
Property, plant and equipment (note 13)	**57,664**	582,740
Oil and gas assets (note 18)	**–**	103,665
Intangible assets (note 19)	**47,798**	3,218,952
Prepaid land lease payments	**2,933**	–
Completed properties for sale	**262,696**	59,636
Goodwill (note 20)	**19,637**	1,720,080
Investments in associates	**–**	13,304
Available-for-sale investments	**–**	34,195,225
Deferred tax assets (note 30)	**1,661**	566,717
Properties under development	**11,593,668**	445,954
Investment properties (note 14)	**680,883**	–
Cash and bank	**135,164**	3,242,479
Investments at fair value through profit or loss	**–**	1,016,512
Trade and notes receivables	**18,849**	49,640
Due from related parties	**244**	–
Prepayments, other receivables and other assets	**117,740**	1,290,372
Inventories	**9,091**	112,726
Insurance and reinsurance debtors	**–**	3,983,509
Reinsurers' share of insurance contract provisions	**–**	9,828,183
Insurance and reinsurance creditors	**–**	(1,709,144)
Unearned premium provisions	**–**	(8,178,953)
Provision for outstanding claims	**–**	(26,262,886)
Interest-bearing bank and other borrowings	**(374,271)**	(2,792,230)
Trade and notes payables	**(84,858)**	(159,719)
Due to related companies	**(3,410,993)**	–
Accrued liabilities and other payables	**(1,024,306)**	(2,596,732)
Tax payable	**–**	(1,966)
Other long term payables	**–**	(125,124)
Deferred tax liabilities (note 30)	**(3,432)**	(278,699)
Non-controlling interests	**(19,800)**	(6,411)
	8,030,368	18,317,830
Fair value of the retained interests in subsidiaries disposed of	**(3,891,659)**	–
Net gain on disposal of subsidiaries (note 6)	**45,059**	2,323,121
	4,183,768	20,640,951
Satisfied by:		
Cash	**4,183,768**	20,640,951

61. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of subsidiaries *(Continued)*

An analysis of the cash flows in respect of the disposal of subsidiaries is as follows:

	2018 RMB'000	2017 RMB'000
Cash consideration	**4,183,768**	20,640,951
Cash and cash equivalents disposed of	**(135,164)**	(3,242,479)
Advance receipt of cash consideration in previous years	**(14,599)**	–
Cash consideration unreceived as at 31 December 2018	**(28,840)**	–
Receipt of unreceived cash consideration for disposal as at 31 December 2017	**–**	1,330,000
Net inflow of cash and cash equivalents included in cash flows from investing activities	**4,005,165**	18,728,472

62. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Borrowings directly associated with the assets classified as held for sale RMB'000	Bank and other loans RMB'000	Loans from non-controlling shareholders of a subsidiary included in other long term payables RMB'000	Finance lease payable RMB'000	Convertible bond RMB'000	Interest payable RMB'000	Capital notes RMB'000
At 31 December 2017	–	150,375,064	1,143,177	337,234	81,428	1,353,994	–
Changes from financing cash flows	–	22,758,833	2,688,054	(4,536)	–	–	–
Conversion into equity	–	–	–	–	(81,354)	–	–
Interest paid	–	(212,205)	–	–	(1,076)	(7,442,481)	–
New finance lease	–	–	–	84,925	–	–	–
Foreign exchange movement	–	2,082,475	–	–	320	136,059	–
Interest expense	–	301,940	–	–	682	6,538,625	–
Interest capitalised under properties under development	–	–	–	–	–	1,174,670	–
Interets capitalised under property, plant and equipment	–	–	–	–	–	56,091	–
Increase arising from acquisition of subsidiaries	–	11,208,515	–	148,782	–	–	–
Decrease arising from disposal of subsidiaries	–	(374,271)	–	–	–	–	–
At 31 December 2018	**–**	**186,140,351**	**3,831,231**	**566,405**	**–**	**1,816,958**	**–**

62. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

Changes in liabilities arising from financing activities *(Continued)*

	Borrowings directly associated with the assets classified as held for sale RMB'000	Bank and other loans RMB'000	Loans from non-controlling shareholders of a subsidiary included in other long term payables RMB'000	Finance lease payable RMB'000	Convertible bond RMB'000	Interest payable RMB'000	Capital notes RMB'000
At 31 December 2016	2,610,372	125,969,041	1,643,616	245,910	307,730	1,147,700	330,418
Changes from financing cash flows	–	21,918,208	(576,183)	(54,923)	–	–	–
Conversion into equity	–	–	–	–	(227,609)	–	–
Interest paid	–	(430,982)	–	–	(3,393)	(5,150,242)	–
New finance lease	–	–	–	132,350	–	–	–
Foreign exchange movement	(34,376)	570,409	–	–	(15,947)	48,101	–
Interest expense	–	644,185	75,744	–	20,647	4,344,732	–
Interest capitalised under properties under development	–	–	–	–	–	846,443	–
Interest capitalised under property, plant and equipment	–	–	–	–	–	117,260	–
Transfer to accrued liabilities and other payables	–	–	–	–	–	–	(330,418)
Increase arising from acquisition of subsidiaries	–	1,920,437	–	13,897	–	–	–
Decrease arising from disposal of subsidiaries	(2,575,996)	(216,234)	–	–	–	–	–
At 31 December 2017	–	150,375,064	1,143,177	337,234	81,428	1,353,994	–

63. SHARE-BASED PAYMENTS

(a) Share award scheme of the Company

The Company adopts a share award scheme ("Share Award Scheme") for the purpose to align the interests of the eligible persons with those of the Group through ownership of shares, dividends and other distributions paid on shares and/or the increase in value of the shares; and to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group.

SHARE AWARD SCHEME I

On 26 March 2015, the Board of Directors of the Company has resolved to award an aggregate of 4,620,000 award shares ("Award Shares 2015") to 71 selected participants under the share award scheme ("Share Award Scheme I"), of which (i) 2,430,000 award shares are awarded to 52 selected participants by way of issue and allotment of new shares pursuant to the general mandate; and (ii) 2,190,000 award shares are awarded to 19 connected selected participants by way of issue and allotment of new shares pursuant to a specific mandate obtained in the annual general meeting held on 28 May 2015.

Award Shares 2015 shall be locked up immediately upon granting. The Award Shares 2015 granted to participants shall be subject to various lock-up periods ranging from one year to three years, respectively, immediately from the date of grant. Award Shares 2015 held by participants shall be unlocked in three tranches in the proportion of 33%, 33% and 34% of the total number of the Award Shares 2015 granted upon the expiry of each lock-up period.

The aggregate fair value of the Award Shares 2015 granted amounted to approximately HKD60,274,000. The Group has recognised an amount of HKD996,000 (equivalent to RMB843,000) as expenses for the year ended 31 December 2018 (2017: equivalent to RMB8,103,000).

SHARE AWARD SCHEME II

On 1 April 2016, the Board of Directors of the Company has resolved to award an aggregate of 5,410,000 award shares ("Award Shares 2016") to 69 selected participants under the share award scheme ("Share Award Scheme II"). Award Shares are awarded to selected participants by way of issue and allotment of new shares pursuant to a specific mandate obtained in the annual general meeting held on 1 June 2016.

Award Shares 2016 shall be locked up immediately upon granting. The Award Shares 2016 granted to participants shall be subject to various lock-up periods ranging from one year to three years, respectively, immediately from the date of grant. Award Shares 2016 held by participants shall be unlocked in three tranches in the proportion of 33%, 33% and 34% of the total number of the Award Shares 2016 granted upon the expiry of each lock-up period.

The aggregate fair value of the Award Shares 2016 granted amounted to approximately HKD52,048,000. The Group has recognised an amount of HKD7,596,000 (equivalent to RMB6,430,000) as expenses for the year ended 31 December 2018 (2017: equivalent to RMB17,800,000).

SHARE AWARD SCHEME III

On 4 May 2017, the Board of Directors of the Company has resolved to award an aggregate of 5,275,000 award shares ("Award Shares 2017") to 65 selected participants under the share award scheme ("Share Award Scheme III"). Award Shares are awarded to selected participants by way of issue and allotment of new shares pursuant to a specific mandate obtained in the annual general meeting held on 6 June 2017.

Award Shares 2017 shall be locked up immediately upon granting. The Award Shares 2017 granted to participants shall be subject to various lock-up periods ranging from one year to three years, respectively, immediately from the date of grant. Award Shares 2017 held by participants shall be unlocked in three tranches in the proportion of 33%, 33% and 34% of the total number of the Award Shares 2017 granted upon the expiry of each lock-up period.

The aggregate fair value of the Award Shares 2017 granted amounted to approximately HKD58,264,000. The Group has recognised an amount of HKD24,540,000 (equivalent to RMB20,771,000) as expenses for the year ended 31 December 2018 (2017: equivalent to RMB19,318,000).

63. SHARE-BASED PAYMENTS *(Continued)*

(a) Share award scheme of the Company *(Continued)*

SHARE AWARD SCHEME IV

On 28 March 2018, the Board of Directors of the Company has resolved to award an aggregate of 5,902,000 award shares ("Award Shares 2018") to 70 selected participants under the share award scheme ("Share Award Scheme IV"). Award Shares are awarded to selected participants by way of issue and allotment of new shares pursuant to a specific mandate obtained in the annual general meeting held on 6 June 2018.

Award Shares 2018 shall be locked up immediately upon granting. The Award Shares 2018 granted to participants shall be subject to various lock-up periods ranging from one year to three years, respectively, immediately from the date of grant. Award Shares 2018 held by participants shall be unlocked in three tranches in the proportion of 33%, 33% and 34% of the total number of the Award Shares 2018 granted upon the expiry of each lock-up period.

The aggregate fair value of the Award Shares 2018 granted amounted to approximately HKD82,575,000. The Group has recognised an amount of HKD34,444,000 (equivalent to RMB29,155,000) as expenses for the year ended 31 December 2018.

The following shares were outstanding under the Share Award Scheme during the year:

	2018	2017
At 1 January	**9,533,800**	7,923,500
Granted during the year	**5,902,000**	5,275,000
Forfeited during the year	**(386,750)**	(719,450)
Unblocked during the year	**(4,436,850)**	(2,945,250)
At 31 December	**10,612,200**	9,533,800

The number of outstanding shares as at 31 December 2018 for each tranche of share award is as follows:

	2018	2017
Share Award Scheme I	**–**	1,264,800
Share Award Scheme II	**1,550,400**	3,149,000
Share Award Scheme III	**3,309,800**	5,120,000
Share Award Scheme IV	**5,752,000**	–
At 31 December	**10,612,200**	9,533,800

63. SHARE-BASED PAYMENTS *(Continued)*

(b) Share option scheme of the Company

The Company adopts a share option scheme ("Share Option Scheme") for the purpose of providing incentive and/or reward to eligible persons for their contribution to the Group, and continuing efforts to promote the interests of the Group.

SHARE OPTION SCHEME I

On 8 January 2016, the Company has granted 111,000,000 options ("Options 2016") to subscribe for an aggregate of 111,000,000 ordinary shares in the Company under its Share Option Scheme. Each of the options 2016 shall entitle the holder of such option 2016 to subscribe for one share upon exercise of such option 2016 at an exercise price of HKD11.53 per share.

The Options 2016 are exercisable by each grantee in three tranches as set out below:

i. up to the first 20% of the Options 2016, at any time from the date falling on the fifth anniversary of the date of grant till the end of the 10-year period commencing from the date of grant ("Option Period 2016");

ii. up to a further 30% of the Options 2016, at any time from the date falling on the sixth anniversary of the date of grant till the end of the Option Period 2016; and

iii. in respect of the remaining 50% of the Options 2016, which, for the avoidance of doubt, comprise those Options 2016 which have not been exercised (and not lapsed) since the fifth anniversary of the date of grant, at any time from the date falling on the seventh anniversary of the date of grant till the end of the Option Period 2016.

The aggregate fair value of the Share Option Scheme granted amounted to approximately HKD315,876,000. The Group has recognised an amount of HKD51,383,000 (equivalent to RMB43,491,000) as expenses for the year ended 31 December 2018 (2017: equivalent to RMB44,447,000).

SHARE OPTION SCHEME II

On 4 May 2017, the Company has granted 56,400,000 options ("Options 2017") to subscribe for an aggregate of 56,400,000 ordinary shares in the Company under its Share Option Scheme. Each of the options 2017 shall entitle the holder of such option 2017 to subscribe for one share upon exercise of such option 2017 at an exercise price of HKD11.75 per share.

The Options 2017 are exercisable by each grantee in three tranches as set out below:

i. up to the first 20% of the Options 2017, at any time from the date falling on the fifth anniversary of the date of grant till the end of the 10-year period commencing from the date of grant ("Option Period 2017");

ii. up to a further 30% of the Options 2017, at any time from the date falling on the sixth anniversary of the date of grant till the end of the Option Period 2017; and

iii. in respect of the remaining 50% of the Options 2017, which, for the avoidance of doubt, comprise those Options 2017 which have not been exercised (and not lapsed) since the fifth anniversary of the date of grant, at any time from the date falling on the seventh anniversary of the date of grant till the end of the Option Period 2017.

The aggregate fair value of the Share Option Scheme granted amounted to approximately HKD155,132,000. The Group has recognised an amount of HKD25,235,000 (equivalent to RMB21,359,000) as expenses for the year ended 31 December 2018 (2017: equivalent to RMB14,413,000).

63. SHARE-BASED PAYMENTS *(Continued)*

(b) Share option scheme of the Company *(Continued)*

SHARE OPTION SCHEME III

On 28 March 2018, the Company has granted 51,701,000 options ("Options 2018") to subscribe for an aggregate of 51,701,000 ordinary shares in the Company under its Share Option Scheme, of which (i) 27,000,000 option shares are granted to selected global core management; and (ii) 24,701,000 option shares are granted to selected outstanding employees. Each of the options 2018 shall entitle the holder of such option 2018 to subscribe for one of the share upon exercise of such option 2018 at an exercise price of HKD17.58 per share.

The Options 2018 granted to selected global core managements are exercisable by each grantee in three tranches as set out below:

i. up to the first 20% of the Options 2018, at any time from the date falling on the fifth anniversary of the date of grant till the end of the 10-year period commencing from the date of grant ("Option Period 2018");

ii. up to a further 30% of the Options 2018, at any time from the date falling on the sixth anniversary of the date of grant till the end of the Option Period 2018; and

iii. in respect of the remaining 50% of the Options 2018, which, for the avoidance of doubt, comprise those Options 2018 which have not been exercised (and not lapsed) since the fifth anniversary of the date of grant, at any time from the date falling on the seventh anniversary of the date of grant till the end of the Option Period 2018.

The Options 2018 granted to selected outstanding employees are exercisable by each grantee in five tranches as set out below:

i. up to the first 20% of the Options 2018, at any time from the date falling on the first anniversary of the date of grant till the end of the 10-year period commencing from the date of grant ("Option Period 2018");

ii. up to a further 20% of the Options 2018, at any time from the date falling on the second anniversary of the date of grant till the end of the Option Period 2018; and

iii. up to a further 20% of the Options 2018, at any time from the date falling on the third anniversary of the date of grant till the end of the Option Period 2018; and

iv. up to a further 20% of the Options 2018, at any time from the date falling on the fourth anniversary of the date of grant till the end of the Option Period 2018; and

v. in respect of the remaining 20% of the Options 2018, which, for the avoidance of doubt, comprise those Options 2018 which have not been exercised (and not lapsed) since the first anniversary of the date of grant, at any time from the date falling on the seventh anniversary of the date of grant till the end of the Option Period 2018.

The aggregate fair value of the Share Option Scheme granted amounted to approximately HKD221,051,000. The Group has recognised an amount of HKD55,251,000 (equivalent to RMB46,766,000) as expenses for the year ended 31 December 2018.

63. SHARE-BASED PAYMENTS *(Continued)*

(b) Share option scheme of the Company *(Continued)*

SHARE OPTION SCHEME III *(Continued)*

The fair value of equity-settled share options granted was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the major inputs to the model used:

Share option:	Scheme I	Scheme II	Scheme III
Share price (HKD per share)	10.80	11.68	17.58
Volatility (%)	30.00	25.17	32.12
Risk-free interest rate (%)	1.36	1.23	1.91
Expected life of options (year)	10	10	10
Dividend yield (%)	1.57	1.80	1.99

The following options were outstanding under the Share Option Scheme during the year:

	2018	2017
At 1 January	**145,400,000**	107,000,000
Granted during the year	**51,701,000**	56,400,000
Forfeited during the year	**(2,789,000)**	(18,000,000)
At 31 December	**194,312,000**	145,400,000

The weighted average exercise prices of share options which were granted during 2018 were HKD17.58 (2017: HKD12.56), and the weighted average exercise prices of share options which were forfeited during 2018 were HKD17.58 (2017: HKD11.53).

The number of outstanding share options granted as at 31 December 2018 for each tranche of the share option scheme is as follows:

	2018	2017
Share Option Scheme I	**89,000,000**	89,000,000
Share Option Scheme II	**56,400,000**	56,400,000
Share Option Scheme III	**48,912,000**	–
At 31 December	**194,312,000**	145,400,000

63. SHARE-BASED PAYMENTS *(Continued)*

(c) Equity-settled share-based payment of Fosun Pharma

On 19 November 2015, pursuant to the restricted A-Share incentive scheme, 2,695,000 A shares of Fosun Pharma were granted to 45 eligible participants at a grant price of RMB10.54 per share.

The aggregate fair value of the restricted shares granted amounted to approximately RMB68,102,000, of which RMB39,697,000 will be charged to profit or loss and other reserve as costs of share-based compensation in aggregate from the date of grant to the date on which the unlocking conditions are being fulfilled. Fosun Pharma has recognised an amount of RMB642,000 as share-based payment expenses for the year ended 31 December 2018.

(d) Equity-settled share-based payment of Shanghai Henlius Biotech Co., Ltd. ("Henlius")

As at 14 April 2018, the second extraordinary general meeting of Henlius, a subsidiary of the Group, passed a share incentive scheme and granted 22,750,000 restricted shares to eligible participants at a price of RMB9.21 per share. Henlix has recognised an amount of RMB92,547,000 as related expenses and research and development ("R&D") investment for the year ended 31 December 2018.

(e) Equity-settled share-based payment of Fosun Tourism Group ("FTG")

FTG, a subsidiary of the Group, granted share options to eligible participants. The fair value of the share options granted during the year pursuant to its share option scheme was RMB184,620,000 and based on different vesting periods, FTG has recognised a share option expense of RMB56,707,000 during the year ended 31 December 2018.

On 1 January 2018, pursuant to the share ownership plan, 9,098,501 restricted shares of FTG were granted to eligible participants at a grant price of HKD8.05 per share. The aggregate fair value of the restricted shares granted amounted to approximately RMB90,385,000. FTG has recognised a share-based payment expense of RMB27,070,000 for the year ended 31 December 2018.

On 4 July 2018, pursuant to the free share ownership plan of FTG, share units for 3,505,537 ordinary shares of FTG were granted to eligible participants with vesting periods from one to four years. The aggregate fair value of the free shares granted amounted to approximately RMB55,162,000. FTG has recognised a share-based payment expense of RMB20,447,000 for the year ended 31 December 2018.

64. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties, as set out in note 14 to the financial statements, under operating lease arrangements, with negotiated terms ranging from one to twenty one years.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	750,358	599,933
In the second to fifth years, inclusive	2,470,619	1,422,548
Over five years	5,094,594	2,861,271
	8,315,571	4,883,752

As lessee

The Group leases certain of its office properties, shop lots, land and plants under operating lease arrangements, with negotiated terms ranging from one to ten years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	1,925,437	1,593,087
In the second to fifth years, inclusive	5,817,481	5,555,025
Over five years	8,073,474	4,813,034
	15,816,392	11,961,146

65. COMMITMENTS

In addition to the operating lease commitments detailed in note 64 above, the Group had the following capital commitments at the end of the reporting period:

	2018	2017
	RMB'000	RMB'000
Contracted, but not provided for:		
Plant and machinery	**2,722,616**	3,695,665
Properties under development	**10,717,758**	17,910,441
Investments	**6,997,321**	10,389,522
	20,437,695	31,995,628

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	2018	2017
	RMB'000	RMB'000
Contracted but not provided for:		
Properties under development	**866,864**	906,283

66. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the end of the reporting period:

		2018	2017
	Note	**RMB'000**	RMB'000
Principal amount of the guaranteed bank loans and corporate bonds of:			
Related parties		**21,935**	2,783,749
Third parties		**27,403**	30,308
Qualified buyers' mortgage loans	*(1)*	**5,692,919**	2,929,897
		5,742,257	5,743,954

(1) As at 31 December 2018, the Group provided guarantees of approximately RMB5,692,919,000 (31 December 2017: RMB2,929,897,000) in favour of their customers in respect of mortgage loans provided by banks to these customers for their purchases of the Group's developed properties where the underlying real estate certificates can only be provided to the banks in a time delayed manner due to administrative procedures in the PRC. These guarantees provided by the Group will be released when the customers pledge their real estate certificates as security to the banks for the mortgage loans granted by the banks.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the outstanding principal together with the accrued interest and penalties and therefore no provision has been made in the financial statements for the guarantees.

(2) Owing to the nature of the insurance business, the insurance segment of the Group is involved in legal proceedings in the ordinary course of its activities, including being the plaintiff or the defendant in litigation and arbitration proceedings. Most of such legal proceedings involve claims concerning insurance policies, which are already provisioned, and some additional losses arising therefrom will be indemnified either by reinsurers or by other recoveries, like salvages. Although the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the Group believes that any resulting liabilities will not have a material adverse effect on its financial position or operating results.

67. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

Name of related parties	Nature of transactions	2018 RMB'000	2017 RMB'000
Sales of goods			
Sinopharm Group Co., Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	**2,328,131**	1,756,747
Chongqing Pharmaceutical Group Co., Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	**366,319**	325,649
Shanghai Xingyao Medical Technology Development Co., Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	**23,484**	19,516
Chindex International., Inc. (Notes 2 & 7)	Sales of pharmaceutical products	**20,628**	2,320
Nanjing Iron & Steel Co., Ltd. (Notes 2 & 7)	Sales of powdered iron	**11,372**	91,894
Shanghai Lingjian Information Technology Co., Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	**4,396**	2,852
Shanghai Diai Medical Instrument Co., Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	**3,668**	2,052
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	**3,034**	3,376
Healthy Harmony Holdings L.P. (Notes 2 & 7)	Sales of pharmaceutical products	**1,657**	1,684
Fosun Kite Biological Technology Co., Ltd. (Notes 2 & 7)	Sales of pharmaceutical products	**406**	1,812
Nanjing Iron & Steel Group International Trade Co., Ltd. (Notes 2 & 7)	Sales of powdered iron	**–**	60,286
Total sales of goods		**2,763,095**	2,268,188
Purchases of goods			
Sinopharm Group Co., Ltd. (Notes 2 & 7)	Purchases of pharmaceutical products	**194,478**	166,276
Saladax Biomedical, Inc. (Notes 2 & 7)	Purchases of pharmaceutical products	**2,722**	1,762
Shanghai Xingyao Medical Technology Development Co., Ltd. (Notes 2 & 7)	Purchases of pharmaceutical products	**2,681**	2,005
CMIC (Suzhou) Pharmaceutical Technology Co., Ltd. (Notes 2 & 7)	Purchases of pharmaceutical products	**2,476**	–
Anhui Sunhere Pharmaceuticals Excipients Co., Ltd. (Notes 2 & 7)	Purchases of pharmaceutical products	**1,894**	2,519
SINNOWA Medical Science & Technology Co., Ltd. (Notes 2 & 7)	Purchases of pharmaceutical	**1,098**	–
Yong'an Property Insurance Company Limited (Notes 2 & 7)	Purchases of insurance products	**718**	3,979
Total purchases of goods		**206,067**	176,541

67. RELATED PARTY TRANSACTIONS *(Continued)*

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year: *(Continued)*

Name of related parties	Nature of transactions	2018 RMB'000	2017 RMB'000
Service income			
National General Insurance Corporation N.V. (Notes 2 & 8)	Reinsurance services provided to the related company	**335,165**	479,189
Yong'an Property Insurance Company Limited (Notes 2 & 8)	Other services provided to the related company	**72,043**	–
Kuyi International Travel Agency (Shanghai) Co., Ltd (Notes 2 & 8)	Consulting services provided to the related company	**9,852**	–
Nanjing Nangang Iron & Steel United Co., Ltd. (Notes 2 & 8)	Consulting services provided to the related company	**3,386**	46,302
Fosun United Health Insurance Co., Ltd (Notes 2 & 8)	Consulting services provided to the related company	**2,697**	–
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 4 & 8)	Other services provided to the related company	**2,533**	452
Nanjing Iron & Steel Co., Ltd. (Notes 2 & 8)	Consulting services provided to the related company	**710**	1,374
Pramerica Fosun Life Insurance Co., Ltd (Notes 2 & 8)	Travel agency services provided to the related company	**523**	–
Pramerica Fosun Life Insurance Co., Ltd (Notes 2 & 8)	Consulting services provided to the related company	**274**	–
Yong'an Property Insurance Company Limited (Notes 2 & 8)	Reinsurance services provided to the related company	**–**	10,106
Shanghai Hongkou Guangxin Microcredit Co., Ltd. (Notes 2 & 8)	Other services provided to the related company	**–**	6,332
Shenyang Yuyuan Tourist Mart Property Co., Ltd. (Notes 4 & 8)	Consulting services provided to the related company	**–**	4,245
Total service income		**427,183**	548,000

67. RELATED PARTY TRANSACTIONS *(Continued)*

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year: *(Continued)*

Name of related parties	Nature of transactions	2018 RMB'000	2017 RMB'000
Interest income			
Zhejiang Dongyang China Woodcarving City Investment and Development Co., Ltd. (Notes 2 & 10)	Interest income	**70,939**	28,529
HCo Lux S.à r.l. (Notes 2 & 10)	Interest income	**55,843**	–
Shanghai Xingyao Real Estate Development Co., Ltd. (Notes 2 & 10)	Interest income	**55,488**	28,279
Tianjin Jianlong Iron & Steel Industrial Co., Ltd. (Notes 2 & 10)	Interest income	**15,937**	31,698
FPH Europe Holdings III (HK) Limited (Notes 2 & 10)	Interest income	**15,783**	7,310
Zhejiang Dongyang China Woodcarving City Co., Ltd. (Notes 2 & 10)	Interest income	**7,215**	–
Taizhou Xingyao Real Estate Development Co., Ltd. (Notes 2 & 10)	Interest income	**6,876**	1,300
Fuyang Furun Property Co., Ltd. (Notes 2 & 10)	Interest income	**4,364**	10,398
Tianjin Jiewei Power Industry Co., Ltd. (Notes 2 & 10)	Interest income	**3,920**	–
Easyprint (Beijing) Information Technology Co., Ltd. (Notes 2 & 10)	Interest income	**2,279**	–
Shanghai Zhengda Bund International Finance Services Centre Real Estate Company Limited (Notes 2 & 10)	Interest income	**762**	1,696
Acacias Property S.à r.l (Notes 2 & 10)	Interest income	**–**	9,548
Yadong Supervision and BEWG Co., Ltd. (Notes 2 & 10)	Interest income	**–**	3,192
Others	Interest income	**–**	256
Total interest income		**239,406**	122,206

67. RELATED PARTY TRANSACTIONS *(Continued)*

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year: *(Continued)*

Name of related parties	Nature of transactions	2018 RMB'000	2017 RMB'000
Rental income			
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 4 & 8)	Operating lease in respect of office buildings leased to the related company	**9,624**	9,424
Rental expense			
Shanghai Zhengda Bund International Finance Services Centre Real Estate Company Limited (Notes 2 & 8)	Operating lease in respect of office buildings leased from the related company	**110,071**	79,060
Interest expense			
Shanghai Hongkou Guangxin Microcredit Co., Ltd. (Notes 2 & 10)	Interest expense	**–**	1,923
Total interest expense		**–**	1,923
Interest paid for deposits from related parties			
Shanghai Hongkou Guangxin Microcredit Co., Ltd. (Notes 2 & 5)	Interest paid for deposits	**2,107**	205
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 4 & 5)	Interest paid for deposits	**5,120**	9,194
Nanjing Iron & Steel Co., Ltd. (Notes 2 & 5)	Interest paid for deposits	**939**	–
Shanghai Xingyao Real Estate Interest income Development Co., Ltd. (Notes 2 & 5)	Interest paid for deposits	**873**	–
Nanjing Iron & Steel United Co., Ltd (Notes 2 & 5)	Interest paid for deposits	**788**	–
Others	Interest paid for deposits	**1,086**	1,216
Total interest paid for deposits from related parties		**10,913**	10,615
Other expenses			
Hainan Haigang Group Co., Ltd. (Notes 3 & 9)	Operating lease in respect of land leased from the related company	**13,048**	15,924
Fosun Eurasia Capital LLC (Notes 2 & 9)	Consulting fees	**–**	5,329
Fosun Sinopharm (Hong Kong) Logistics Properties Management Company Limited (Notes 2 & 9)	Consulting fees	**–**	2,746
Total other expenses		**13,048**	23,999

67. RELATED PARTY TRANSACTIONS *(Continued)*

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year: *(Continued)*

Name of related parties	Nature of transactions	2018 RMB'000	2017 RMB'000
Increase of deposits from related companies			
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 2 & 7)	Increase of deposits from the related company	**3,508,997**	1,842,381
Nanjing Iron & Steel Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**1,750,959**	–
Nanjing Iron & Steel United Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**1,344,327**	1,378,244
Nanjing Nangang Iron & Steel United Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**1,000,808**	150,041
Zhejiang Dongyang China Woodcarving City Investment and Development Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**790,779**	790,079
Tianjin Jiewei Power Industry Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**762,436**	–
Tianjin Jianlong Iron & Steel Industrial Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**757,845**	432,894
Fuyang Furun Property Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**457,509**	414,361
Shanghai Hongkou Guangxin Microcredit Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**448,151**	168,257
Shanghai Xingyao Real Estate Development Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**356,575**	1,519,209
Taizhou Xingyao Real Estate Development Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**207,783**	220,922
Wuhan Fosun Hanzheng Street Property Development Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**168,328**	–
Shanghai Zhengda Bund International Finance Services Centre Real Estate Company Limited (Notes 2 & 5)	Increase of deposits from the related company	**120,963**	781,723
Yadong Supervision and BEWG Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**15,904**	245,753
Tianjin Jianlong Iron & Steel Industrial Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**–**	200,004
Hangzhou Goujia Network Technology Co., Ltd. (Notes 2 & 5)	Increase of deposits from the related company	**–**	150,135
Others	Increase of deposits from the related company	**5**	8
Total increase of deposits from related companies		**11,691,369**	8,294,011

67. RELATED PARTY TRANSACTIONS *(Continued)*

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year: *(Continued)*

Name of related parties	Nature of transactions	2018 RMB'000	2017 RMB'000
Guarantees of bank loans and corporate bonds			
Fosun Holdings Limited (Notes 1, 6 & 11)	Bank loans guaranteed by the related company	–	1,960,283
Nanjing Iron & Steel Co., Ltd. (Notes 2 & 11)	Guarantees granted for corporate bonds of the related company	–	2,783,749
Total loans and corporate bonds guaranteed		–	4,744,032
Increase of loans to related companies			
HCo Lux S.à r.l. (Notes 2 & 10)	Increase of shareholder loans provided to the related company	**733,491**	–
Zhejiang Dongyang China Woodcarving City Investment and Development Co., Ltd. (Notes 2 & 10)	Increase of loans provided to the related company	**307,370**	550,000
Tangshan Jianlong Special Steel Co., Ltd. (Notes 2 & 10)	Increase of loans provided to the related company	**260,000**	300,000
Tianjin Jiewei Power Industry. Co., Ltd. (Notes 2 & 10)	Increase of loans provided to the related company	**180,000**	–
Zhejiang Dongyang China Woodcarving City Co., Ltd. (Notes 2 & 10)	Increase of loans provided to the related company	**78,000**	–
Acacias Property S.àr.l (Notes 2 & 10)	Increase of shareholder loans provided to the related company	**13,538**	264,342
Fuyang Furun Property Co., Ltd. (Notes 2 & 10)	Increase of loans provided to the related company	**4,499**	394,539
FPH Europe Holdings III (HK) Limited (Notes 2 & 10)	Increase of shareholder loans provided to the related company	**181**	183,089
Shanghai Xingyao Real Estate Development Co., Ltd. (Notes 2 & 10)	Increase of loans provided to the related company	–	1,000,000
Shanghai Yuyuan Tourist Mart Property Co., Ltd. (Notes 4 & 10)	Increase of loans provided to the related company	–	500,000
Taizhou Xingyao Real Estate Development Co., Ltd. (Notes 2 & 10)	Increase of loans provided to the related company	–	200,000
Yadong Supervision and BEWG Co., Ltd. (Notes 2 & 10)	Increase of loans provided to the related company	–	70,000
Poten Environment Group Co., Ltd. (Notes 2 & 10)	Increase of entrusted loans provided to the related company	–	40,000
Total increase of loans to related companies		**1,577,079**	3,501,970

67. RELATED PARTY TRANSACTIONS *(Continued)*

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year: *(Continued)*

Notes:

(1) It is the holding company of the Group.

(2) They are associates and joint ventures of the Group.

(3) They are non-controlling shareholders of the subsidiaries of the Group.

(4) As set out in note 4, Yuyuan was an associate of the Group as at 31 December 2017, and Shenyang Yuyuan Tourist Mart Property Co., Ltd. ("Shenyang Yuyuan") was its subsidiary. In July 2018, Yuyuan completed its asset restructuring and the Group increased its equity interest in Yuyuan from 26.45% to 68.49% and Yuyuan became a subsidiary of the Group since July 2018.

(5) Interest paid for deposits from related parties represents interest paid for deposits placed by related parties in the Finance Company, a subsidiary of the Group. The deposits from related parties carry interest which are determined in accordance with the benchmark deposit interest rate of PBOC and the prevailing market deposit interest rate. The deposits will be repaid upon demand of the related parties.

(6) These transactions constituted connected transactions or continuing connected transactions of the Group under Chapter 14A of the Listing Rules. They are exempted from the disclosure requirements under Chapter 14A of the Listing Rules.

(7) The directors consider that the sales and purchases were undertaken on commercial terms similar to those offered to/by unrelated customers/suppliers in the ordinary course of business of the relevant companies.

(8) The directors consider that the income for consulting services, financial services, labor services, reinsurance services and rental were determined based on prices available to third party customers.

(9) The directors consider that the fees for consulting services and leasing services paid to the related companies were determined based on prices available to third party customers of the related companies.

(10) The loans provided by/to the related companies are unsecured and repayable on demand. The directors consider that the applicable interest rates are determined in accordance with the prevailing market borrowing rates.

(11) The bank loans were guaranteed by the related companies free of charge. The guarantees were given by the Group for bank loans of the related companies free of charge.

(12) In July 2018, Fosun Venture Capital, an indirect wholly-owned subsidiary of the Company, and Mr. Guo Guangchang entered into the equity transfer agreement in respect of the transfer of Ningbo Meishan Bonded Area Yuanhong Investment Co., Ltd. ("Yuanhong Investment"), pursuant to which, Fosun Venture Capital agreed to acquire and Mr. Guo Guangchang agreed to sell 100% equity interest and the creditor's rights for a loan of approximately RMB3.99 billion to Yuanhong Investment, at a total consideration of approximately RMB4 billion. The consideration was determined through arm's length negotiation and mutually agreed by both parties. The major assets of Yuanhong Investment as at the date of the acquisition is its 69.18% equity interests in Baihe. This transaction also constitutes a connected transaction as defined in Chapter 14A of the listing rule.

(13) Compensation of key management personnel of the Group:

	2018 **RMB'000**	2017 RMB'000
Short-term employee benefits	**84,478**	65,177
Equity-settled share award/option scheme expenses	**57,365**	45,741
Pension scheme contributions	**455**	426
Total compensation paid to key management personnel	**142,298**	111,344

68. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of the Group's financial instruments as at the end of each reporting period are as follows:

2018

FINANCIAL ASSETS

	Financial assets at fair value through profit or loss					Financial assets at other comprehensive fair value through income				
	Designated as such upon initial recognition RMB'000	Other investments* RMB'000	Held for trading RMB'000	Hedging instruments designated in fair value hedges RMB'000	Associates measured at fair value through profit or loss RMB'000	Debt investments RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Hedging instruments designated in cash flow/net investment hedges RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	–	–	–	–	1,645,118	–	–	1,645,118
Debt investments at fair value through other comprehensive income	–	–	–	–	–	84,149,165	–	–	–	84,149,165
Debt investments at amortised cost	–	–	–	–	–	–	–	20,123,356	–	20,123,356
Cash and bank	–	–	–	–	–	–	–	105,905,697	–	105,905,697
Term deposits	–	–	–	–	–	–	–	410,812	–	410,812
Financial assets at fair value through profit or loss	–	40,786,038	8,229,760	–	–	–	–	–	–	49,015,798
Trade and notes receivables	–	–	–	–	–	–	–	7,755,027	–	7,755,027
Financial assets included in prepayments, other receivables and other assets (note 29)	–	–	–	–	–	–	–	11,773,025	–	11,773,025
Due from related companies	–	–	–	–	–	–	–	15,367,403	–	15,367,403
Derivative financial instruments	–	–	1,038,521	64,412	–	–	–	–	48,695	1,151,628
Policyholder account assets in respect of unit-linked contracts	231,026	–	–	–	–	–	–	85,124	–	316,150
Loans and advances to customers	–	–	–	–	–	–	–	5,283,314	–	5,283,314
Placements with and loans to banks and other financial institutions	–	–	–	–	–	–	–	117,800	–	117,800
Associates measured at fair value through profit or loss	–	–	–	–	6,076,315	–	–	–	–	6,076,315
Finance lease receivables	–	–	–	–	–	–	–	2,395,948	–	2,395,948
	231,026	40,786,038	9,268,281	64,412	6,076,315	84,149,165	1,645,118	169,217,506	48,695	311,486,556

* Other investments include i) financial assets whose contractual cash flows are not solely payments of principal and interest; ii) investments which have not been irrevocably designated as equity investments at FVOCI; and iii) investments which have not been managed within the business model of only holding to collect contractual cash flows or both collecting contractual cash flows and selling the financial assets.

68. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of the Group's financial instruments as at the end of each reporting period are as follows: *(Continued)*

2018 *(Continued)*

FINANCIAL LIABILITIES

	Financial liabilities at fair value through profit or loss				
	Designated as such upon initial recognition RMB'000	Held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Hedging instruments designated in cash flow/net investment hedges RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	–	186,140,351	–	186,140,351
Trade and notes payables	–	–	14,105,942	–	14,105,942
Financial liabilities included in accrued liabilities and other payables (note 46)	397,858*	–	19,788,574	–	20,186,432
Due to related companies and the holding company	–	–	7,798,077	–	7,798,077
Deposits from customers	–	–	41,784,870	–	41,784,870
Financial liabilities included in other long term payables (note 57)	3,169,513*	–	6,103,926	–	9,273,439
Finance lease payables	–	–	566,405	–	566,405
Derivative financial instruments	299,430	1,213,714	–	118,234	1,631,378
Financial liabilities at fair value through profit or loss	–	1,825,082	–	–	1,825,082
Investment contract liabilities	–	–	72,390,025	–	72,390,025
Financial liabilities for unit-linked contracts	231,026	–	85,116	–	316,142
Accounts payable to brokerage clients	–	–	85,051	–	85,051
Placements from banks and other financial institutions	–	–	140,119	–	140,119
Due to banks and other financial institutions	–	–	2,014,705	–	2,014,705
Insurance and reinsurance creditors	–	–	8,521,262	–	8,521,262
	4,097,827	3,038,796	359,524,423	118,234	366,779,280

* The amount includes the share redemption option granted to non-controlling shareholders of several subsidiaries, of which fair value change is recognised in reserves due to the nature of equity transaction with non-controlling shareholders of the subsidiaries of the Group.

68. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of the Group's financial instruments as at the end of each reporting period are as follows: *(Continued)*

2017

FINANCIAL ASSETS

	Financial assets at fair value through profit or loss					
	Designed as such upon initial recognition RMB'000	Held for trading RMB'000	Associates measured at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Available-for-sale financial investments RMB'000	Total RMB'000
Available-for-sale investments	–	–	–	–	136,692,464	136,692,464
Loans receivable	–	–	–	3,376,243	–	3,376,243
Cash and bank	–	–	–	81,651,571	–	81,651,571
Term deposits	–	–	–	964,496	–	964,496
Investments at fair value through profit or loss	7,315,783	9,842,390	–	–	–	17,158,173
Trade and notes receivables	–	–	–	6,349,958	–	6,349,958
Financial assets included in prepayments, other receivables and other assets (note 29)	–	–	–	10,993,132	–	10,993,132
Due from related companies	–	–	–	12,309,468	–	12,309,468
Derivative financial instruments	1,486,348	–	–	–	–	1,486,348
Policyholder account assets in respect of unit-linked contracts	973,202	–	–	396,817	–	1,370,019
Loans and advances to customers	–	–	–	6,346,430	–	6,346,430
Placements with and loans to banks and other financial institutions	–	–	–	117,380	–	117,380
Finance lease receivables	–	–	–	2,348,127	–	2,348,127
Associates measured at fair value through profit or loss	–	–	2,658,189	–	–	2,658,189
	9,775,333	9,842,390	2,658,189	124,853,622	136,692,464	283,821,998

68. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

2017 *(Continued)*

FINANCIAL LIABILITIES

	Financial liabilities at fair value through profit or loss – Designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	150,375,064	150,375,064
Convertible bonds	–	81,428	81,428
Trade and notes payables	–	12,368,277	12,368,277
Financial liabilities included in accrued liabilities and other payables (note 46)	–	18,865,569	18,865,569
Due to related companies and the holding company	–	4,691,990	4,691,990
Deposits from customers	–	35,077,567	35,077,567
Financial liabilities included in other long term payables (note 57)	2,022,919*	3,093,149	5,116,068
Finance lease payables	–	337,234	337,234
Derivative financial instruments	1,755,028	–	1,755,028
Investment contract liabilities	–	65,505,448	65,505,448
Financial liabilities for unit-linked contracts	973,202	396,817	1,370,019
Accounts payable to brokerage clients	–	40,967	40,967
Placements from banks and other financial institutions	–	268,165	268,165
Due to banks and other financial institutions	–	1,556,628	1,556,628
Insurance and reinsurance creditors	–	5,038,654	5,038,654
	4,751,149	297,696,957	302,448,106

* The amount includes the share redemption option granted to non-controlling shareholders of several subsidiaries of which fair value changes are recognised in reserves due to the nature of equity transaction with non-controlling shareholders of the subsidiaries of the Group.

69. TRANSFERS OF FINANCIAL ASSETS

At 31 December 2018, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Endorsed Bills") to certain of its suppliers in order to settle the trade payables due to these suppliers with an aggregate carrying amount of RMB780,279,000 (2017: RMB993,873,000). In addition, the Group discounted certain bills receivable accepted by banks in the PRC (the "Discounted Bills"), to certain banks to finance its operating cash flow with an aggregate carrying amount of RMB208,990,000 (2017: RMB192,294,000). The Endorsed Bills and the Discounted Bills had maturity from one to twelve months at the end of the reporting period. In accordance with the relevant laws and regulations in the PRC and relevant discounting arrangement with certain banks, the holders of the Endorsed Bills and the Discounted Bills have a right of recourse against the Group if the accepting banks default (the "Continuing Involvement").

In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Endorsed Bills and the Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Endorsed Bills and the Discounted Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills and the undiscounted cash flows to repurchase these Endorsed Bills and Discounted Bills is equal to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills are not significant.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Endorsed Bills and the Discounted Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement and the discount have been made evenly throughout the year.

70. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Financial assets				
Available-for-sale investments	–	127,980,077	–	127,980,077
Loans receivable	–	2,393,352	–	2,393,352
Equity investments designated at fair value through other comprehensive income	**1,645,118**	–	**1,645,118**	–
Debt investments at fair value through other comprehensive income	**84,149,165**	–	**84,149,165**	–
Debt investments at amortised cost	**20,123,356**	–	**20,097,201**	–
Financial assets at fair value through profit or loss	**49,015,798**	–	**49,015,798**	–
Investments at fair value through profit or loss	–	17,158,173	–	17,158,173
Loans and advances to customers	**653,693**	2,543,362	**665,854**	2,561,707
Policyholder account assets in respect of unit-linked contracts	**231,026**	973,202	**231,026**	973,202
Derivative financial instruments	**1,151,628**	1,486,348	**1,151,628**	1,486,348
Associates measured at fair value through profit or loss	**6,076,315**	2,658,189	**6,076,315**	2,658,189
	163,046,099	155,192,703	**163,032,105**	155,211,048
Financial liabilities				
Interest-bearing bank and other borrowings	**118,399,533**	92,347,113	**118,128,008**	89,091,025
Financial liabilities at fair value through profit or loss	**1,825,082**	–	**1,825,082**	–
Financial liabilities included in accrued liabilities and other payables	**397,858**	–	**397,858**	–
Financial liabilities included in other long term payables	**9,273,439**	5,116,068	**9,273,439**	5,116,068
Deposits from customers	**70,625**	105,859	**68,042**	103,121
Due to banks and other financial institutions	**456,827**	455,075	**456,827**	455,075
Financial liabilities for unit-linked contracts	**231,026**	973,202	**231,026**	973,202
Derivative financial instruments	**1,631,378**	1,755,028	**1,631,378**	1,755,028
	132,285,768	100,752,345	**132,011,660**	97,493,519

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

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

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial liabilities included in other long term payables, and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the non-current portion of amounts due to related companies, financial liabilities included in other long term payables, finance lease payables and non-current portion of interest-bearing bank and other borrowings as at 31 December 2018 was assessed to be insignificant. The fair values of listed bonds and senior notes are based on quoted market prices.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit ratings. Derivative financial instruments include commodity derivative contracts, forward currency contracts, and currency and interest rate swaps. As at 31 December 2018, the fair values of commodity derivative contracts were measured using quoted market prices of commodity future contracts, while the fair values of the forward currency contracts and the fair values of currency and interest rate swaps were measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs include the credit quality of counterparties and interest rate curves. The carrying amounts of the commodity derivative contracts, forward currency contracts, currency and interest rate swaps are the same as their fair values.

The fair values of listed equity investments without a lock-up period are based on quoted market prices. The fair values of listed equity investments with a lock-up period have been estimated based on assumptions that are supported by observable market prices and discount for lack of marketability. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income or profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required by fair value measurement are observable, the instruments are included in level 2. If one or more of the significant inputs is not based on observable market data, the instruments are included in level 3.

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

For Level 3 financial assets, the Group adopts the valuation techniques to determine the fair value. Valuation techniques include the market comparison approach, income approach etc. The fair value measurement of these financial instruments may involve unobservable inputs such as credit spread, price to book multiples, price to earnings ratio, liquidity discount, etc. Fair value change resulting from changes in the unobservable inputs was not significant. The Group periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial assets in Level 3.

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31 December 2018:

Unobservable inputs and sensitivity analysis for Level 3 assets

The financial assets measured at fair value held by the Group which were classified in Level 3 primarily correspond to debt securities, investment funds and certain unlisted equity securities not quoted in an active market.

The fair value of debt securities, which consist of public and corporate bonds, is determined using broker quotes that cannot be corroborated with observable market transactions. Significant unobservable inputs for these bonds would include proprietary cash flow models and issuer spreads, which are comprised of credit, liquidity, and other security-specific features of the bonds. An increase (decrease) in these issuer spreads would result in a lower (higher) fair value.

The fair values of investment funds classified in Level 3 are based on net asset value (NAV) reports provided by the management of such funds.

For certain unlisted equity securities, the Group adopts the valuation techniques to determine the fair value. Valuation techniques include the market comparison approach, etc., which requires the Group to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as price to earnings multiples, price to book multiples, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. An increase (decrease) in multiples would result in a higher (lower) fair value. An increase (decrease) in liquidity discount would result in a lower (higher) fair value. The Group periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.

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

Unobservable inputs and sensitivity analysis for Level 3 liabilities

As part of the purchases agreement, contingent consideration included in other long-term liabilities is payable, which is dependent on the amount of the profit sharing of Gland's enoxaparin product and 50 percent of the milestone payment before 31 December 2019. The amount recognised as at 31 December 2018 was RMB102,948,000 (31 December 2017: RMB163,355,000) which was determined using the discounted cash flow model and is under Level 3 fair value measurement. The consideration is due for final measurement and payment to the shareholders in 2020 and beyond. At the date of approval of these financial statements, no further significant changes to the consideration are expected.

It is expected that the amount of the profit sharing of Gland's enoxaparin product and 50 percent of the milestone payment before 31 December 2019 will decrease by RMB60,407,000 comparing to the expectation when the Group signing the acquisition contract due to the delay of the date when Gland's enoxaparin product is approved by the U.S. Food and Drug Administration. Discount rate and discount for own non-performance risk are nil.

The significant decrease in the amount of the profit sharing of Gland's enoxaparin product and 50 percent of the milestone payment before 31 December 2019 would result in a significant decrease in the fair value of the contingent consideration liability.

Significant unobservable valuation input for the share redemption option granted to non-controlling shareholders of subsidiaries included in other long-term payables and accrued liabilities and other payables are certain financial ratios of relevant subsidiaries, such as EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation), net sales or other significant inputs, such as the latest equity transfer price.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Level 1: Fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

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

Fair value hierarchy *(Continued)*

ASSETS MEASURED AT FAIR VALUE:

AS AT 31 DECEMBER 2018

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	**Significant observable inputs Level 2 RMB'000**	**Significant unobservable inputs Level 3 RMB'000**	**Total RMB'000**
Equity investments designated at fair value through other comprehensive income	**767,206**	**480,314**	**397,598**	**1,645,118**
Debt investments at fair value through other comprehensive income	**68,322,054**	**15,620,498**	**206,613**	**84,149,165**
Financial assets at fair value through profit or loss	**22,143,743**	**17,572,945**	**9,299,110**	**49,015,798**
Policyholder account assets in respect of unit-linked contracts	**229,300**	**993**	**733**	**231,026**
Derivative financial instruments	**179,637**	**971,991**	**–**	**1,151,628**
Associates measured at fair value through profit or loss	**–**	**5,261,983**	**814,332**	**6,076,315**
	91,641,940	**39,908,724**	**10,718,386**	**142,269,050**

AS AT 31 DECEMBER 2017

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Available-for-sale investments	105,713,457	15,405,309	6,861,311	127,980,077
Investments at fair value through profit or loss	10,995,960	6,157,539	4,674	17,158,173
Policyholder account assets in respect of unit-linked contracts	970,743	1,684	775	973,202
Derivative financial instruments	562,271	924,077	–	1,486,348
Associates measured at fair value through profit or loss	–	2,173,217	484,972	2,658,189
	118,242,431	24,661,826	7,351,732	150,255,989

During the year, the financial assets with a fair value of RMB1,247,135,000 in Level 2 as at 31 December 2017 was transferred out to Level 1 due to the end of the lock-up period for these equity investments in 2018 (2017: RMB533,448,000).

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

Fair value hierarchy *(Continued)*

ASSETS MEASURED AT FAIR VALUE: *(Continued)*

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

	Equity investments designated at fair value through other comprehensive income RMB'000	Debt investments at fair value through other comprehensive income RMB'000	Financial assets at fair value through profit or loss RMB'000	Policyholder account assets in respect of unit-linked contracts RMB'000	Available-for-sale investment/ Investments at fair value through profit or loss RMB'000	Associates measured at fair value through profit or loss RMB'000	Total RMB'000
As at 31 December 2017	–	–	–	775	6,865,985	484,972	7,351,732
Impact of adopting HKFRS 9	218,897	819,637	7,559,391	–	(6,865,985)	–	1,731,940
As at 1 January 2018	218,897	819,637	7,559,391	775	–	484,972	9,083,672
Total gains recognised in the consolidated statement of profit or loss included in other gains	–	–	646,457	(48)	–	119,360	765,769
Total losses recognised in other comprehensive income	(62,980)	(101,816)	–	–	–	–	(164,796)
Addition	–	–	1,495,147	–	–	210,000	1,705,147
Acquisition of subsidiaries	239,962	–	808,605	–	–	–	1,048,567
Disposals	–	(689,116)	(2,097,002)	–	–	–	(2,786,118)
Exchange realignment	1,719	177,908	1,023,347	6	–	–	1,202,980
Transfers*	–	–	(136,835)	–	–	–	(136,835)
	397,598	206,613	9,299,110	733	–	814,332	10,718,386

* During the year, the financial assets with a fair value of RMB136,835,000 in Level 3 as at 31 December 2017 were transferred out due to the change in valuation techniques.

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

Fair value hierarchy *(Continued)*

ASSETS MEASURED AT FAIR VALUE: *(Continued)*

	2017 RMB'000
At 1 January	5,316,370
Total losses recognised in the consolidated statement of profit or loss included in other expenses	(34,239)
Total gains recognised in other comprehensive income	94,746
Addition	3,791,332
Acquisition of subsidiaries	96
Disposals	(2,587,675)
Exchange realignment	771,102
	7,351,732

ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED:

AS AT 31 DECEMBER 2018

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	**Significant observable inputs Level 2 RMB'000**	**Significant unobservable inputs Level 3 RMB'000**	**Total RMB'000**
Loans and advances to customers	**–**	**–**	**665,854**	**665,854**
Debt investments at amortised cost	**13,930,501**	**5,808,908**	**357,792**	**20,097,201**
	13,930,501	**5,808,908**	**1,023,646**	**20,763,055**

AS AT 31 DECEMBER 2017

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Loans and advances to customers	–	–	2,561,707	2,561,707
Loans receivable	–	2,393,352	–	2,393,352
	–	2,393,352	2,561,707	4,955,059

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

Fair value hierarchy *(Continued)*

LIABILITIES MEASURED AT FAIR VALUE:

AS AT 31 DECEMBER 2018

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	**Significant observable inputs Level 2 RMB'000**	**Significant unobservable inputs Level 3 RMB'000**	**Total RMB'000**
Financial liabilities for unit-linked contracts	**229,300**	**993**	**733**	**231,026**
Financial liabilities included in other long term payables	**–**	**–**	**3,169,513**	**3,169,513**
Financial liabilities included in other payables and accruals	**–**	**–**	**397,858**	**397,858**
Financial liabilities at fair value through profit or loss	**1,825,082**	**–**	**–**	**1,825,082**
Derivative financial instruments	**135,124**	**1,496,254**	**–**	**1,631,378**
	2,189,506	**1,497,247**	**3,568,104**	**7,254,857**

AS AT 31 DECEMBER 2017

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Financial liabilities for unit-linked contracts	970,742	1,684	776	973,202
Financial liabilities included in other long term payables	–	–	2,022,919	2,022,919
Derivative financial instruments	6,020	1,749,008	–	1,755,028
	976,762	1,750,692	2,023,695	4,751,149

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

Fair value hierarchy *(Continued)*

LIABILITIES MEASURED AT FAIR VALUE: *(Continued)*

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

AS AT 31 DECEMBER 2018

	Financial liabilities included in other payables and accruals RMB'000	Financial liabilities for unit-linked contracts RMB'000	Financial liabilities included in other long term payables RMB'000	Total RMB'000
At 1 January	–	776	2,022,919	2,023,695
Total gains recognised in the consolidated statement of profit or loss included in other income	–	(48)	(60,407)	(60,455)
Addition	191,962	–	1,412,897	1,604,859
Transfers	205,896	–	(205,896)	–
Exchange realignment	–	5	–	5
At 31 December	397,858	733	3,169,513	3,568,104

AS AT 31 DECEMBER 2017

	Total RMB'000
At 1 January	70,692
Total gains recognised in the consolidated statement of profit or loss included in other expenses	17
Addition	2,023,274
Disposals	(150)
Exchange realignment	39
Transfers	(70,177)
At 31 December	2,023,695

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

Fair value hierarchy *(Continued)*

LIABILITIES FOR WHICH FAIR VALUES ARE DISCLOSED:

AS AT 31 DECEMBER 2018

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	**Significant observable inputs Level 2 RMB'000**	**Significant unobservable inputs Level 3 RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings	**62,991,255**	**55,136,753**	**–**	**118,128,008**
Deposits from customers	**–**	**–**	**68,042**	**68,042**
Due to banks and other financial institutions	**–**	**–**	**456,827**	**456,827**
Financial liabilities included in other long term payables	**–**	**6,103,926**	**–**	**6,103,926**
	62,991,255	**61,240,679**	**524,869**	**124,756,803**

AS AT 31 DECEMBER 2017

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	25,219,704	63,871,321	–	89,091,025
Deposits from customers	–	–	103,121	103,121
Due to banks and other financial institutions	–	–	455,075	455,075
Financial liabilities included in other long term payables	–	3,093,149	–	3,093,149
	25,219,704	66,964,470	558,196	92,742,370

71. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and other borrowings, finance lease payables and receivables, amounts due from/to related companies, debt investments at amortised cost and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables, trade and notes payables and deposits from customers, insurance and reinsurance debtors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. At 31 December 2018, approximately 57% (2017: 55%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax RMB'000
2018	**75**	**(440,583)**
	(75)	**440,583**
2017	75	(424,773)
	(75)	424,773

71. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in United States dollar, Hong Kong dollar and EUR exchange rates, with all other variables held constant, of the Group's profit before tax due to differences arising on settlement or translation of monetary assets and liabilities and the Group's equity excluding the impact of retained earnings due to the changes of exchange fluctuation reserve of certain overseas subsidiaries of which the functional currencies are currencies other than RMB.

	Increase/(decrease) in foreign currency rate %	Increase/(decrease) in profit before tax RMB'000
2018		
If RMB weakens against the United States dollar	**5**	**(372,215)**
If RMB strengthens against the United States dollar	**(5)**	**372,215**
If RMB weakens against the Hong Kong dollar	**5**	**59,171**
If RMB strengthens against the Hong Kong dollar	**(5)**	**(59,171)**
If RMB weakens against EUR	**5**	**(462,858)**
If RMB strengthens against EUR	**(5)**	**462,858**
2017		
If RMB weakens against the United States dollar	5	(423,075)
If RMB strengthens against the United States dollar	(5)	423,075
If RMB weakens against the Hong Kong dollar	5	24,090
If RMB strengthens against the Hong Kong dollar	(5)	(24,090)
If RMB weakens against EUR	5	(534,196)
If RMB strengthens against EUR	(5)	534,196

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

MAXIMUM EXPOSURE AND YEAR-END STAGING AS AT 31 DECEMBER 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification. The amounts presented are net carrying amounts for financial assets.

71. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Credit risk *(Continued)*

MAXIMUM EXPOSURE AND YEAR-END STAGING AS AT 31 DECEMBER 2018 *(Continued)*

31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Debt investments at fair value through other comprehensive income	83,217,027	737,083	195,055	–	84,149,165
Debt investments at amortised cost	20,123,356	–	–	–	20,123,356
Contract assets and other assets	–	–	–	99,030	99,030
Trade and notes receivables*	–	–	–	7,755,027	7,755,027
Financial assets included in prepayments, other receivables and other assets					
– Normal**	11,773,025	–	–	–	11,773,025
Term deposits	410,812	–	–	–	410,812
Cash and bank					
– Not yet past due	105,905,697	–	–	–	105,905,697
Due from related companies					
– Not yet past due	15,367,403	–	–	–	15,367,403
Finance lease receivables	2,395,948	–	–	–	2,395,948
Loans and advances to customers	5,212,688	23,542	47,084	–	5,283,314
Placements with and loans to banks and other financial institutions	117,800	–	–	–	117,800
Policyholder account assets in respect of unit-linked contracts at amortised cost	85,124	–	–	–	85,124
	244,608,880	760,625	242,139	7,854,057	253,465,701

* For trade and notes receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 39 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

MAXIMUM EXPOSURE AS AT 31 DECEMBER 2017

The credit risk of the Group's other financial assets, which comprise cash and bank and term deposits, loans receivable, amounts due from related companies and other receivables, arises from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 66 to the financial statements.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and notes receivables and insurance and reinsurance debtors are disclosed in notes 39 and 33 to the financial statements.

71. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing loans and other borrowings. 33% (2017: 35%) of the Group's debts would mature in less than one year as at 31 December 2018 based on the carrying value of borrowings reflected in the financial statements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2018

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	67,740,818	126,541,212	9,483,786	203,765,816
Trade and notes payables	4,835,389	9,270,553	–	–	14,105,942
Due to related companies and the holding company	7,798,077	–	–	–	7,798,077
Financial liabilities included in accrued liabilities and other payables	13,512,332	6,674,100	–	–	20,186,432
Other long term payables	–	–	9,245,384	28,055	9,273,439
Finance lease payables	–	111,289	599,945	–	711,234
Derivative financial instruments	261,513	868,999	518,673	676,103	2,325,288
Financial liabilities for unit-linked contracts	51,766	92,336	129,993	42,047	316,142
Investment contract liabilities	1,790,819	5,802,654	44,889,918	19,906,634	72,390,025
Financial liabilities at fair value through profit or loss	–	1,825,082	–	–	1,825,082
Deposits from customers	40,003,678	1,871,182	72,337	–	41,947,197
Accounts payable to brokerage clients	85,051	–	–	–	85,051
Placements from banks and other financial institutions	140,119	–	–	–	140,119
Due to banks and other financial institutions	1,557,878	–	456,827	–	2,014,705
Insurance and reinsurance creditors	1,551,711	6,828,382	141,169	–	8,521,262
	71,588,333	101,085,395	182,595,458	30,136,625	385,405,811

71. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows: *(Continued)*

2017

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	58,027,951	96,686,540	10,621,318	165,335,809
Convertible bonds	–	82,170	–	–	82,170
Trade and notes payables	4,062,426	8,305,851	–	–	12,368,277
Due to related companies and the holding company	4,691,990	–	–	–	4,691,990
Financial liabilities included in accrued liabilities and other payables	11,898,852	6,966,717	–	–	18,865,569
Other long term payables	–	–	5,084,868	31,200	5,116,068
Finance lease payables	–	72,692	282,937	–	355,629
Derivative financial instruments	–	549,647	493,930	711,451	1,755,028
Financial liabilities for unit-linked contracts	40,594	310,544	836,391	182,490	1,370,019
Investment contract liabilities	1,405,505	4,450,683	39,844,225	19,805,035	65,505,448
Deposits from customers	34,101,731	1,000,836	108,426	–	35,210,993
Accounts payable to brokerage clients	40,967	–	–	–	40,967
Placements from banks and other financial institutions	268,165	–	–	–	268,165
Due to banks and other financial institutions	1,101,553	–	455,075	–	1,556,628
Insurance and reinsurance creditors	4,596,026	300,594	142,034	–	5,038,654
	62,207,809	80,067,685	143,934,426	31,351,494	317,561,474

In addition, the guarantees provided by the Group will be called in the case of default in payments by the guaranteed companies as set out in note 66.

Price risk

Price risk is the risk that the fair values of equity and debt investments decrease or increase as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to price risk arising from individual investments classified as financial assets at fair value through profit or loss (note 24), equity investments designated at fair value through other comprehensive income (note 23), debt investments at fair value through other comprehensive income (note 25) and associates measured at fair value through profit or loss (note 22) as at 31 December 2018. The Group's listed investments that are listed on stock exchanges in Hong Kong, Shenzhen, Shanghai, New York, Singapore, and other countries in Europe, Oceania, North America, Latin America, Africa and Asia are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the financial investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the equity investments at fair value through other comprehensive income, and debt investments at fair value through other comprehensive income, the impact is deemed to be on the other comprehensive income. No account is given for factors such as impairment which might impact the statement of profit or loss, and no account is given for the impact on other life insurance contract liabilities (profit sharing provision).

71. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Price risk *(Continued)*

	Carrying amount of investments RMB'000	Increase/ (decrease) in equity or debt prices %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000*
2018				
Investments listed in:				
Hong Kong				
– Equity investments designated at fair value through other comprehensive income	194,515	5	–	9,726
		(5)	–	(9,726)
– Debt investments at fair value through other comprehensive income	6,007,692	5	–	300,385
		(5)	–	(300,385)
– Financial assets at fair value through profit or loss	6,664,491	5	333,225	–
		(5)	(333,225)	–
– Associates measured at fair value through profit or loss	2,058,335	5	59,819	–
		(5)	(59,819)	–
Shenzhen				
– Financial assets at fair value through profit or loss	784,034	5	39,202	–
		(5)	(39,202)	–
– Debt investments at fair value through other comprehensive income	12,911	5	–	646
		(5)	–	(646)
Shanghai				
– Financial assets at fair value through profit or loss	1,521,684	5	76,084	–
		(5)	(76,084)	–
United States				
– Equity investments designated at fair value through other comprehensive income	2,157	5	–	108
		(5)	–	(108)
– Debt investments at fair value through other comprehensive income	14,613,818	5	–	730,691
		(5)	–	(730,691)
– Financial assets at fair value through profit or loss	8,950,847	5	447,542	–
		(5)	(447,542)	–
Europe				
– Equity investments designated at fair value through other comprehensive income	570,534	5	–	28,527
		(5)	–	(28,527)
– Debt investments at fair value through other comprehensive income	56,751,785	5	–	2,837,589
		(5)	–	(2,837,589)
– Financial assets at fair value through profit or loss	3,505,779	5	175,289	–
		(5)	(175,289)	–

71. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Price risk *(Continued)*

	Carrying amount of investments RMB'000	Increase/ (decrease) in equity or debt prices %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000*
2018 *(Continued)*				
Investments listed in: *(Continued)*				
Oceania				
– Financial assets at fair value through profit or loss	17,697	5	885	–
		(5)	(885)	–
– Debt investments at fair value through other comprehensive income	102,854	5	–	5,143
		(5)	–	(5,143)
North America				
– Financial assets at fair value through profit or loss	15,431	5	772	–
		(5)	(772)	–
– Debt investments at fair value through other comprehensive income	705,429	5	–	35,271
		(5)	–	(35,271)
Latin America				
– Financial assets at fair value through profit or loss	13,549	5	677	–
		(5)	(677)	–
– Debt investments at fair value through other comprehensive income	35,065	5	–	1,753
		(5)	–	(1,753)
Asia				
– Financial assets at fair value through profit or loss	185,321	5	9,266	–
		(5)	(9,266)	–
– Debt investments at fair value through other comprehensive income	1,930,470	5	–	96,524
		(5)	–	(96,524)
Africa				
– Debt investments at fair value through other comprehensive income	262,331	5	–	13,117
		(5)	–	(13,117)

* Excluding retained profits

71. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Price risk *(Continued)*

	Carrying amount of investments RMB'000	Increase/ (decrease) in equity or debt prices %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000*
2017				
Investments listed in:				
Hong Kong				
– Available-for-sale	10,295,319	5	–	514,766
		(5)	–	(514,766)
– Held-for-trading	2,128,501	5	106,425	–
		(5)	(106,425)	–
Shenzhen				
– Available-for-sale	9,071,753	5	–	453,588
		(5)	–	(453,588)
Shanghai				
– Available-for-sale	2,982,353	5	–	149,118
		(5)	–	(149,118)
– Held-for-trading	1,587,306	5	79,365	–
		(5)	(79,365)	–
United States				
– Available-for-sale	21,245,620	5	–	1,062,281
		(5)	–	(1,062,281)
– Held-for-trading	2,512,692	5	125,635	–
		(5)	(125,635)	–
Europe				
– Available-for-sale	70,371,981	5	–	3,518,599
		(5)	–	(3,518,599)
– Held-for-trading	4,407,119	5	220,356	–
		(5)	(220,356)	–
Singapore				
– Available-for-sale	1,942,920	5	–	97,146
		(5)	–	(97,146)

71. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Price risk *(Continued)*

	Carrying amount of investments RMB'000	Increase/ (decrease) in equity or debt prices %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000*
2017 *(Continued)*				
Investments listed in: *(Continued)*				
Africa				
– Available-for-sale	92,686	5	–	4,634
		(5)	–	(4,634)
Oceania				
– Available-for-sale	105,190	5	–	5,260
		(5)	–	(5,260)
– Held-for-trading	771	5	39	–
		(5)	(39)	–
North America				
– Available-for-sale	274,782	5	–	13,739
		(5)	–	(13,739)
– Held-for-trading	5,705	5	285	–
		(5)	(285)	–
Asia				
– Available-for-sale	149,874	5	–	7,494
		(5)	–	(7,494)
– Held-for-trading	28,652	5	1,433	–
		(5)	(1,433)	–

* Excluding retained profits

71. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 31 December 2017.

The Group monitors capital using a total debt to total capital ratio, which is total debt divided by total equity plus total debt. Total debt includes interest-bearing bank and other borrowings and the liability component of convertible bonds. Total equity includes equity attributable to owners of the parent and non-controlling interests. The total debt to total capital ratios as at the end of the reporting periods were as follows:

	2018 **RMB'000**	2017 RMB'000
Interest-bearing bank and other borrowings	**186,140,351**	150,375,064
Convertible bonds, the liability component	**–**	81,428
Total debt	**186,140,351**	150,456,492
Total equity	**160,441,023**	136,412,281
Total equity and total debt	**346,581,374**	286,868,773
Total debt to total capital ratio	**54%**	52%

72. EVENTS AFTER THE REPORTING PERIOD

There was no significant event that took place after the reporting period and up to the date of approval of the financial statements.

73. COMPARATIVE AMOUNTS

As stated in note 5 to the consolidated financial statements, the comparative segment information has been restated to reflect the change of the reporting segments of the Group. Certain comparative amounts have been reclassified to conform to current year's presentation.

74. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**38,010,972**	32,907,708
Investment in associates	**395,732**	304,310
Deferred tax assets	**89,955**	–
Available-for-sale investments	**–**	922,932
Total non-current assets	**38,496,659**	34,134,950
CURRENT ASSETS		
Cash and bank	**4,168,026**	6,159,907
Investments at fair value through profit or loss	**–**	4,359,922
Financial assets at fair value through profit or loss	**4,531,822**	–
Derivative financial instruments	**36,070**	133,675
Prepayments, other receivables and other assets	**9,584**	7,535
Due from subsidiaries	**53,909,716**	39,681,937
Due from related companies	**–**	12,487
Total current assets	**62,655,218**	50,355,463
CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**7,617,633**	9,803,668
Derivative financial instruments	**205,714**	408,204
Accrued liabilities and other payables	**205,958**	197,371
Due to the holding company	**2,289,988**	769,062
Due to subsidiaries	**30,551,032**	21,895,274
Total current liabilities	**40,870,325**	33,073,579
NET CURRENT ASSETS	**21,784,893**	17,281,884
TOTAL ASSETS LESS CURRENT LIABILITIES	**60,281,552**	51,416,834
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**18,196,715**	10,688,014
Deferred tax liabilities	**–**	81,286
Total non-current liabilities	**18,196,715**	10,769,300
Net assets	**42,084,837**	40,647,534
EQUITY		
Share capital	**36,660,729**	36,485,351
Equity component of convertible bonds (note)	**–**	18,054
Other reserves (note)	**5,424,108**	4,144,129
Total equity	**42,084,837**	40,647,534

Guo Guangchang
Director

Wang Can
Director

74. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Continued)

Note:

A summary of the Company's reserves is as follows:

	Other reserves RMB'000	Exchange fluctuation reserve RMB'000	Available-for-sale investment revaluation reserve/ Fair value reserve RMB'000	Convertible bonds RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2017	(5,700)	1,578,217	52,747	68,674	2,647,815	4,341,753
Final dividend declared	–	–	–	–	(1,613,959)	(1,613,959)
Conversion of convertible bonds to ordinary shares	–	–	–	(50,620)	–	(50,620)
Repurchase of shares	–	–	–	–	(360,035)	(360,035)
Equity-settled share-based payments	54,048	–	–	–	–	54,048
Total comprehensive income for the year	–	(2,694,913)	176,894	–	4,309,015	1,790,996
At 31 December 2017	48,348	(1,116,696)	229,641	18,054	4,982,836	4,162,183
Impact of adopting HKFRS 9	–	–	9,319	–	(9,319)	–
At 1 January 2018 (restated)	48,348	(1,116,696)	238,960	18,054	4,973,517	4,162,183
Final dividend declared	–	–	–	–	(2,511,948)	(2,511,948)
Conversion of convertible bonds to ordinary shares	–	–	–	(18,054)	–	(18,054)
Repurchase of shares	–	–	–	–	(699,566)	(699,566)
Equity-settled share-based payments	92,845	–	–	–	–	92,845
Total comprehensive income for the year	–	1,913,267	(124,591)	–	2,609,972	4,398,648
At 31 December 2018	141,193	796,571	114,369	–	4,371,975	5,424,108

75. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2019.

EXECUTIVE DIRECTORS

Guo Guangchang *(Chairman)*
Wang Qunbin *(Chief Executive Officer)*
Chen Qiyu *(Co-President)*
Xu Xiaoliang *(Co-President)*
Qin Xuetang
Wang Can
Gong Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Zhang Shengman
Zhang Huaqiao
David T. Zhang
Yang Chao
Lee Kai-Fu

AUDIT COMMITTEE

Zhang Shengman *(Chairman)*
Zhang Huaqiao
David T. Zhang
Yang Chao
Lee Kai-Fu

REMUNERATION COMMITTEE

Zhang Huaqiao *(Chairman)*
Wang Qunbin
Zhang Shengman
David T. Zhang
Yang Chao
Lee Kai-Fu

NOMINATION COMMITTEE

David T. Zhang *(Chairman)*
Wang Qunbin
Zhang Shengman
Zhang Huaqiao
Yang Chao
Lee Kai-Fu

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Yang Chao *(Chairman)*
Qin Xuetang
Wang Can
Zhang Shengman
Zhang Huaqiao
David T. Zhang
Lee Kai-Fu

COMPANY SECRETARY

Sze Mei Ming

AUTHORIZED REPRESENTATIVES

Qin Xuetang
Wang Can

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

China Development Bank
Industrial and Commercial Bank of China
Agricultural Bank of China
Shanghai Pudong Development Bank
China Merchants Bank
Ping An Bank
China Construction Bank
China Citic Bank
The Export-Import Bank of China
Bank of Shanghai
Hongkong and Shanghai Banking Corporation Limited
Bank of East Asia
Standard Chartered Bank
Crédit Agricole Corporate and Investment Bank
Natixis Bank

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Hong Kong

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
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Hong Kong

STOCK CODE

00656

WEBSITE

http://www.fosun.com

Glossary

FORMULA

Adjusted NAV per share	=	(market value of listed investments held at the group level + the fair value of unlisted investments estimated by the management utilizing precedent transactions analysis or comparable company analysis – the net debt at the group level)/total issued number of shares of the Company
Capital employed	=	equity attributable to owners of the parent + total debt
EBITDA	=	profit for the year + tax + net interest expenditures + depreciation and amortisation
Interest coverage	=	EBITDA/net interest expenditures
Net debt	=	total debt – cash and bank and term deposits
Net gearing ratio	=	net debt/shareholder's equity
Net interest expenditures	=	Interest expenses, net + interest on discounted bills + interest on finance leases
ROE	=	profit attributable to owners of the parent for the year/[(opening balance of equity attributable to owners of the parent + ending balance of equity attributable to owners of the parent)/2]
Total debt	=	current and non-current interest-bearing bank and other borrowings + convertible bonds
Total debt to total capital ratio	=	total debt/(shareholder's equity + total debt)

ABBREVIATIONS

AHAVA	AHAVA Dead Sea Laboratories Ltd.
Aitrox	Shanghai Aitrox Information Technology Co., Ltd (上海杏脈信息科技有限公司) (formerly known as Shanghai Proxima Technology Ltd.)
AmeriTrust	AmeriTrust Group, Inc. (formerly known as Meadowbrook Insurance Group, Inc.)
Articles of Association	the current articles of association of the Company with the latest amendments made on 17 June 2008
Babytree	Babytree Group, a company whose H shares are listed on the Hong Kong Stock Exchange with stock code 01761
Baihe Jiayuan	Baihe Jiayuan Network Group Co., Ltd (百合佳緣網絡集團股份有限公司), a company whose shares are listed on the NEEQ with stock code 834214
BCP	Banco Comercial Português, S.A., a company whose shares are listed on the Euronext Lisbon with stock code BCP
Besino Environment	Besino Environment Ltd. (柏中環境科技(上海)有限公司)
the Board	the board of Directors
BRL	Brazil Real, the official currency of Brazil
Cainiao	Cainiao Network Technology Co., Ltd. (菜鳥網絡科技有限公司)
Caruso	Raffaele Caruso S.p.A.
CG Code	Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules
Chancheng Hospital	Foshan Chancheng Central Hospital Company Limited
Club Med	Club Med SAS
the Company	Fosun International Limited
the Director(s)	the director(s) of the Company
EUR	Euro, the official currency of the Eurozone
Fidelidade	Fidelidade – Companhia de Seguros, S.A.
Fidelidade Assistência	Fidelidade Assistência – Companhia de Seguros, S.A. (formerly known as Cares – Companhia de Seguros, S.A.)
Fonova	Shanghai Fonova Information Technology Co., Ltd. (上海星濟信息科技有限公司)
Forte	Shanghai Forte Land Co., Ltd.
Fosun Capital	Shanghai Fosun Capital Investment Management Co., Ltd. (上海復星創富投資管理股份有限公司)
Fosun Hani Securities	Fosun Hani Securities Limited
Fosun Holdings	Fosun Holdings Limited
Fosun Insurance Portugal	Fidelidade, Multicare and Fidelidade Assistência
Fosun International Holdings	Fosun International Holdings Ltd.

Fosun Pharma	Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥（集團）股份有限公司), a company whose A shares are listed on the SSE with stock code 600196, and whose H shares are listed on the Hong Kong Stock Exchange with stock code 02196
Fosun United Health Insurance	Fosun United Health Insurance CO., LTD (復星聯合健康保險股份有限公司)
FTG	Fosun Tourism Group, a company whose H shares are listed on the Hong Kong Stock Exchange with stock code 01992
GBP	Pound Sterling, the official currency of United Kingdom
GFA	gross floor area
Gland Pharma	Gland Pharma Limited
the Group or Fosun	the Company and its subsidiaries
H&A	Hauck & Aufhäuser Privatbankiers AG (formerly known as Hauck & Aufhäuser Privatbankiers KGaA)
Hainan Mining	Hainan Mining Co., Ltd. (海南礦業股份有限公司), a company whose A shares are listed on the SSE with stock code 601969
HKD	Hong Kong dollars, the official currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
IDERA	IDERA Capital Management Ltd.
JPY	Japanese yen, the official currency of Japan
Koller	Koller Beteiligungs GmbH
LANVIN	Jeanne Lanvin SAS
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Luz Saúde	Luz Saúde, S.A. (formerly known as ESPÍRITO SANTO SAÚDE – SGPS, SA), who has been delisted from the Euronext Lisbon in November 2018
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
Multicare	Multicare – Seguros de Saúde, S.A.
Mybank	Zhejiang E-Commerce Bank Co., Ltd. (浙江網商銀行股份有限公司)
Nanjing Iron & Steel	Nanjing Iron & Steel Co., Ltd. (南京鋼鐵股份有限公司), a company whose A share are listed on the SSE with stock code 600282
Nanjing Nangang	Nanjing Nangang Iron & Steel United Co., Ltd. (南京南鋼鋼鐵聯合有限公司)
NEEQ	National Equities Exchange and Quotations
Peak Reinsurance	Peak Reinsurance Company Limited
Pramerica Fosun Life Insurance	Pramerica Fosun Life Insurance Co., Ltd. (復星保德信人壽保險有限公司)
PRC or China	the People's Republic of China
Reporting Period	the year ended 31 December 2018
Rio Bravo	Rio Bravo Investimentos S.A.
RMB	Renminbi, the official currency of the PRC
ROC	Roc Oil Company Limited
Sanyuan Foods	Beijing Sanyuan Foods Co., Ltd. (北京三元食品股份有限公司), a company whose A shares are listed on the SSE with stock code 600429
SFO	the Securities and Futures Ordinance (Charter 571 of the laws of Hong Kong)
Shanghai Henlius	Shanghai Henlius Biotech Co., Ltd. (上海復宏漢霖生物技術股份有限公司)
Share(s)	the share(s) of the Company
Share Award Scheme	the share award scheme adopted by the Company on 25 March 2015, as amended from time to time
Silver Cross	Silver Cross Nurseries Limited
Sinopharm	Sinopharm Group Co., Ltd. (國藥控股股份有限公司), a company whose H shares are listed on the Hong Kong Stock Exchange with stock code 01099
Sisram Med	Sisram Medical Ltd, a company whose H shares are listed on the Hong Kong Stock Exchange with stock code 01696
SSE	the Shanghai Stock Exchange
Starcastle Senior Living	Shanghai Starcastle Senior Living Co., Ltd. (上海星堡老年服務有限公司)

St Hubert	St Hubert SAS
Thomas Cook	Thomas Cook Group plc, a company whose shares are listed on the London Stock Exchange with stock code TCG
Tom Tailor	TOM TAILOR Holding SE, a company whose shares are listed on the Frankfurt Stock Exchange with stock code TTI
Tsingtao Brewery	Tsingtao Brewery Company Limited (青島啤酒股份有限公司), a company whose A shares are listed on the SSE with stock code 600600, and whose H shares are listed on the Hong Kong Stock Exchange with stock code 00168
USD	United States dollars, the official currency of the United States
Wanbang	Jiangsu Wanbang Biopharmaceuticals Group Co., Ltd. (江蘇萬邦生化醫藥集團有限責任公司)
Wolford	Wolford Aktiengesellschaft, a company whose shares are listed on the Vienna Stock Exchange with stock code WOL
Yong'an P&C Insurance	Yong'an Property Insurance Company Limited (永安財產保險股份有限公司)
Yuyuan	Shanghai Yuyuan Tourist Mart Co., Ltd. (上海豫園旅遊商城股份有限公司), a company whose A shares are listed on the SSE with stock code 600655

FOSUN 复星